HEINEKEN

Annual Report 2013

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 our planet.

We want

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

Contents

Useful links

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

The Quick Read

Performance highlights[1]

Revenue (in millions of EUR)

€19,203m

2013	19,203
2012	18,383
2011	17,123
2010	16,133
2009	14,701

Consolidated beer volume (in millions of hectolitres)

178.3mhl

2013	178.3
2012	171.7
2011	164.6
2010	145.9
2009	125.2

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

28.1mhl

2013	28.1
2012	29.1
2011	27.4
2010	26.0
2009	25.9

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

€2,941m

2013	2,941
2012	2,666
2011	2,456
2010	2,251
2009	1,913

Net profit (beia) (in millions of EUR)

€1,585m

2013	1,585
2012	1,661
2011	1,584
2010	1,456
2009	1,055

Key figures

Group results[2]

In millions of EUR	2013	2012[3]	Change in %
Group revenue	21,255	20,984	1.3%
Group operating profit (beia)	3,192	3,106	2.8%

Consolidated results[1]

In millions of EUR			
Revenue	19,203	18,383	4.5%
Consolidated operating profit (beia)	2,941	2,666	10.3%
Net profit	1,364	2,914	(53.2)%
Net profit (beia)	1,585	1,661	(4.6)%
EBITDA	4,281	5,226	(18.1)%
EBITDA (beia)	4,214	3,985	5.7%
Dividend (proposed)	512	512	0.0%
Free operating cash flow	1,518	1,485	2.2%

Balance sheet

In millions of EUR			
Total assets	33,337	35,980	(7.3)%
Equity attributable to equity holders of the Company	11,402	11,734	(2.8)%
Net debt position	10,868	12,311	(11.7)%
Market capitalisation	28,270	29,071	(2.7)%

Results and balance sheet per share of EUR 1.60

Weighted average number of shares – basic	575,062,357	575,022,338	0.0%
Net profit	2.37	5.07	(53.3)%
Net profit (beia)	2.76	2.89	(4.5)%
Dividend (proposed)	0.89	0.89	0.0%
Free operating cash flow	2.64	2.58	2.3%
Equity attributable to equity holders of the Company	19.83	20.41	(2.8)%
Share price	49.08	50.47	(2.8)%

Employees

In numbers			
Average number of employees (FTE)	80,933	76,191	6.2%

Ratios

Consolidated operating profit (beia) as a % of revenue	15.3%	14.5%
Net profit as % of average equity attributable to equity holders of the Company	11.8%	27.1%
Net debt/EBITDA (beia)	2.58	3.09
Dividend % payout	32.3%	30.8%
Cash conversion rate	84.0%	81.5%

[1]Based on consolidated metrics.
[2]Group metrics include HEINEKEN's attributable share of joint ventures and associates.
[3]Restated for the revised IAS 19.

Read our full results announcement at: theHEINEKENcompany.com

Report of the Executive Board

Chief Executive's Statement

Left René Hooft Graafland
Member of the Executive Board/CFO

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

Celebrating 150 years

It has been a challenging year, but the fundamentals of our business are strong and we remain committed to delivering long-term value for our stakeholders.

Financial performance

The last 12 months have been challenging for our business. Our financial results were below expectations having been impacted by tough market conditions in Europe and weaker trading than we had expected in some of our important developing markets. Group revenue grew 1.3 per cent, while group operating profit (beia) increased 2.8 per cent.

Revenue management

Throughout the year, we have implemented a number of initiatives to improve our top-line performance. Through a continued focus on innovation, stronger pricing, better portfolio planning and execution, we have improved our revenue per hectolitre by 2.7 per cent. Additionally, we have maintained our marketing support behind growth brands.

Cost reduction

The business has realised cost savings of €1.4 billion since 2006. Our TCM2 programme delivered €300m in 2013. We are well on our way to achieving our three-year target of €625m during 2014. We have achieved these results by reducing support function costs and eliminating wasteful practices across our operations. This is an ongoing focus. We have also standardised and simplified the way operating companies benefit from the services provided by HEINEKEN Global Shared Services and HEINEKEN Global Procurement. These actions are helping to make us more competitive.

Celebrating 150 years

15 February 2014 marks the 150th anniversary of HEINEKEN. In 1864, Gerard Adriaan Heineken founded the Company with a clear vision: to brew the best beer of his time and to let the world know. He was uncompromising on quality, he was commercially astute and he was a very progressive employer. He never lost sight of the simple rule that beer and enjoyment should go hand in hand. It is an approach that has served the Company well. Fast forward 150 years and those same values guide us today. HEINEKEN is now the world's most international brewer. The Heineken® brand leads the way in the international premium segment. The entrepreneurial spirit and drive of our more than 85,000 employees continues to take us forward. And 150 years on, the Heineken family remains a constant support for the Company.

This is what makes HEINEKEN unique. Each one has helped the Company navigate challenging times and they are what will drive its continued success in the future.

Winning through innovation

The other enduring feature of our business has been innovation. The beer that Gerard Adriaan set out to brew 150 years ago was a new type of beer – a Pilsener – that he believed would give something more to consumers. Anticipating and meeting consumer needs remains at the core of our success today. In 2013, €1.1 billion of our revenue came from innovations. We increased our innovation rate to 5.9 per cent, up from 5.3 per cent in 2012.

Chief Executive's Statement continued

Heineken® and our other global brands

Heineken® continues to lead in the International Premium Segment and we saw a solid performance in a number of key countries such as Nigeria, South Africa, Russia, Chile, Brazil and South Korea. And for the first time we surpassed 1 mhl for the Heineken® brand in China. However, the performance of Heineken® was not at the level we have become accustomed to. This was driven almost exclusively by lower growth in key markets such as the U.S, Vietnam and France. We are confident that these markets continue to represent positive growth opportunities for the brand. Alongside Heineken®, we continued to invest in our global portfolio of premium brands – Amstel Premium Pilsener, Strongbow Gold cider, Sol and Desperados. Over time, our intention is to grow these brands using our unique geographic spread.

Transformation of our global footprint

For a number of years, we have invested in the geographies and segments that offer significant opportunities for future growth.

During 2013, we completed the integration of Asia Pacific Breweries within HEINEKEN Asia Pacific. The business continues to perform strongly. In May, we announced a new greenfield brewery project in Myanmar and we have continued to invest in capacity expansion projects in Papua New Guinea and Vietnam.

In Mexico, we gained share and increased profitability. In Africa Middle East, we continued to invest in capacity expansion projects in Nigeria, Ethiopia and the Democratic Republic of Congo.

Despite the slower pace of growth in some emerging markets in 2013, we are confident in the long-term growth prospects of these markets. Our continued investment means that as growth accelerates, our brands and businesses will be in a strong position.

Capitalising on the value of Europe

Europe remains a dynamic region. We are focused on effective revenue growth management and a continued disciplined approach towards driving down costs. The region has become the Company's innovation hub. Through leveraging our leadership positions, strong distribution network and relationships with retailers, we have been able to launch record numbers of new products in a matter of months. This, combined with higher commercial investments, will continue to strengthen our market positions across the region.

Fighting for the category

The brewing industry is a vibrant, important contributor to economic and social life in many countries across the globe. However, in difficult financial times governments search to find ways of raising additional revenues. Whilst we expect to pay our share, for our industry this invariably means disproportionate increases in excise and other taxes. This puts an even greater financial burden on the brewer and increases prices for consumers. The reality is that such measures have a negative impact on investment and jobs across the agricultural, brewing, hospitality and associated industries.

We have thus been more active in engaging governments and sharing with them the economic and social impact of excessive taxation. We have seen some positive outcomes from our efforts and we will continue to fight our case.

Brewing a Better Future

In the middle of the year, we recognised the importance of sustainability to our future by identifying Brewing a Better Future, our global sustainability strategy, as a core business priority. From water to CO_2 emissions and from sourcing to responsible consumption we are using our global scale throughout our value chain to find ways to make a positive impact in the communities where we operate and in society as a whole.

Company Rules

Nothing is more important than ensuring that we all work in accordance with the values that have made the Company so successful. We want to win and we want to do so the right way. In 2013 we began the process of training our employees to fully understand what is expected from them via our renewed Code of Business Conduct. It is important that all our employees are equipped to make the right decisions, whatever their role and wherever they may operate.

Thank you

As I do every year, I want to thank all my colleagues around the world for their professionalism and commitment. It has been a challenging year but the passion for the business and the desire to win the right way remains as strong as ever. It is a privilege to work with such a dynamic and diverse group and to lead this exceptional Company. I would also like to thank every one 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, 11 February 2014

Outlook 2014

In 2014, HEINEKEN expects a gradual recovery in the global economy to underpin improved trading conditions in several of its key markets. This, together with a continued focus on effectively executing against our strategic priorities – Drive Heineken® brand outperformance in the premium segment, invest in brands and innovation for growth, leverage global scale to drive cost efficiencies, capture opportunities in developing markets, drive personal leadership and further embed sustainability across the business – is expected to drive an improved business performance in 2014, and support sustainable revenue and profit growth.

Improved revenue growth

HEINEKEN expects volume growth in developing markets in Africa Middle East, Asia Pacific and Latin America and lower consumption in Europe. This is expected to lead to an improved organic volume performance trend versus 2013. In addition, revenue management initiatives are again expected to drive higher revenue per hectolitre, albeit at a more modest level compared with 2013. Overall, this is expected to result in organic revenue growth in 2014. Emerging markets currencies remain volatile however, and based on current spot rates, this is expected to have an adverse impact on reported revenues.

HEINEKEN plans a slight increase in marketing & selling (beia) spend as a percentage of revenue in 2014 (2013: 12.6%). This primarily reflects higher planned commercial investments in Europe, where HEINEKEN is focused on further premium brand development, ongoing innovation and driving excellence in sales execution.

Driving margin expansion

HEINEKEN is committed to delivering a gradual and sustainable improvement in operating profit (beia) margin in the medium term. This will be supported by continued tight cost management, effective revenue management and the anticipated faster growth of higher margin developing markets.

HEINEKEN expects to realise its targeted TCM2 savings of €625 million covering 2012-2014 during the year. An intensified focus on driving cost efficiencies is expected to result in new restructuring opportunities across the Company. In particular, HEINEKEN plans to further leverage the Global Business Services organisation to accelerate efficiency benefits in Europe by expanding the scope of activities within the HEINEKEN Global Shared Services centre.

As a result of ongoing productivity initiatives, HEINEKEN expects an organic decline in the total number of employees in 2014. HEINEKEN expects input cost prices to be stable to slightly lower in 2014 (excluding a foreign currency transactional effect).

Foreign currency movements

Exchange rate movements will adversely impact revenues and profits in 2014. Assuming spot rates as of 10 February 2014, the calculated negative currency translational impact on consolidated operating profit (beia) will be approximately €115 million. At net profit (beia), this effect will be around €75 million.

Improving financial flexibility

HEINEKEN will maintain its focus on cash flow generation and disciplined working capital management. The Company remains committed to achieving its long-term target net debt/EBITDA (beia) ratio of below 2.5 by the end of 2014. In 2014, capital expenditure related to property, plant and equipment is forecasted to be approximately €1.5 billion (2013: €1.4 billion). This increase primarily reflects investments in additional brewing capacity and commercial assets to support the anticipated growth in developing markets. Consequently, HEINEKEN expects a cash conversion ratio of below 100% in 2014 (2013: 84%).

Interest rate

HEINEKEN forecasts an average interest rate of around 4.1% (2013: 4.4%), reflecting lower average coupons on outstanding bonds.

Effective tax rate

HEINEKEN expects the effective tax rate (beia) for 2014 to be in the range of 28% to 30% (2013: 28.7%), broadly in line with 2013.

Report of the Executive Board

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.

1. 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.

2. 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.

3. 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.

4. 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.

5. 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).

*Effective as of 1 May 2014, Chris van Steenbergen will be appointed Chief Human Resources Officer.

6. 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.

7. 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.

8. 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 management roles. From 2006, Alexis was General Manager of the Personal Care business for Central and Eastern Europe, the Middle East and Africa.

9. 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.

10. 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. Since 2009 he was Managing Director HEINEKEN UK.

11. Roland Pirmez (Belgian; 1960)
President Asia Pacific

In 2013, appointed President Asia Pacific & Chief Executive Officer Asia Pacific Breweries Ltd (APB). 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 APB.

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.

Our Business Priorities

Grow the Heineken® brand

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

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.

Capture the opportunities in emerging markets

HEINEKEN has transformed its emerging market presence in recent years through a clear acquisition strategy, strong organic growth and our excellent joint venture partnerships.

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.

Drive personal leadership

HEINEKEN employs more than 85,000 people in over 70 countries. As our business continues to grow in scale and complexity, people are our main source of competitive advantage.

Embed and integrate sustainability

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

Find out about our Company and strategy:
theHEINEKENcompany.com

Grow the Heineken® brand

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

20% Heineken®
SHARE OF THE IPS

Heineken® won
A GRAND PRIX FOR CREATIVITY
AND **14** OTHER AWARDS AT THE
CANNES LIONS FESTIVAL

Heineken® **igNITE**
Milan Design Week
The latest bottle innovation is unveiled
igNITE a glow-in-the-dark, rhythm-pulsing bottle

THE MOST WATCHED ANNUAL SPORTING EVENT
168 MILLION
WATCHED THE 2013 FINAL

Heineken® SPONSORSHIP EXTENDED TO **2018**

ENJOY RESPONSIBLY
MESSAGE FEATURED ON ONE-THIRD OF MATCH NIGHT MEDIA

MEN OF THE WORLD

The Heineken® 'Dropped' campaign
social experiment followed men across the planet **dropped in remote locations** on their legendary travel experience

40 MILLION+
VIEWS GENERATED

THE CANDIDATE
ONE OF THE WORLD'S MOST CELEBRATED ONLINE VIRAL
CAMPAIGNS
ENJOYED AND SHARED BY MILLIONS WORLDWIDE

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.

SPOTLIGHT ON INNOVATION

€1.1 BILLION
REVENUE FROM INNOVATIONS

5.9%
INNOVATION RATE UP FROM 5.3% IN 2012

WE LAUNCHED
THE SUB®
&
THE TORP

A NEW 2 LITRE KEG, HOME DRAUGHT BEER EXPERIENCE

RADLER
A LOWER ALCOHOL BEER AND LEMON JUICE MIX WAS LAUNCHED IN 19 COUNTRIES

1

WINNING WITH STRATEGIC CUSTOMERS

our **Joint Business Planning** model continued to be rolled out with strategic customers in Off-Premise and is driving a volume channel

INDEX PERFORMANCE

of **104.6%**
versus total volume

STRONGBOW DARK FRUIT
AND
BULMERS BOLD BLACK CHERRY
CIDERS

TWO OF UK OFF-TRADE'S TOP NEW PRODUCT PERFORMERS

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

Capture the opportunities in emerging markets

HEINEKEN has transformed its emerging market presence in recent years through a clear acquisition strategy, strong organic growth and our excellent joint venture partnerships.

VOLUME GROWTH AND IMPROVED BRAND EQUITY FOR **Heineken®** IN A NUMBER OF KEY COUNTRIES

WINNING IN HIGH-GROWTH REGIONS

Africa Middle East

13 #1 — 4 #2

MARKET POSITIONS

South East Asia & the Pacific Islands

7 #1 — 3 #2

MARKET POSITIONS

CAPITAL INVESTMENT FOCUSED ON DEVELOPING MARKETS

NEW BREWERY IN ETHIOPIA TO OPEN IN 2014

JOINT VENTURE SIGNED AND WORK STARTED ON NEW BREWERY IN MYANMAR

ASIA PACIFIC BREWERIES

SUCCESSFULLY INTEGRATED INTO HEINEKEN

TIGER GOES FROM STRENGTH TO STRENGTH

30% GROWTH in Asia Pacific

MEXICO

21% AVERAGE ANNUAL GROWTH IN OPERATING PROFIT (BEIA) FOR THE 3 YEARS ENDING 2013*

*INCLUDES DOMESTIC BEER OPERATIONS ONLY

Explore our regional and local brands: theHEINEKENcompany.com

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.

GLOBAL INFORMATION SERVICES (GIS)

ALL OF OUR **70+** OPERATING COMPANIES ARE SUPPORTED BY GIS

Global Information Services continued to support in developing processes, delivering IT solutions and managing master data

MORE THAN **2,100 INITIATIVES** tackling non-product-related spending and improved working capital efficiency

49 global cost-saving initiatives related to raw materials and packaging

SUPPLIER CODE
Since the introduction of our Supplier Code, more than 39,000 of our global and local suppliers have signed the Code that outlines key elements of integrity, environment and human rights

GLOBAL COMMERCE UNIVERSITY

3,386 PROFESSIONALS
3,633 HOURS OF TRAINING
98% OVERALL SATISFACTION

HGSS

14 operating companies migrated their transactional finance activities to our **HEINEKEN Global Shared Services** centre **(HGSS)** in Kraków, leading to improved efficiency and greater quality in financial reporting

459 EMPLOYEES
18 NATIONALITIES
21 LANGUAGES SPOKEN

Discover what is happening at HEINEKEN: theHEINEKENcompany.com

Drive personal leadership

HEINEKEN employs more than 85,000 people in over 70 countries. As our business continues to grow in scale and complexity, people are our main source of competitive advantage.

36% 2012 48% 2013

We increased our percentage of local management team members in **Africa Middle East** through the support of our regional and global development programmes to 48%

22,000

PEOPLE APPLIED TO TAKE PART IN THE 2013 HEINEKEN INTERNATIONAL GRADUATE PROGRAMME

Nearly **1,700 First Line Managers (FLMs)** in **35 operating companies** took part in our FLM Development Programme

15 GRADUATES

WERE SELECTED FROM

11 COUNTRIES

6,000+

EMPLOYEES TRAINED IN THE HEINEKEN LEADERSHIP COMPETENCIES

200 HIGH-POTENTIAL LEADERS

participated in our global HEINEKEN management development programmes, delivered in partnership with business schools in Europe and Asia Pacific

360°

FEEDBACK PROCESS HELPED OVER 400

OF OUR LEADERS WITH STRUCTURED FEEDBACK AND COACHING

Explore HEINEKEN as a place to work: theHEINEKENcompany.com

Embed and integrate sustainability

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

In April, we announced four key areas of focus for the second phase of **Brewing a Better Future**, setting ambitious **2015-2020** targets for each one.

Below are some examples of our work in 2013.

WE SET UP WATER PROTECTION PLANS
AND WATER STEWARDSHIP TEAMS
IN SPAIN, MEXICO AND ETHIOPIA

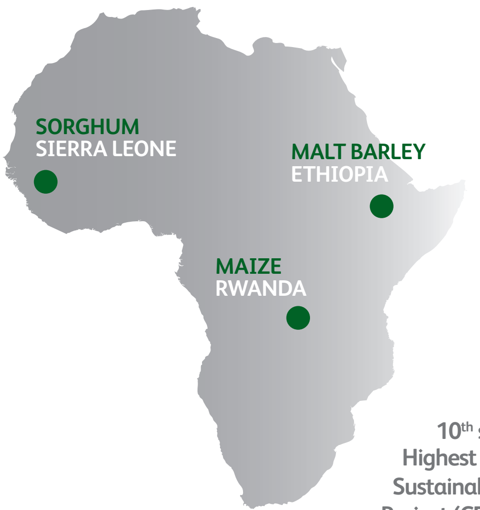
Reduce water consumption

Reduce CO_2 emissions

DRIVING DOWN CO_2 EMISSIONS

IN THE NETHERLANDS
WE INTRODUCED EUROPE'S
BIGGEST
ELECTRIC TRUCK
FOR DISTRIBUTION

We launched a **4-YEAR PROGRAMME** to support sustainable local sourcing which covers **Ethiopia**, **Rwanda** and **Sierra Leone** impacting 100,000's of farmers and families

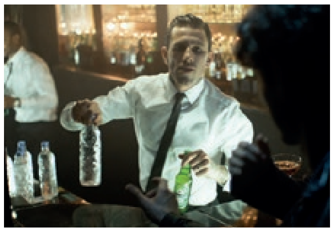


In addition to our existing local sourcing projects in Nigeria, DRC and Egypt

Sourcing sustainably

Advocating responsible consumption

WE ARE ADVOCATING
RESPONSIBLE CONSUMPTION



Investing 10% of media spend on inspiring global campaigns like **SUNRISE** and **DANCE MORE DRINK SLOW**. And creating partnerships in 39 markets to address alcohol abuse

10th successive year in FTSE4Good index
Highest ever scores on: RobecoSAM Dow Jones Sustainability Index, Investors Carbon Disclosure Project (CDP), Responsible Supply Chain Benchmark

2012 SUSTAINABILITY REPORT JUDGED 'BEST REPORT'
by Ethical Corp

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.

Our Regions

HEINEKEN has introduced new Group reporting metrics to better reflect the importance of its equity participation in joint ventures and associate businesses.

Africa Middle East

Americas

Asia Pacific

Central and Eastern Europe

Western Europe

Read our regional announcement in full: theHEINEKENcompany.com

Africa Middle East

"Sustained investment in our brands, innovation and increased capacity during the year reflects our ongoing strong conviction that the growth fundamentals across the region remain firmly in place. The growth of Heineken® in Nigeria highlights the opportunity in the premium segment."

Siep Hiemstra, President Africa Middle East

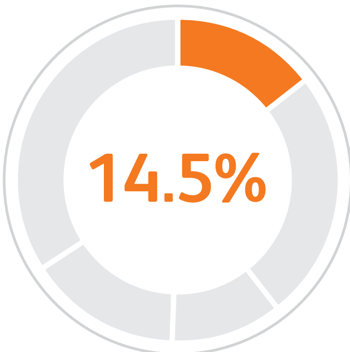
Key highlights:

- 17 number one and number two market positions in the region
- TCM2 savings of €58m
- Group operating profit (beia) margins up 90 basis points

Group revenue

€3,072M

Group revenue as % of total



Key brands

Group beer volume

27.4M HECTOLITRES

Group beer volume as % of total

14.1%

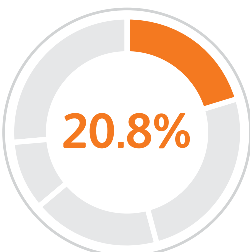
Heineken® volume in premium segment

3.5M HECTOLITRES

Group operating profit (beia)

€665M

Group operating profit (beia) as % of total



Read our regional announcement in full: theHEINEKENcompany.com

Americas

"The region benefited from strong revenue and cost management initiatives, which led to improved profitability. Heineken® grew share in five of its six key markets. The Americas continues to offer significant volume and value growth opportunities."

Stefan Orlowski, President Americas

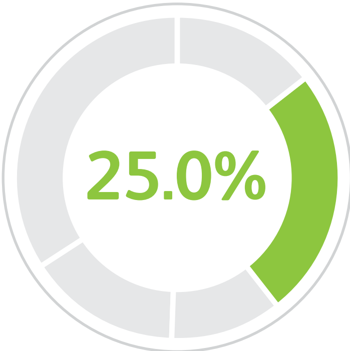
Key highlights:

- Total portfolio share gains in Mexico, USA, Canada, Brazil, Chile & Argentina
- 3.6% increase in revenue per hectolitre, driven by solid progress in Mexico
- €69m in TCM2 cost savings in 2013

Group revenue

€5,315M

Group revenue as % of total



Key brands

Group beer volume

54.9M HECTOLITRES

Group beer volume as % of total

28.1%

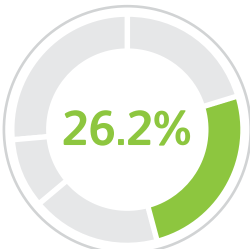
Heineken® volume in premium segment

8.5M HECTOLITRES

Group operating profit (beia)

€837M

Group operating profit (beia) as % of total



Read our regional announcement in full: theHEINEKENcompany.com

Asia Pacific

"The integration of APB was successfully completed, strengthening our competitive position. Continued investment in our brands delivered strong growth in key markets. And for the first time Heineken® surpassed 1mhl in China."

Roland Pirmez, President Asia Pacific

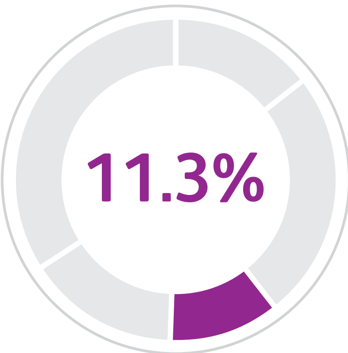
Key highlights:

- Tiger® grew by 30%, driven by strong performance in Vietnam
- New brewery under construction in Myanmar, to be operational in 2014
- Strong performance of ABP with pro-forma organic operating profit (beia) up 14%

Group revenue

€2,394M

Group revenue as % of total



Key brands

Group beer volume

22.7M HECTOLITRES

Group beer volume as % of total

11.6%

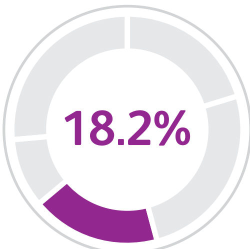
Heineken® volume in premium segment

6.1M HECTOLITRES

Group operating profit (beia)

€580M

Group operating profit (beia) as % of total



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Central and Eastern Europe

"Our focus is on value creation through our international premium brands, consumer-driven innovations and higher value product and packaging offerings. This is being supported by excellence at point of sale as well as strong local brands."
Jan Derck van Karnebeek, President Central and Eastern Europe & Chief Sales Officer

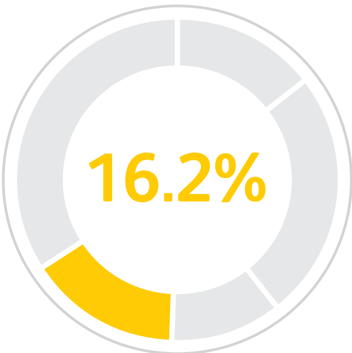
Key highlights:

- Improved execution at point of sale delivering an increase in key off-trade shelf space
- 4% increase in revenue per hectolitre
- Heineken® grew in all key markets

Group revenue

€3,453M

Group revenue as % of total



Key brands

Group beer volume

48.0M HECTOLITRES

Group beer volume as % of total

24.6%

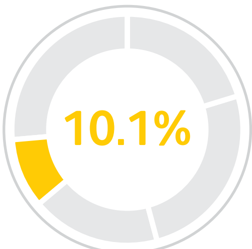
Heineken® volume in premium segment

2.4M HECTOLITRES

Group operating profit (beia)

€321M

Group operating profit (beia) as % of total



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Western Europe

"The region is now the company's leading source for innovation revenue. We intensified our focus on driving down costs and reinvested savings to strengthen our brands, enhance sales effectiveness and create exciting new categories."

Alexis Nasard, President Western Europe & Chief Marketing Officer

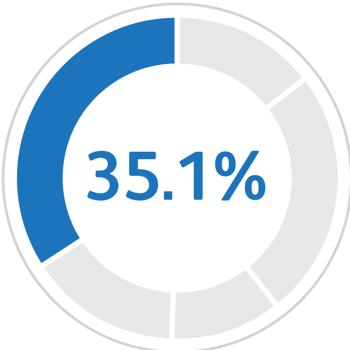
Key highlights:

- TCM2 savings exceeded €65 million
- High rate of innovation driven by launch of Radler in 9 countries
- Heineken® 'Green month' in-store promotions outperformed non-participating stores by up to 40%

Group revenue

€7,456M

Group revenue as % of total



Key brands

Group beer volume

42.2M HECTOLITRES

Group beer volume as % of total

21.6%

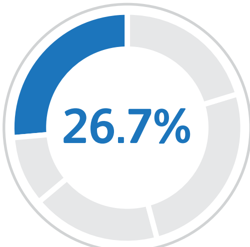
Heineken® volume in premium segment

7.6M HECTOLITRES

Group operating profit (beia)

€853M

Group operating profit (beia) as % of total



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Risk Management

Introduction

The following chapter presents an overview of HEINEKEN's approach to risk management and control systems and a description of the nature and extent of its exposure to risks. The risk overview highlights the main risks known to HEINEKEN, which could hinder it in achieving its strategic objectives. The risk overview may, however, not include all the risks that may ultimately affect HEINEKEN. Some risks not yet known to HEINEKEN, or currently believed not material, could ultimately have a major impact on HEINEKEN's reputation, strategic objectives, revenues, employees or capital resources. Effective management of risks is an integral part of how HEINEKEN operates as a business. Identifying, assessing, prioritising and managing risk enables HEINEKEN to protect the Company and its brands against reputational and financial damage, to safeguard its employees and to achieve its strategic objectives.

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 has undertaken economic activity with other parties in the market in the form of joint ventures and strategic partnerships. As HEINEKEN generally does not have a majority of the shares and voting rights in these entities, decisions taken by its joint venture and strategic partnership entities may not be fully harmonised with HEINEKEN's strategic objectives.

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 point-of-sales and increased government tax and may cause consumption trends to shift away from beer to non-alcoholic beverages. Negative publicity, restrictive measures and potential change in consumption trends could lead to a decrease in 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.

Risk Management and Control System

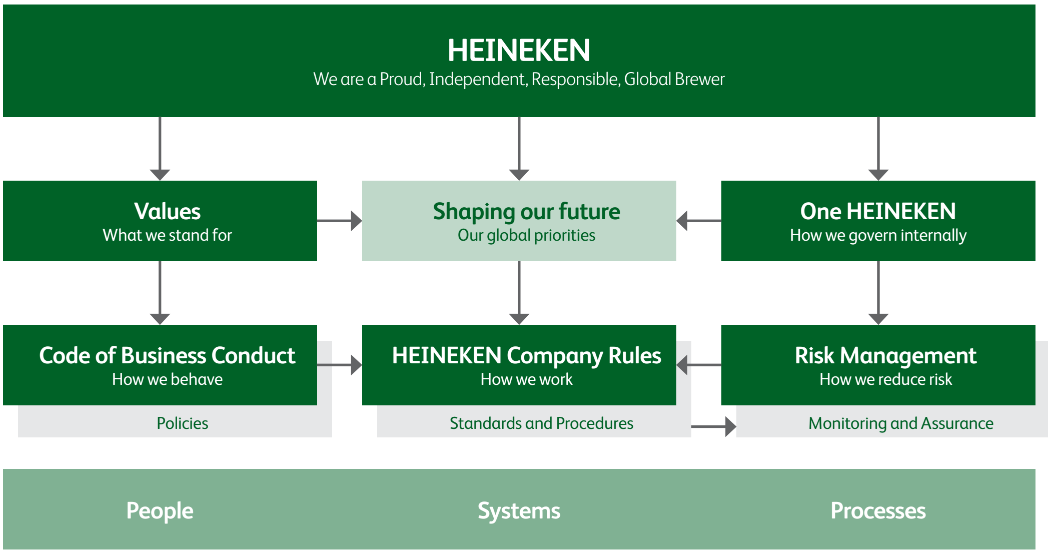
HEINEKEN has established and operates its risk management and control system based on the COSO Internal Control-Integrated Framework. The HEINEKEN Company Rules and Code of Business Conduct, which set the boundaries within which all of HEINEKEN's operating companies and employees operate, are key elements of the risk management and control system. This system identifies, assesses, prioritises and manages risks on a continuous and systematic basis, and covers all of its operations across regions, countries, markets and functions. HEINEKEN aims to monitor, adopt, develop and implement industry-wide best practices in its risk management and control system.

HEINEKEN's governance cycle and financial reporting system are key elements of its risk management and control system. The identification and assessment of risks is an integral part of the three-year strategic business plans drawn-up by the operating companies, regions and global functions and approved by the Executive Board each year. The Executive Board of HEINEKEN has overall responsibility for risk management, and has established a Governance, Risk and Compliance Committee (chaired by HEINEKEN's Chief Financial Officer) to oversee the adequacy and functioning of HEINEKEN's risk management and control system. The overall effectiveness of the risk management and control system is periodically reviewed by the Audit Committee.

Financial reporting

The risk management and control system for financial reporting includes clear accounting policies, a standard chart of accounts and 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 Common Internal Audit Approach 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.

HEINEKEN Business Framework



Main risks

HEINEKEN's main risks and the measures which it takes to manage these risks are set out below. The finance risks are dealt with separately in note 32 to the Financial Statements.

Risk category	Risk description	What we are doing to manage the risk
Non-compliance	Increasing risk of non-compliance to laws and regulations due to strong growth in many new (emerging) markets leading to fines, claims, reputational and brand damage. Specific risks are: ▪ Non-compliance with Company Rules and Code of Business Conduct ▪ Non-compliance with competition law ▪ Non-compliance to local tax regulations ▪ Targeting under legal drinking age consumers	▪ Implementation and assessment of compliance with HEINEKEN Company Rules and HEINEKEN Code of Business Conduct ▪ Standards & procedures and training (including e-tools) ▪ Embedding of certain risk and control systems
Alcohol	Alcohol abuse remains a serious concern in many markets and prompts regulators to take further restrictive measures including restrictions and/or bans on advertising and marketing, sponsorship, point-of-sale, and increased taxes leading to lower revenues and profit. Specific risks are: ▪ Increased restrictions on commercial freedoms ▪ Increased taxes and duties ▪ Increased restrictions in availability	▪ Placement of warnings on the labels of HEINEKEN's products ▪ HEINEKEN continuously advocates responsible consumption of its products ▪ Work through EU Alcohol & Health Forum to reduce alcohol-related harm ▪ HEINEKEN Company Rule regarding responsible commercial communication ▪ Improving relations and co-operation with governments and NGOs ▪ Global commitments by alcohol producers to support reduction in alcohol-related harm

Risk Management continued

Risk category	Risk description	What we are doing to manage the risk
Quality and integrity of our products	Poor quality products or integrity of our products may result in reputational and brand damage, resulting in lower volumes and financial claims. Specific risks are: ▪ Contaminants ▪ Insufficient quality of products ▪ Recalls	▪ Production controls ▪ Business continuity plans ▪ Recall procedures, crisis procedures and manuals, production controls and business continuity procedures ▪ Objective to use only approved materials from approved suppliers for production ▪ Objective to periodically review material standards and suppliers ▪ Application of a Company-wide sustainability programme, including the rollout of a supplier code and the use of the EcoVadis self-assessment tool for suppliers, materials and countries
Safety, Health and Environment (SHE)	Incidents and accidents in the supply chain and in HEINEKEN's route-to-market. Specific risks are: ▪ Physical injuries ▪ Fatalities	▪ Strengthen global SHE organisation, processes and procedures ▪ Tracking, monitoring and evaluation of accidents and fatalities
Management capabilities	We may not be successful in attracting, developing and retaining talented staff with the required capabilities. Specific risks are: ▪ Less than required number of talented staff employed to fill current and future positions ▪ Lower than required quality of staff in key positions	▪ Develop and increase our management talent pipeline ▪ Implementation of appraisal and evaluation processes ▪ Strengthening management development programmes and initiatives ▪ Functional Succession Committees
Availability and volatility in prices of raw materials, commodities, energy and water	Risk of limited availability of raw materials, commodities, energy and water. Volatility in prices of raw materials and commodities may impact our profit. Specific risks are: ▪ Limited availability ▪ Failure to pass on price increases ▪ Business disruption	▪ 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 ▪ Improvement of our knowledge of the market and our suppliers including policy to ensure at least dual suppliers for all primary production materials ▪ Water sustainability strategy and plan ▪ Sustainable sourcing plan

Risk category	Risk description	What we are doing to manage the risk
Industry consolidation	We might fail to successfully participate in industry consolidation and miss opportunities to acquire target companies. Specific risks are: ▪ Competitive disadvantage ▪ Missed opportunities ▪ Overpaying ▪ Unsuccessful business integration	▪ Effective competition in relation to pricing, quality and reliability ▪ Make use of cost advantages via economies of scale ▪ Strong due diligence processes ▪ Implementation of a common business integration process
Marketing and Brand Management	Inability to further build our brands due to lack of consumer insight, unsuccessful innovations and ineffective use of social media. The Company may not be able to defend its intellectual property rights. Specific risks are: ▪ Limited or unsuccessful innovations ▪ Failure to use opportunities of social media ▪ Social media can work as an accelerator of other risks	▪ 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
Disruptions in the supply chain	Disruptions in the supply chain may lead to inability to deliver key products to key customers, leading to increased costs, lower volumes and lower market shares. Specific risks are: ▪ Failure of IT systems ▪ Factors beyond our control like natural disasters, political instability, military conflicts	▪ Business continuity plans ▪ Implementation of back-up scenarios ▪ Monitoring of the solvency of customers and suppliers ▪ Supplier performance measurement system to identify and monitor high risk supply areas, and where necessary, the ability to intervene ▪ Global insurance policies
Social media	Social media has become increasingly important in the beverage sector. We may not be able to use the opportunities afforded by social media to manage any related risks (e.g. legal drinking age restrictions, IT or information security). We may not be able to control information or respond in a timely manner.	▪ Attention to effective use of social media and consumer and marketing intelligence ▪ Monitoring social media platforms by various departments (marketing, corporate relations, legal)

Risk Management continued

Risk category	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, especially in the on-trade business. This may lead to lower volumes, pressure on selling prices and increased credit risk. Weak economies may impact the solvency of our suppliers. Specific risks are: ▪ Down trading ▪ Increased credit risk ▪ Increased taxes ▪ Discontinuity of supply due to solvency problems of our 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 ▪ Evaluation of the financial position of critical suppliers ▪ Developing contingency plans ▪ Taking prudent balance sheet measures ▪ Strengthening of short-term liquidity positions ▪ Creation of Corporate Affairs Committee to oversee regulatory developments and risk
Information security	Loss of confidential information and disruption of processes due to unavailability or failure of IT systems and breaches in the security infrastructure may disrupt its business and cause financial damage. Specific risks are: ▪ Disruption of processes outsourced to shared service centres ▪ Cyber crime ▪ Security breaches	▪ Strengthen the Company's 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 ▪ The increased centralisation of its IT systems allows central enforcement of security measures
Business improvement and transformation	Risk that benefits of strategic transformation programmes will not be realised, of significant cost overruns and of lower than required quality of the deliverables. Specific risks are: ▪ Estimated benefits too ambitious ▪ 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

There may be current risks that do not have a significant impact on the business but which could – at a later stage – develop into a risk that may have a material impact on the Company's business. The Company's risk management systems are also focused on timely discovery of such risks.

Financial Review

Results from operating activities

In millions of EUR	2013	2012*
Revenue	**19,203**	18,383
Other income	**226**	1,510
Raw materials, consumables and services	(12,186)	(11,849)
Personnel expenses	(3,108)	(3,031)
Amortisation, depreciation and impairments	(1,581)	(1,316)
Total expenses	**(16,875)**	(16,196)
Results from operating activities	**2,554**	3,697
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	146	213
EBIT	**2,700**	3,910

*Restated for the revised IAS 19.

Consolidation impact

The main consolidation scope changes having an impact on financial results in 2013 are:

- The acquisition of a controlling stake in APB and APIPL, consolidated from 15 November 2012
- The acquisition of Efes Breweries International's 28 per cent stake in Central Europe Beverages, Serbia, on 27 December 2012 and disposal of a 28 per cent stake in Efes Kazakhstan, on 8 January 2013
- The divestment of Pago International, a wholly owned subsidiary, on 15 February 2013
- The divestment of Oy Hartwall Ab in Finland on 23 August 2013

The implementation of revised accounting standard IAS 19 as from 1 January 2013 is excluded from organic growth calculations.

Revenue

Revenue grew 4.5 per cent to EUR19,203 million, including a positive net consolidation impact of 7.5 per cent (EUR1,377 million) and unfavourable foreign currency translational effect of 2.1 per cent (EUR389 million negative), largely driven by depreciation of the British pound, Egyptian pound, Nigerian naira, Brazilian real and the Russian rouble versus our euro reporting currency. An organic revenue decrease of 0.9 per cent is made up of a total consolidated volume decline of 3.5 per cent, partly offset by a 2.7 per cent increase in revenue per hectolitre (net of a positive country mix effect of 0.6 per cent).

Other income

Other income in 2013 mainly relates to the disposal of subsidiaries, joint ventures and associates. In the prior year the revaluation of HEINEKEN's previously held equity interest ('PHEI') in APB and APIPL upon the acquisition of a controlling stake in these entities resulted in a non-cash exceptional gain of EUR1,486 million recorded in other income.

Expenses

Total expenses (beia) were EUR16,262 million, up 1 per cent on an organic basis. Input costs decreased organically by 1 per cent to EUR4,262 million and increased by 2 per cent on a per hectolitre basis. Energy and water costs declined by 2.9 per cent organically. Marketing and selling expenses (beia) increased organically by 1.2 per cent to EUR2,418 million, representing 12.6 per cent of revenues (2012: 12.2 per cent).

TCM2 delivered EUR300 million of pre-tax cost savings in 2013. Supply chain and commerce contributed 71 per cent and 9 per cent of realised cost savings, respectively. Reduced fixed costs represent approximately 60 per cent of total cost savings primarily related to supply chain, commerce and global support functions.

As previously announced, HEINEKEN is intensifying efforts to drive operational efficiencies in Europe through rightsizing and other restructuring activities. In the fourth quarter of 2013, restructuring initiatives were implemented in France, Greece and the UK, resulting in pre-tax exceptional costs of EUR99 million (of which EUR61 million is cash related) in 2013.

Financial Review continued

The Global Business Services ('GBS') organisation remains a key enabler of TCM2 cost savings. HEINEKEN Global Procurement (HGP) continues to drive considerable cost benefits facilitated by the central negotiation and purchasing of both product and non-product-related spend areas. In addition 14 of the 24 operating companies in Europe have now successfully transitioned financial transactional services to the HEINEKEN Global Shared Services (HGSS) centre in Poland. The remaining operating companies are planned to have transitioned these activities by the end of 2014.

In addition, HEINEKEN plans to further leverage the scalability of GBS by expanding the scope of activities carried out by HGSS. This primarily comprises processes related to purchasing, order fulfilment and standard reporting activities of operating companies. All operating companies in Europe will have transitioned these new activities to HGSS by the end of 2015.

In 2013, upfront costs related to the set-up of the GBS organisation were EUR67 million (including EUR51 million recognised as an operational expense and EUR16 million of capitalised IT infrastructure costs). This brings the cumulative amount of upfront GBS costs as at the end of 2013 to EUR169 million, of which EUR133 million has been expensed and EUR36 million capitalised.

The 2013 exceptional items included in EBIT contain the amortisation of acquisition related intangibles for EUR329 million (2012: EUR198 million), the impairment of intangible assets and P, P & E in Russia for EUR102 million, the gain on sale of our Kazakhstan operations of EUR75 million and restructuring expenses in Europe of EUR99 million (2012: EUR97 million). The remainder of EUR64 million primarily relates to the dilution gain as a result of the share issuance by our joint venture Compania Cervecerias Unidas S.A. ('CCU') of EUR47 million.

Share of profits of associates and joint ventures

Share of net profit of associates and joint ventures (beia) decreased from EUR252 million to EUR150 million mainly reflecting the full consolidation of APB/APIPL (HEINEKEN reported its share of net profit from its previously held equity interest in APB/APIPL prior to consolidation). On an organic basis, share of net profit of associates and joint ventures (beia) increased by 8.4 per cent, primarily reflecting higher profit of Asia Pacific Breweries and the CCU joint venture in Chile. This was only partly offset by lower profitability of the UBL joint venture in India.

Results (beia)

In millions of EUR	2013	2012*
Result from operating activities	2,554	3,697
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	146	213
EBIT	**2,700**	3,910
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	391	(992)
EBIT (beia)	**3,091**	2,918
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(150)	(252)
Consolidated operating profit (beia)	**2,941**	2,666
Attributable share of operating profit from joint ventures and associates and impairments thereof	251	440
Group operating profit (beia)	**3,192**	3,106
Profit attributable to equity holders of the Company (net profit)	**1,364**	2,914
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	391	(992)
Exceptional items included in finance costs	(11)	(206)
Exceptional items in tax expense	(151)	(55)
Exceptional items included in non-controlling interests	(8)	–
Net profit (beia)	**1,585**	1,661

*Restated for the revised IAS 19.

EBIT (beia) and net profit (beia)

In millions of EUR	EBIT beia	Net profit beia
2012*	**2,918**	1,661
Organic growth	2	(33)
Changes in consolidation	218	(23)
Effects of movement in exchange rates	(47)	(20)
2013	**3,091**	1,585

*Restated for the revised IAS 19.

EBIT to profit

In millions of EUR	2013	2012*
EBIT	2,700	3,910
Net interest expenses	(532)	(489)
Other net finance income/(expenses)	(61)	168
Profit before income tax	2,107	3,589
Income tax expenses	(520)	(515)
Profit	**1,587**	3,074

*Restated for the revised IAS 19.

On reported basis, net interest expenses increased by EUR43 million, reflecting higher interest expenses related to financing raised for the acquisition of APB/APIPL. On an organic basis, net interest expenses declined by EUR31 million. The average interest rate in 2013 was 4.4 per cent, compared with 5.4 per cent in 2012.

On reported basis, other net finance expenses amounted to EUR61 million, primarily due to the interest expense on the net pension liability of EUR56 million (2012: EUR51 million). The other net finance income in 2012 mainly related to the sale of our minority shareholding in Cervecería Nacional Dominicana S.A. in the Dominican Republic and to the revaluation of HEINEKEN's existing interest in Brasserie d'Haiti.

The effective tax rate (beia) was 28.7 per cent (2012: 26.6 per cent). The higher tax rate can be explained by the full consolidation of APB/APIPL which are subject to a higher effective tax rate and the result of favourable outcomes of discussions with tax authorities in 2012. The reported effective tax rate was 26.5 per cent (2012: 15.3 per cent). The increase can be mainly explained by the fact that the revaluation of HEINEKEN's PHEI in APB/APIPL was tax exempt in 2012.

Earnings per share – diluted decreased from EUR5.06 to EUR2.37 due to exceptional items in the prior year. Earnings per share – diluted (beia) decreased by 4.5 per cent from EUR2.89 to EUR2.76.

EBIT to EBITDA (beia)

In millions of EUR	2013	2012*
EBIT	2,700	3,910
Depreciation and impairments of plant, property & equipment	1,089	1,061
Amortisation and impairment of intangible assets	492	254
Impairment on available-for-sale assets	–	1
EBITDA	**4,281**	5,226
Exceptional items	(67)	(1,241)
EBITDA (beia)	**4,214**	3,985

*Restated for the revised IAS 19.

Financial Review continued

Cash flow

In millions of EUR	2013	2012*
Cash flow from operations before changes in working capital and provisions	**3,990**	3,581
Total change in working capital	51	101
Change in provisions and employee benefits	(58)	(164)
Cash flow from operations	**3,983**	3,518
Cash flow related to interest, dividend and income tax	(1,069)	(823)
Cash flow from operating activities	**2,914**	2,695
Cash flow (used in)/from operational investing activities	(1,396)	(1,210)
Free operating cash flow	**1,518**	1,485
Cash flow (used in)/from acquisitions and disposals	555	(4,415)
Cash flow (used in)/from financing activities	(1,752)	3,056
Net cash flow	**321**	126
Cash conversion ratio	**84%**	82%

*Restated for the revised IAS 19.

Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment increased to EUR1,396 million (2012: EUR1,170 million) representing 7.1 per cent of revenue (2012: 6.4 per cent). This reflects the consolidation of APB/APIPL and higher investments in new capacity, renewal of returnable bottle fleet and commercial investments in several developing markets.

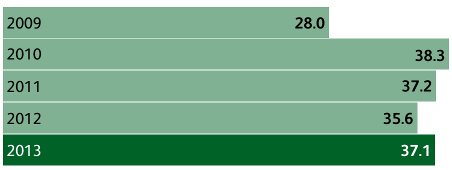
Free operating cash flow increased to EUR1,518 million from EUR1,485 million, predominantly due to higher cash flow from operations partly offset by higher capital expenditure and income tax paid.

Financing structure

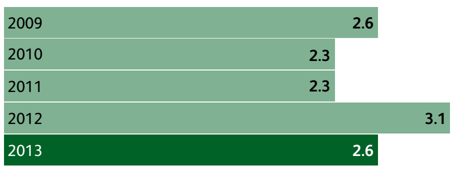
In millions of EUR	2013	%	2012*	%
Total equity	12,356	37	12,805	35
Deferred tax liabilities	1,444	4	1,792	5
Employee benefits	1,202	4	1,575	5
Provisions	538	2	548	2
Interest-bearing loans and borrowings	12,170	36	13,359	37
Other liabilities	5,627	17	5,901	16
Total equity and liabilities	**33,337**	**100**	35,980	100

*Restated for the revised IAS 19.

Total equity
as a percentage of total assets



Net debt/EBITDA (beia) ratio



Financing and liquidity

Equity attributable to equity holders of the Company decreased by EUR332 million to EUR11,402 million, mainly driven by a negative equity impact of foreign exchange movements of EUR1,282 million and dividends paid of EUR530 million partly offset by net profit of EUR1,364 million.

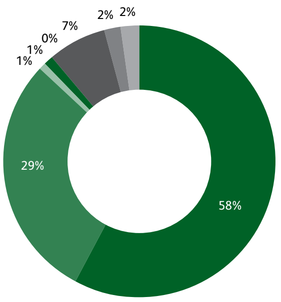
Interest-bearing loans and borrowings decreased to EUR12,170 million (from EUR13,359 million as at 31 December 2012), due to strong free operating cash flow, a net cash inflow from acquisitions and disposals and foreign currency impact.

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.

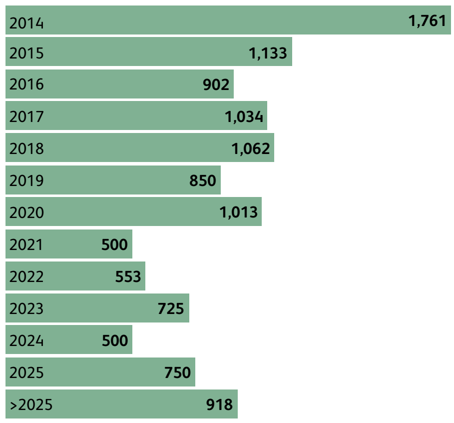
Of total net interest-bearing debt, approximately 58 per cent is denominated in Euro and 29 per cent is US dollar denominated. This is including the effect of cross-currency interest rate swaps on non-Euro denominated debt such as the GBP bond and the US private placements at both Heineken N.V. and Heineken UK. The fair value of these swaps does not form part of net debt.

Currency split of net debt



EUR	58%
USD	29%
NGN	1%
SGD	1%
MXN/Other	0%
GBP	7%
PLN	2%
CHF	2%

Obligatory debt repayments
in millions of EUR



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 at the date of this Annual Report.

On 4 April 2013, HEINEKEN issued 8-year Notes for a principal amount of EUR500 million with a coupon of 2.0 per cent, followed by a private placement of approximately EUR680 million of Notes with a weighted average yield of 2.5 per cent.

- 15 April 2013, 20-year Notes for a principal amount of EUR180 million;
- 16 April 2013, 2-year Notes for a principal amount of SGD75 million;
- 18 April 2013, 5-year Notes for a principal amount of EUR100 million;
- 19 April 2013, 20-year Notes for a principal amount of EUR100 million;
- 17 May 2013, 4-year Notes for a principal amount of SGD100 million;
- 2 July 2013, 5-year Notes for a principal amount of SGD95 million;
- 2 July 2013, 30-year Notes for a principal amount of EUR75 million;
- 4 July 2013, 5-year Notes for a principal amount of EUR60 million.

Financial Review continued

These Notes have been issued under the Company's Euro Medium Term Note Programme. The proceeds of the Notes will be used for general corporate purposes.

On 31 May, three outstanding Notes of Asia Pacific Breweries Ltd were replaced by equivalent Notes from Heineken Asia Pacific Pte. Ltd with a guarantee from Heineken N.V.:

- 2014 Notes with a principal amount of SGD100 million;
- 2020 Notes with a principal amount of SGD40 million;
- 2022 Notes with a principal amount of SGD40 million.

In this process SGD51 million of these Notes were purchased by HEINEKEN and subsequently cancelled. Two other outstanding Notes were terminated in full:

- 2015 Notes with a principal amount of SGD75 million;
- 2017 Notes with a principal amount of SGD100 million.

Subsequent events
On 30 January 2014, HEINEKEN issued 15.5 year Notes for an amount of EUR200 million with a coupon of 3.5 per cent under the EMTN programme.

Financing ratios
HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt (calculated in accordance with the consolidation method of the 2007 Annual Accounts) by EBITDA (beia) (also calculated in accordance with the consolidation method of the 2007 Annual Accounts and including the pro-forma full-year EBITDA of any acquisitions made in 2013). As at 31 December 2013 this ratio was 2.5 (2012: 2.8). 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 N.V.'s profit (attributable to shareholders of the Company) in 2013 amounted EUR1,364 million. In accordance with Article 12, paragraph 7, of the Articles of Association, the Annual General Meeting of Shareholders will be invited to appropriate an amount of EUR512 million for distribution as dividend. This proposed appropriation corresponds to a dividend of EUR0.89 per share of EUR1.60 nominal value, on account of which an interim dividend of EUR0.36 was paid on 3 September 2013. The final dividend thus amounts to EUR0.53 per share. Netherlands withholding tax will be deducted from the final dividend at 15 per cent.

Corporate Governance Statement

Dutch Corporate Governance Code

On 10 December 2008, the current Dutch Corporate Governance Code (the "Code") was introduced. The Code can be downloaded at: www.commissiecorporategovernance.nl.

Heineken N.V. 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 endorses the Code's principles and applies virtually all best practice provisions. However, in particular, the structure of the HEINEKEN Group, and specifically the relationship between Heineken Holding N.V. and Heineken N.V., prevents Heineken N.V. from applying a small number of best practice provisions. In particular, this pertains to the following best practice provisions which are not (fully) applied or applied with an explanation:

- II.2.8: severance payment Executive Board members;
- III.2.1, III.2.3 and III.5.1: independence of Supervisory Board members;
- III.3.5: appointment period Supervisory Board members;
- III.6.6: delegated Supervisory Board member.

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

- II.2.4, II.2.6 and II.2.7: HEINEKEN does not grant options on shares;
- III.8: HEINEKEN does not have a one-tier management structure;
- 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;
- 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;
- V.3.3: HEINEKEN has an internal audit function.

The General Meeting of Shareholders of 22 April 2010 discussed the way HEINEKEN deals with the Code and that Heineken N.V. does not (fully) apply the above best practice provisions. At the General Meeting of Shareholders of 20 April 2005, the departure from similar best practice provisions of the 2003 corporate governance code was put to the vote and approved.

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 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 Common Internal Audit Approach 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.

General Meeting of Shareholders

Annually, within six months after the end of the financial year, the Annual General Meeting of Shareholders 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. General Meetings of Shareholders shall be held in Amsterdam.

Convocation

Pursuant to the law, the Executive Board or the Supervisory Board shall convene the General Meeting of Shareholders 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 a General Meeting of Shareholders 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.

Corporate Governance Statement continued

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 General Meeting of Shareholders 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 EUR50 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 General Meeting of Shareholders needs to be substantiated. The principles of reasonableness and fairness may allow the Executive Board to refuse the request.

The Dutch Corporate Governance Code of 10 December 2008 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 General Meeting of Shareholders, 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 that are shareholders on the record date may participate and vote in the General Meeting of Shareholders.

Participation in person, by proxy or through electronic communication

Each shareholder is entitled, either personally or by proxy authorised in writing, to attend the General Meeting of Shareholders, to address the meeting and to exercise his 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. The Executive Board may subject the use of electronic communications to conditions which will then be indicated in the convocation notice.

If a shareholder wants to exercise his 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 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 General Meeting

All General Meetings of Shareholders shall be presided 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 General Meeting of Shareholders 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 General Meeting of Shareholders by means of electronic communication shall be deemed to be a vote cast in the General Meeting of Shareholders. Such a vote may not be cast prior to the record date. A shareholder who has cast his vote prior to the General Meeting of Shareholders by means of electronic communication remains entitled, whether or not represented by a holder of a written power of attorney, to participate in the General Meeting of Shareholders.

Minutes

The proceedings in the General Meeting of Shareholders 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 General Meeting of Shareholders is drawn up, the chairman of the meeting shall countersign the notarial record. Upon request, the record of the proceedings of the General Meeting of Shareholders shall be submitted to shareholders, ultimately within three months after the conclusion of the meeting.

Resolutions to be adopted by the General Meeting

The General Meeting of Shareholders has authority to adopt resolutions concerning, inter alia, the following matters:

(i) 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)
(ii) Authorisation of the Executive Board to resolve that the Company acquires its own shares
(iii) Cancellation of shares and reduction of share capital
(iv) Appointment of Executive Board members
(v) The remuneration policy for Executive Board members
(vi) Suspension and dismissal of Executive Board members
(vii) Appointment of Supervisory Board members
(viii) The remuneration of Supervisory Board members
(ix) Suspension and dismissal of Supervisory Board members
(x) Appointment of the Delegated Member of the Supervisory Board
(xi) Adoption of the financial statements
(xii) Granting discharge to Executive and Supervisory Board members
(xiii) The profit reservation and distribution policy
(xiv) Dividend distributions
(xv) A substantial change in the corporate governance structure
(xvi) Appointment of the external auditor
(xvii) Amendment of the Articles of Association, and
(xviii) Liquidation.

Resolutions on a major change in the identity or character of the Company or enterprise shall be subject to the approval of the General Meeting of Shareholders. 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.

Executive Board

Composition and role of the Executive Board

Executive Board members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory 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 hereunder.

Jean-François (J.F.M.L.) van Boxmeer (1961) Belgian nationality; male.

Initial appointment in 2001;
Re-appointment: 2013*;
4-year term ends in 2017;
Chairman/CEO (since 2005).
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.
Other positions***: Mondelez International, USA; Henkel AG & Co., Germany; The Dutch Opera.

Corporate Governance Statement continued

René (D.R.) Hoof Graafland (1955)
Dutch nationality; male.
Initial appointment in 2002;
Reappointment: 2011*;
4-year term ends in 2015;
CFO (since 2005).
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Wolters Kluwer N.V.
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 EUR17.5 million;
(ii) The net turnover exceeds EUR35 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 Dutch Corporate Governance Code of 10 December 2008 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.

The Supervisory Board appoints one of the Executive Board members as Chairman/CEO. The General Meeting of Shareholders 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.

The role of the Executive Board is to manage the Company, which means, amongst 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 enterprise. The Executive Board is accountable for this to the Supervisory Board and to the General Meeting. In discharging its role, the Executive Board shall be guided by the interests 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.

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 conflict of interest with the Company.

Supervisory Board

Composition of the Supervisory Board

The Supervisory Board consists of 10 members: Hans Wijers (Chairman), José Antonio Fernández Carbajal (Vice-Chairman), Maarten Das (Delegated Member), Michel de Carvalho, Jan Maarten de Jong, Annemiek Fentener van Vlissingen, Mary Minnick, Christophe Navarre, Javier Astaburuaga Sanjinés and Henk Scheffers.

Information on these Supervisory Board members is provided hereunder.

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); Concertgebouw N.V.

José Antonio (J.A.) Fernández Carbajal (1954)
Mexican nationality; male.
Appointed in 2010*; 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).
Other positions***: L'Arche Green N.V. (Chairman); Stichting Administratiekantoor Priores; LAC B.V.; Greenfee B.V. (Chairman).

Michel (M.R.) de Carvalho (1944)
British 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.

Jan Maarten (J.M.) de Jong (1945)
Dutch nationality; male.
Appointed in 2002; latest reappointment in 2010*.
Profession: Banker.
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Nutreco N.V. (Chairman); AON Groep Nederland B.V. (Chairman); Theodoor Gilissen Bankiers N.V.
Other positions***: Onderlinge Levensverz-Mij. "s-Gravenhage" U.A. (Chairman); CRH plc, Ireland; Kredietbank S.A. Luxembourgeoise, Luxembourg.

Annemiek (A.M.) Fentener van Vlissingen (1961)
Dutch nationality; female.
Appointed in 2006; reappointment in 2010*.
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.; 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*.
Profession: Chief Financial Officer 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); Royal Friesland Campina N.V.

* For the maximum period of four years.
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(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 EUR17.5 million;
(ii) The net turnover exceeds EUR35 million;
(ii) 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 members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory Board.

The General Meeting of Shareholders 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.

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 and any particular interests. Five members of the Supervisory Board (Messrs. de Carvalho, de Jong, Das, Fernández Carbajal and Astaburuaga Sanjinés) do not meet the applicable criteria for being 'independent' within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code of 10 December 2008.

A person may be appointed to the Supervisory Board for a maximum of three 4-year terms. However, given the structure of the Heineken Group, the maximum appointment period will not be applied to members who are related by blood or marriage to 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: www.theHEINEKENcompany.com.

Corporate Governance Statement continued

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. Each Supervisory Board member shall be capable of assessing the broad outline of the overall policy. 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: www.theHEINEKENcompany.com.

Role

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 the main risks of the business, 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 is laid down in the Regulations for the Supervisory Board, which are available on: www.theHEINEKENcompany.com.

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 conflict of interest with the Company.

The Executive Board provides the Supervisory Board with all information necessary for the exercise of the duties of the Supervisory Board.

The Supervisory Board evaluates at least once a year, without the Executive Board being present, its own functioning, the functioning of its committees and its individual members and the conclusions that must be drawn on the basis thereof. The Supervisory Board also evaluates the desired profile, composition and competence of the Supervisory Board.

Moreover, the Supervisory Board evaluates at least once a year, without the Executive Board being present, both the functioning of the Executive Board as an organ of the Company and the performance of its individual members and the conclusions that must be drawn on the basis thereof.

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 of the Company, which contains a list of resolutions of the Executive Board that require Supervisory Board approval.

Chairman

The Supervisory Board appoints from its members a Chairman (currently Mr. G.J. Wijers).

The Chairman of the Supervisory Board may not be a former member of the Executive Board.

The Chairman of the Supervisory Board ensures the proper functioning of the Supervisory Board and its committees 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 and Supervisory Board members.

Vice-Chairman

The Supervisory Board appoints from its members a Vice-Chairman (currently Mr. J.A. 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.

Delegated Member

The General Meeting of Shareholders may appoint one of the Supervisory Board members as Delegated Member (currently Mr. M. Das).

The delegation of powers to the Delegated Member does not exceed 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.

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. These regulations are available on: www.theHEINEKENcompany.com.

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, his independence, remuneration and any non-audit services for the Company, (vii) the financing of the Company and (viii) the applications of information and communication technology.

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

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

Remuneration Committee

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

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

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.

Corporate Governance Statement continued

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.

Decree Article 10 Take-Over Directive

Shares

The issued share capital of Heineken N.V. amounts to EUR921,604,180.80, consisting of 576,002,613 shares of EUR1.60 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 hereunder).

Shares repurchased by Heineken N.V. for the share-based long-term variable 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 General Meetings of Shareholders. The record date for the Annual General Meeting of Shareholders of 24 April 2014 is 28 days before the Annual General Meeting of Shareholders, i.e. on 27 March 2014.

Substantial shareholdings

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

- Mrs. C.L. de Carvalho-Heineken (indirectly 50.005 per cent; the direct 50.005 per cent shareholder is Heineken Holding N.V.).
- Voting Trust (FEMSA) (indirectly 10.14 per cent; the direct 10.14 per cent shareholder is CB Equity LLP); as at 31 December 2013, CB Equity LLP holds 12.53 per cent.
- Massachusetts Financial Services Company (a capital interest of 3.11 per cent (of which 1.87 per cent is held directly and 1.25 per cent is held indirectly) and a voting interest of 6.02 per cent (of which 2.41 per cent is held directly and 3.61 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 Heineken N.V., 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 Heineken N.V. (and in Heineken Holding N.V.) for a five-year period, subject to certain exceptions, including amongst others, (i) beginning in year three, the right to sell up to 1 per cent of all outstanding shares of each of Heineken N.V. and Heineken Holding N.V. in any calendar quarter and (ii) beginning in year three, the right to sell any Heineken N.V. 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) respectively L'Arche Green N.V. (as to Heineken Holding N.V. shares) 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 Heineken N.V. 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 Long-Term Variable Award ('LTV') for both the Executive Board members and senior management. Eligibility for participation 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 Heineken N.V.; 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.

On 26 April 2013, the Executive Board members received an extraordinary award of Heineken N.V. shares (see Remuneration Report for further details). These shares are subject to a holding period of five years. Furthermore, the Heineken N.V. shares that will vest subject to the condition of the Retention Share Award for the CEO (granted on 26 April 2013, see Remuneration Report for further details) will be subject to a three-year holding period after vesting.

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 Heineken N.V. The transfer of shares to the participants under the LTV, to the Executive Board members under the STV and the recipients of extraordinary share entitlements requires the approval of the Supervisory Board of Heineken N.V.

Change of control

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

However, in the situation of a change of control over Heineken N.V. (as defined in the respective agreement), the contractual conditions of most of Heineken N.V.'s important financing agreements and the terms and conditions of Heineken N.V.'s bond issues after 2003 entitle the banks and bondholders respectively to claim early repayment of the amounts borrowed by Heineken N.V.

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 Heineken N.V. with Executive Board members or other employees 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 Heineken N.V. 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, Heineken N.V. 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 Heineken N.V. 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.

Corporate Governance Statement continued

Appointment and dismissal of Supervisory and Executive Board members
Members of the Supervisory Board and the Executive Board are appointed by the General Meeting of Shareholders on the basis of a non-binding nomination by the Supervisory Board.

The General Meeting of Shareholders 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 General Meeting of Shareholders 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 25 April 2013, the Annual General Meeting of Shareholders 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):

- The maximum number of shares which may be acquired is 10 per cent of the issued share capital of Heineken N.V.
- 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.
- 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 to the Annual General Meeting of Shareholders on 24 April 2014.

Issue of shares
On 25 April 2013, the Annual General Meeting of Shareholders 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 Heineken N.V.'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 Annual General Meeting of Shareholders on 24 April 2014.

Statement of the Executive Board
In accordance with best practice provision II.1.5 of the Dutch Corporate Governance Code of December 2008, 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 2013:

- provides a reasonable level of assurance that the financial reporting in this Annual Report 2013 does not contain any errors of material importance; and
- has worked properly during the year 2013.

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,

1°. the financial statements in this Annual Report 2013 give a true and fair view of our assets and liabilities, our financial position at 31 December 2013, and the results of our consolidated operations for the financial year 2013; and

2°. the Report of the Executive Board includes a fair review of the position at 31 December 2013 and the development and performance during the financial year 2013 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 is not applicable to Heineken N.V.

Executive Board

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

Amsterdam, 11 February 2014

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 2013, as prepared by the Executive Board and approved by the Supervisory Board in its meeting of 11 February 2014. The financial statements of this Annual Report can be found under the financial statements section of this Annual Report. KPMG Accountants N.V. audited the financial statements. Their report can be found on page 139 in the Other information section.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements and, as proposed by the Executive Board, appropriate EUR512 million for payment of dividend. The underlying principle of the dividend policy is that 30-35 per cent of net profit before exceptional items and amortisation of acquisition-related intangible assets (net profit beia) is placed at the disposal of shareholders for distribution as dividend. The proposed dividend amounts to EUR0.89 per share of EUR1.60 nominal value, of which EUR0.36 was paid as an interim dividend on 3 September 2013.

Supervisory Board composition, independence and remuneration

Composition

The Annual General Meeting of Shareholders on 25 April 2013 appointed Mr. H. Scheffers as member of the Supervisory Board for a period of four years. Mr. Scheffers became a member of the Audit Committee. Mr. C.J.A. van Lede stepped down as Chairman and member of the Supervisory Board after the General Meeting of Shareholders on 25 April 2013, and was succeeded by Mr. G.J. Wijers as Chairman. Messrs. M. Das and V.C.O.B.J. Navarre 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 ten members are women and five out of ten members are non-Dutch. There are five nationalities (American, Belgian, British, Dutch and Mexican) and age ranges between 50 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.

Messrs. Fernández Carbajal and Astaburuaga Sanjinés and Mrs. Fentener van Vlissingen will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 24 April 2014. Messrs. Fernández Carbajal and Astaburuaga Sanjinés and Mrs. Fentener van Vlissingen are eligible for reappointment for a period of four years. Non-binding nominations for their reappointment will be submitted to the Annual General Meeting of Shareholders. The Notes to the agenda contain further information on the proposed re-appointments.

Furthermore, a non-binding nomination will be submitted to the Annual General Meeting of Shareholders for the appointment of Mr. J.M. Huët as member of the Supervisory Board as at 24 April 2014 for a period of four years. It is the intention that Mr. J.M. Huët will become a member of the Audit Committee. Mr. Scheffers will succeed Mr. De Jong as Chairman of the Audit Committee. The Notes to the agenda contain further information on the proposed appointment.

Mr. De Jong will step down as member and Chairman of the Audit Committee on 24 April 2014. Mr. De Jong has been a member of the Supervisory Board since 2002, was Chairman of the Supervisory Board from 2002 to 2004, and has been Chairman of the Audit Committee since 2004. The Supervisory Board is grateful for his commitment over 12 years and for the way he fulfilled his role as Chairman of the Supervisory Board (2002-2004) and Chairman of the Audit Committee (2004-2014), respectively, and the Supervisory Board appreciates his contributions to the Supervisory Board and the Committee meetings.

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, Fernández Carbajal and De Jong 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, Fernández Carbajal and De Jong in fact act critically and independently.

To the Shareholders continued

Remuneration

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. In 2011, the Annual General Meeting of Shareholders 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.

Meetings and activities of the Supervisory Board

During 2013, the Supervisory Board held six 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 2013, 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. Members of the Executive Committee presented their strategic topics.
- The Supervisory Board visited Ho Chi Minh City, Vietnam, where local management of Vietnam Brewery Limited and APB Hanoi Limited presented developments. The Supervisory Board met with the Management Teams as well as with the members of the Board of Directors of both companies. Also, a consultant was invited to inform the Supervisory Board on general developments in Vietnam. The brewery in Ho Chi Minh City was visited as well as (on- and off-premises) outlets.
- During the year, several representatives of Senior Management were invited to give presentations to the Supervisory Board. In 2013, the following subjects were presented in more detail:
  - Sustainability
  - Human Resources and succession planning.
- 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.
- An induction programme was set up for Mr. Scheffers. As part of the programme, Mr. Scheffers 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, amongst 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. The attendance rate as a whole was 92 per cent. None of the Supervisory Board members were frequently absent (HEINEKEN considers an absence of twice or more as frequent). 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 these five Committees on 25 April 2013 (the date of the 2013 Annual General Meeting of Shareholders):

- Mr. Wijers succeeded Mr. Van Lede as Chairman of the Preparatory Committee, Chairman of the Selection & Appointment Committee and member of the Remuneration Committee.
- Mrs. Fentener van Vlissingen succeeded Mr. Wijers as member of the Audit Committee.
- Mr. Scheffers succeeded Mr. Navarre as member of the Audit Committee.
- Mrs. Minnick succeeded Mrs. Fentener van Vlissingen as member of the Remuneration Committee.
- Mr. Navarre was appointed to the Americas Committee.

Preparatory Committee

Composition: Messrs. Wijers (Chairman), de Carvalho, Das and Fernández Carbajal. The Preparatory Committee met six 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. De Jong (Chairman), Astaburuaga Sanjinés, Scheffers and Mrs. Fentener van Vlissingen. The Audit Committee met five 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, as well as 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 judgments, estimates and assumptions used in preparing the reports in respect of, amongst 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 discussed recurring topics, such as:

- The effectiveness and the outcome of the risk management process and the adequacy of internal control policies.
- Status updates (provided by the Chief Business Services Officer) on the developments of Global Business Services, including the IT programmes, Global Procurement and Financial Shared Services.
- 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.
- The outcome of the annual Letter of Representation process and the reports from the Integrity Committee related to fraud reporting and whistle blowing reporting.
- The accounting treatment of the acquisition of Asia Pacific Breweries Limited, including purchase price allocation, opening balance sheet and relevant pro-forma figures.
- The rotation of the external auditor in the context of the mandatory rotation regulations, including the tender process and involvement therein by Executive Board and Committee members. The Committee reviewed the outcome of the tender process and, together with the Executive Board, issued a recommendation to the Supervisory Board to nominate Deloitte Accountants B.V. for appointment as of the financial year 2015.

Selection & Appointment Committee

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

In 2013, the following subjects were discussed:

- The composition and rotation schedule of the Supervisory Board, including a review of candidates for the succession of Mr. de Jong; the decision to nominate Mr. Huët was based on both his financial expertise and experience in the fast-moving consumer industry.
- Female representation on the Supervisory Board, including a list of potential female candidates.

Remuneration Committee

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

The Committee made recommendations to the Supervisory Board on target setting and payout levels for the short-term variable pay and long-term variable awards for the Executive Board.

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, amongst 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. 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 twice in 2013 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. van Boxmeer was initially appointed for an indefinite term in 2001 and was reappointed for a period of four years in 2013.
- Mr. Hooft Graafland was initially appointed for an indefinite term in 2002 and he was reappointed in 2011 for a period of four years.

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.

Currently, there are no female members on the Executive Board.

On a related note, female representation in the internal resource committees for global functions was increased in order to further support gender diversity on Senior Management level. Furthermore, HEINEKEN promotes the placement of women in Non-Executive Director and Supervisory Board positions through initiatives driven by the European Round Table and Professional Boards Forum.

Remuneration
In 2011, the Annual General Meeting of Shareholders approved the current remuneration policy for the Executive Board. For 2013, the policy remained unchanged. The Supervisory Board decided to reward the members of the Executive Board with an Extraordinary Share Award for their excellent performance in the successful acquisition of Asia Pacific Breweries Limited. The Supervisory Board also decided to grant a Retention Share Award to the CEO to ensure the CEO is retained for HEINEKEN for a number of years ahead. Both the Extraordinary Share Awards and the Retention Share Award were approved by the Annual General Meeting of Shareholders in 2013. Details of the policy, the proposals 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 2013.

Supervisory Board Heineken N.V.

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

Amsterdam, 11 February 2014

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 2013, the Remuneration Committee has reviewed the remuneration policy versus its implementation, and its outcome versus performance. As a result, the Supervisory Board has decided to recommend a policy change to the 2014 Annual General Meeting of Shareholders, viz to replace one of the performance measures in the long-term variable award plan.

Introduction

The Remuneration Report includes three sections:

- **Part I** – Describes the current Executive Board's remuneration policy, as it was adopted by the Annual General Meeting of Shareholders in 2011, and as it has been applied in 2013 and will largely be applied in 2014.
- **Part II** – Provides details of the Executive Board's actual remuneration for 2013.
- **Part III** – Outlines the adjustment to the current policy to be submitted to the 2014 Annual General Meeting of Shareholders.

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; and
- **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 relates 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 25-50 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 Annual General Meeting of Shareholders in 2011, and subsequently adjusted by replacing two companies, Kraft Foods and Sara Lee, each of which split in 2012 into two independent companies, with Mondelez International and Pernod Ricard respectively. 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 when needed. For 2013, the peer group thus consisted of the following companies, which will apply to 2014 as well:

- Anheuser-Busch InBev (BE)
- Carlsberg (DK)
- Coca-Cola (US)
- Colgate-Palmolive (US)
- Danone (FR)
- Diageo (UK)
- Henkel (DE)
- Kimberley-Clark (US)
- Mondelez 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 peer group data and internal pay relativities.

The base salaries for 2013 were EUR1,150,000 for the CEO and EUR650,000 for the CFO. These base salaries will remain unchanged for 2014.

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 whilst aligning Executive Board and shareholder interests at the same time.

The target STV opportunities for both 2013 and 2014 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 awards for 2013 were subject to four performance measures with equal weights, viz Organic Net Profit beia Growth, Free Operating Cash Flow, Organic Gross Profit beia Growth, and Individual Leadership measures.

For the STV awards for 2014, the Supervisory Board has decided to replace the Organic Gross Profit beia Growth measure with Organic Revenue Growth, since it is a better reflection of the ambition to grow the top line. As a result, the four performance measures for the STV awards for 2014 are Organic Net Profit beia Growth, Free Operating Cash Flow, Organic Revenue Growth, and Individual Leadership measures, all with equal weights.

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, 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 circumstances, 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. 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 2013 are, and for 2014 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, and the closing share price of 31 December of the preceding year. The vesting of these performance shares is, since the conditional grant in 2010, contingent on HEINEKEN's performance on four fundamental financial performance measures.

- Organic Gross Profit beia Growth – a measure to drive top-line growth – a key measure of Company strength;
- Organic EBIT beia Growth – a measure to drive operational efficiency;
- Earnings Per Share (EPS) beia Growth – a measure of 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, vesting is zero, whereas beyond maximum performance it is capped to 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 CEO and 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 as from 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 2013

The following table provides an overview of the Executive Board's actual remuneration for 2013. This disclosure recognises compensation in the year in which it becomes 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 124. The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration for 2013.

			Long-term variable award[2]		Extraordinary share award[3]		
	Base salary in EUR	Short-term variable pay[1] in EUR	No. of performance shares vesting	Value as of 31.12.2013 of performance shares vesting in EUR	No. of extraordinary shares	Value as of the vesting date of 26.04.2013 in EUR	Pension cost in EUR
Van Boxmeer	1,150,000	1,127,000	16,098	790,090	45,893	2,520,000	470,204
Hooft Graafland	650,000	455,000	8,305	407,609	23,675	1,300,000	276,565

[1]The short-term variable pay relates to the performance year 2013 and becomes payable in 2014. Both CEO and CFO have chosen to invest 50 per cent of this value in Heineken N.V. shares (investment shares). Matching entitlements on these investment shares will be included in the table when they become unconditional (i.e. at year-end 2018)

[2]The long-term variable awards relate to the performance period 2011-2013 and vest within five business days after the publication of these financial statements on 12 February 2014. The awards are disclosed 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 8,150 shares to the CEO and 4,205 shares to the CFO, remain blocked for an additional period of two years until 22 February 2016, also in case of resignation during that period. To this award revision and claw back provisions apply.

[3]For the acquisition of Asia Pacific Breweries Limited (APB) in 2012, the Supervisory Board decided to propose to the AGM of 25 April 2013 to reward the CEO and CFO with an extraordinary share award to the value of their 2012 base salary plus short-term variable pay opportunity at target level, amounting to EUR2.52 million for the CEO and EUR1.3 million for the CFO. The AGM approved this proposal. The shares were thus granted on 26 April 2013, against the closing share price of 25 April 2013 of EUR54.91, and vested at the same time. The awards are disclosed 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 24,373 shares to the CEO and 12,573 shares to the CFO, remain blocked for a period of five years until 26 April 2018, also in case of resignation during that period. Claw back provisions apply to these awards. In addition, the Supervisory Board also decided to propose to the AGM of 25 April 2013 to grant a retention share award to the CEO to the value of EUR1.5 million. The AGM also approved this proposal. Since this share award has a vesting period of two years, and will therefore only lead to an actual share award if the CEO is still in service at that time, the recognition of this compensation element will only follow in the table in 2015 when, and if, the award becomes unconditional. Also to this award revision and claw back provisions apply.

2013 Short-term variable pay

The STV pay for 2013 was subject to four performance measures: Organic Net Profit beia Growth (25 per cent), Free Operating Cash Flow (25 per cent), Organic Gross Profit beia Growth (25 per cent) and individual leadership measures (25 per cent). The Supervisory Board determined the results against the pre-set targets on these measures as follows:

- Organic Net Profit beia Growth – below threshold performance
- Free Operating Cash Flow – between target and maximum performance
- Organic Gross Profit beia Growth – below threshold performance
- Individual leadership measures – at target performance

The resulting STV payout for 2013 is equal to 70 per cent of payout at target level for both CEO and CFO.

Remuneration Report continued

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:

	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 31.12.2013 in EUR
Van Boxmeer	2013	50%	t.b.d.	563,500	31.12.2018	n.a.
	2012	50%	12,391	680,638	31.12.2017	608,150
	2011	50%	23,272	882,009	31.12.2016	1,142,190
	2010	50%	16,125	653,125	31.12.2015	791,415
Hooft Graafland	2013	50%	t.b.d.	227,500	31.12.2018	n.a.
	2012	50%	5,479	300,961	31.12.2017	268,909
	2011	50%	10,291	390,029	31.12.2016	505,082
	2010	50%	8,274	335,157	31.12.2015	406,088

[1] The number of 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 2013, this date is 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 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.

2011-2013 Long-term variable award

After 2013, the conditional performance shares granted in 2011 are subject to vesting. The vesting of the LTV award for 2011-2013 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 on these measures as follows:

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

As a result, the vesting of the LTV grant for 2011-2013 will be equal to 37.5 per cent of the vesting at target level for both CEO and CFO.

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 2013:

	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 31.12.2013[5] in EUR
Van Boxmeer	2013	34,179	1,877,452	02.2016	t.b.d.	t.b.d.	02.2018	849,329
	2012	44,031	1,668,775	02.2015	t.b.d.	t.b.d.	02.2017	1,094,190
	2011	42,927	1,617,489	02.2014	16,098	8,150	02.2016	400,002
	2010	35,692	1,323,102	02.2013	24,539	12,424	02.2015	609,770
	2009	34,247	735,626	02.2012	0	0	02.2014	0
Hooft Graafland	2013	16,099	884,318	02.2016	t.b.d.	t.b.d.	02.2018	400,051
	2012	22,715	860,899	02-2015	t.b.d.	t.b.d.	02.2017	564,469
	2011	22,145	834,424	02.2014	8,305	4,205	02.2016	206,381
	2010	19,537	724,237	02.2013	13,432	6,801	02.2015	333,793
	2009	18,836	404,597	02.2012	0	0	02.2014	0

[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 within five business days immediately following 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 and in 2011 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 2012 and in 2013 is based on the number of shares conditionally granted at target level after applying the relevant income tax rate (since the actual number of shares vesting is yet unknown).

Remuneration Report continued

As disclosed in note 29 to the Consolidated Financial Statements, the impact of the economic downturn on the pre-2014 performance has rendered the long-term variable awards over the performance periods 2012-2014 and 2013-2015 ineffective for post-2013 performance. Therefore, the performance conditions for these awards have been recalibrated to restore the effectiveness of these awards as stretching performance incentives for the years 2014 and 2015. This has been done for the entire senior management population upon discretion by the Executive Board, and for the Executive Board, albeit at more stretching levels, upon discretion by the Supervisory Board. The performance conditions of the long-term variable award over the performance period 2011-2013 have not been recalibrated. For the long-term variable awards over performance periods 2013-2015 and beyond the Supervisory Board has agreed for the CEO in the context of his re-appointment in 2013, that resignation will qualify as retirement going forward. Given existing agreements per 2005 for a specific group of senior managers (including the current Executive Board members), this implies that such unvested LTV awards at resignation will continue to vest at their regular vesting dates, insofar and to the extent that pre-determined performance conditions are met. This agreement will not apply 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.

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 per 31 December 2013. The Retention share award did not yet vest. The Extraordinary share awards have vested but are still blocked.

	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 (after tax)[2]	End of blocking period	Value of unvested or blocked shares as of 31.12.2013[3] in EUR
Van Boxmeer	Extraordinary share award	26.04.2013	45,893	2,520,000	26.04.2013	24,373	26.04.2018	1,196,227
	Retention share award	26.04.2013	27,317	1,500,000	26.04.2015	27,317	26.04.2018	1,340,718
Hooft Graafland	Extraordinary share award	26.04.2013	23,675	1,300,000	26.04.2013	12,573	26.04.2018	617,083

[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 award itself.
[3]The value of the 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 – Adjustment to the Executive Board remuneration policy as from 2014

The Supervisory Board proposes to the 2014 Annual General Meeting of Shareholders an adjustment to the Executive Board remuneration policy as from 2014.

The proposal is to replace the Organic Gross Profit beia Growth measure in the long-term variable award plan with Organic Revenue Growth, since it provides a better reflection of the ambition to grow the top line. This proposal aligns the long-term variable award plan with the short-term variable pay plan in terms of the proposed change of measure towards Organic Revenue Growth.

The result would be that the four performance measures for the long-term variable award for 2014-2016 are Organic Revenue Growth, Organic EBIT beia Growth, Earnings Per Share beia Growth, and Free Operating Cash Flow, all with equal weights.

Supervisory Board Heineken N.V.
Amsterdam, 11 February 2014

Financial statements

Consolidated Income Statement

For the year ended 31 December In millions of EUR	Note	2013	2012*
Revenue	5	**19,203**	18,383
Other income	8	**226**	1,510
Raw materials, consumables and services	9	(12,186)	(11,849)
Personnel expenses	10	(3,108)	(3,031)
Amortisation, depreciation and impairments	11	(1,581)	(1,316)
Total expenses		**(16,875)**	(16,196)
Results from operating activities		**2,554**	3,697
Interest income	12	47	62
Interest expenses	12	(579)	(551)
Other net finance income/(expenses)	12	(61)	168
Net finance expenses		**(593)**	(321)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	146	213
Profit before income tax		**2,107**	3,589
Income tax expense	13	(520)	(515)
Profit		**1,587**	3,074
Attributable to:			
Equity holders of the Company (net profit)		1,364	2,914
Non-controlling interests		223	160
Profit		**1,587**	3,074
Weighted average number of shares – basic	23	575,062,357	575,022,338
Weighted average number of shares – diluted	23	576,002,613	576,002,613
Basic earnings per share (EUR)	23	2.37	5.07
Diluted earnings per share (EUR)	23	2.37	5.06

*Restated for the revised IAS 19.

Consolidated Statement of Comprehensive Income

	Note	2013	2012*
For the year ended 31 December			
In millions of EUR			
Profit		**1,587**	3,074
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses	24/28	197	(404)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	24	(1,282)	39
Recycling of currency translation differences to profit or loss	24	1	–
Effective portion of net investment hedges	24	13	6
Effective portion of changes in fair value of cash flow hedges	24	16	14
Effective portion of cash flow hedges transferred to profit or loss	24	(4)	41
Net change in fair value available-for-sale investments	24	(53)	135
Net change in fair value available-for-sale investments transferred to profit or loss	24	–	(148)
Share of other comprehensive income of associates/joint ventures	24	5	(1)
Other comprehensive income, net of tax	24	**(1,107)**	(318)
Total comprehensive income		**480**	2,756
Attributable to:			
Equity holders of the Company		336	2,608
Non-controlling interests		144	148
Total comprehensive income		**480**	2,756

*Restated for the revised IAS 19.

Consolidated Statement of Financial Position

As at 31 December In millions of EUR	Note	2013	2012*
Assets			
Property, plant & equipment	14	8,454	8,844
Intangible assets	15	15,934	17,688
Investments in associates and joint ventures	16	1,883	1,950
Other investments and receivables	17	762	1,099
Advances to customers		301	312
Deferred tax assets	18	508	550
Total non-current assets		**27,842**	30,443
Inventories	19	1,512	1,596
Other investments	17	11	11
Trade and other receivables	20	2,427	2,537
Prepayments and accrued income		218	232
Cash and cash equivalents	21	1,290	1,037
Assets classified as held for sale	7	37	124
Total current assets		**5,495**	5,537
Total assets		**33,337**	35,980
Equity			
Share capital	22	922	922
Share premium	22	2,701	2,701
Reserves		(858)	365
Retained earnings		8,637	7,746
Equity attributable to equity holders of the Company		**11,402**	11,734
Non-controlling interests	22	954	1,071
Total equity		**12,356**	12,805
Liabilities			
Loans and borrowings	25	9,853	11,437
Tax liabilities		112	140
Employee benefits	28	1,202	1,575
Provisions	30	367	419
Deferred tax liabilities	18	1,444	1,792
Total non-current liabilities		**12,978**	15,363
Bank overdrafts	21	178	191
Loans and borrowings	25	2,195	1,863
Trade and other payables	31	5,131	5,285
Tax liabilities		317	305
Provisions	30	171	129
Liabilities classified as held for sale	7	11	39
Total current liabilities		**8,003**	7,812
Total liabilities		**20,981**	23,175
Total equity and liabilities		**33,337**	35,980

*Restated for the revised IAS 19 and finalisation of the purchase price allocation for APB.

Consolidated Statement of Cash Flows

For the year ended 31 December In millions of EUR	Note	2013	2012*
Operating activities			
Profit		1,587	3,074
Adjustments for:			
Amortisation, depreciation and impairments	11	1,581	1,316
Net interest expenses	12	532	489
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	8	(226)	(1,510)
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		(160)	(238)
Income tax expenses	13	520	515
Other non-cash items		156	(65)
Cash flow from operations before changes in working capital and provisions		**3,990**	3,581
Change in inventories		(42)	(52)
Change in trade and other receivables		5	(64)
Change in trade and other payables		88	217
Total change in working capital		**51**	101
Change in provisions and employee benefits		(58)	(164)
Cash flow from operations		**3,983**	3,518
Interest paid		(557)	(490)
Interest received		56	82
Dividends received		148	184
Income taxes paid		(716)	(599)
Cash flow related to interest, dividend and income tax		**(1,069)**	(823)
Cash flow from operating activities		**2,914**	2,695
Investing activities			
Proceeds from sale of property, plant & equipment and intangible assets		152	131
Purchase of property, plant & equipment	14	(1,369)	(1,170)
Purchase of intangible assets	15	(77)	(78)
Loans issued to customers and other investments		(143)	(143)
Repayment on loans to customers		41	50
Cash flow (used in)/from operational investing activities		**(1,396)**	(1,210)
Free operating cash flow		**1,518**	1,485
Acquisition of subsidiaries, net of cash acquired		(17)	(3,311)
Acquisition of/additions to associates, joint ventures and other investments		(53)	(1,246)
Disposal of subsidiaries, net of cash disposed of	6	460	–
Disposal of associates, joint ventures and other investments	6	165	142
Cash flow (used in)/from acquisitions and disposals		**555**	(4,415)
Cash flow (used in)/from investing activities		**(841)**	(5,625)

For the year ended 31 December In millions of EUR	Note	2013	2012*
Financing activities			
Proceeds from loans and borrowings		1,663	6,837
Repayment of loans and borrowings		(2,474)	(2,928)
Dividends paid		(710)	(604)
Purchase own shares		(21)	–
Acquisition of non-controlling interests		(209)	(252)
Other		(1)	3
Cash flow (used in)/from financing activities		**(1,752)**	3,056
Net cash flow		**321**	126
Cash and cash equivalents as at 1 January		846	606
Effect of movements in exchange rates		(55)	114
Cash and cash equivalents as at 31 December	21	**1,112**	846

*Restated for the revised IAS 19.

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 2012		922	2,701	(575)	(69)	159	1,026	(43)	5,653	9,774	318	10,092
Policy change		–	–	–	–	–	–	–	43	43	–	43
Restated balance as at 1 January 2012*		922	2,701	(575)	(69)	159	1,026	(43)	5,696	9,817	318	10,135
Profit		–	–	–	–	–	222	–	2,692	2,914	160	3,074
Other comprehensive income	24	–	–	48	58	(9)	4	–	(407)	(306)	(12)	(318)
Total comprehensive income		–	–	48	58	(9)	226	–	2,285	2,608	148	2,756
Transfer to retained earnings		–	–	–	–	–	(473)	–	473	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	(494)	(494)	(110)	(604)
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	–	–	–	–	–
Own shares delivered		–	–	–	–	–	–	17	(17)	–	–	–
Share-based payments		–	–	–	–	–	–	–	15	15	–	15
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	–	–	(212)	(212)	715	503
Balance as at 31 December 2012		922	2,701	(527)	(11)	150	779	(26)	7,746	11,734	1,071	12,805

*Restated for the revised IAS 19.

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**

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 2013 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 note 36 and 16 respectively.

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

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. Substantially all standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2013 have been adopted by the EU. It is noted that IFRS 10, 11 and 12, which were adopted by the EU with an effective date of 1 January 2014, were adopted by HEINEKEN as at 1 January 2013. 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 11 February 2014 and will be submitted for adoption to the Annual General Meeting of Shareholders on 24 April 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise indicated.

The methods used to measure fair values are discussed further in note 3 and 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest million unless stated otherwise.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Note 6 Acquisitions and disposals of subsidiaries and non-controlling interests
Note 15 Intangible assets
Note 16 Investments in associates and joint ventures
Note 17 Other investments and receivables
Note 18 Deferred tax assets and liabilities
Note 28 Employee benefits
Note 30 Provisions
Note 32 Financial risk management and financial instruments
Note 34 Contingencies.

(e) Changes in accounting policies

HEINEKEN has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- Revised IAS 19 Employee Benefits

The new standards and amendment to standards IFRS 10, 11 and 12 were early adopted by HEINEKEN. The nature and the effect of the changes are further explained below.

IFRS 10 Consolidated Financial Statements

As a result of IFRS 10, HEINEKEN has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether HEINEKEN has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 requires HEINEKEN to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, HEINEKEN reassessed the control conclusion for its investees as at 1 January 2013, and concluded that the standard has no impact on the consolidated financial statements of HEINEKEN.

IFRS 11 Joint Arrangements

As a result of IFRS 11, HEINEKEN has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, HEINEKEN classifies its interests in joint arrangements as either joint operations or joint ventures depending on HEINEKEN's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, HEINEKEN considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

HEINEKEN has joint control over its joint arrangements as under the contractual agreements, unanimous consent is required from all parties to the arrangements for all relevant activities. HEINEKEN's joint arrangements are structured as limited companies and provide HEINEKEN and the parties to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore those entities are classified as joint ventures.

HEINEKEN has re-evaluated its involvement in its joint arrangements and concluded that the standard has no impact on the consolidated financial statements of HEINEKEN.

IFRS 12 Disclosure of Interests in Other Entities

As a result of IFRS 12 HEINEKEN has changed its disclosures about its interests in subsidiaries (note 36 and note 6) and equity-accounted investees (note 16).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures (see note 32).

In accordance with the transitional provisions of IFRS 13, HEINEKEN has applied the new fair value measurement guidance prospectively as from 1 January 2013. The change had no significant impact on the measurement of HEINEKEN's assets and liabilities.

2. Basis of preparation continued

Presentation of Items of Other Comprehensive Income (Amendments to IAS1)

As a result of the amendments to IAS 1, HEINEKEN has modified the presentation of its statement of other comprehensive income. The modification is to split items based on whether or not they could be recycled to profit or loss in the future. Comparative information has been re-presented accordingly.

Revised IAS 19 Employee Benefits

As a result of the revision of IAS 19, HEINEKEN has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit plans.

Under the revised IAS 19, HEINEKEN determines the net interest expense (income) on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest effect of applying the asset ceiling.

Previously, HEINEKEN determined interest income on plan assets based on their long-term expected return. The variance between actual and expected return continues to be accounted for in other comprehensive income. Therefore, the change in method of calculating the net interest expense (income) has no impact on equity. The change in accounting policy increased the defined benefit expense recognised in profit or loss and correspondingly increased the defined benefit plan remeasurement gain recognised in other comprehensive income by EUR98 million for the reporting period ending 31 December 2013 (EUR45 million reduction of remeasurement loss for the period ending 31 December 2012).

HEINEKEN now presents the net interest on the net defined benefit liability (asset) in other net finance income and expenses rather than personnel expenses. As a result, a reclassification from personnel expenses to other net finance income and expenses of EUR57 million was made for the reporting period ending 31 December 2013 (EUR51 million for the period ending 31 December 2012).

The revised IAS 19 no longer allows inclusion of future pension administration costs as part of the defined benefit obligation. Such costs should be recognised when the administration services are incurred. Previously, HEINEKEN accrued a surcharge for pension administration costs of the Dutch pension plan as part of the current service costs in the defined benefit obligation. With the adoption of the revised standard, this accrual was released to equity. As a result, HEINEKEN's defined benefit obligation decreased by EUR57 million as at 1 January 2012.

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, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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.

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 in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale (equity) investments and foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment, which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost remain translated into the functional currency at historical exchange rates.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Euro at exchange rates approximating the exchange rates ruling at the dates of the transactions. Group entities, with a functional currency being the currency of a hyperinflationary economy, first restate their financial statements in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies (see 'Reporting in hyperinflationary economies' below). The related income, costs and balance sheet amounts are translated at the foreign exchange rate ruling at the balance sheet date.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When HEINEKEN disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When HEINEKEN disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the translation reserve.

The following exchange rates, for the most important countries in which HEINEKEN has operations, were used while preparing these consolidated financial statements:

In EUR	Year-end 2013	Year-end 2012	Average 2013	Average 2012
BRL	0.3070	0.3699	0.3486	0.3987
GBP	1.1995	1.2253	1.1775	1.2332
MXN	0.0553	0.0582	0.0590	0.0592
NGN	0.0047	0.0049	0.0049	0.0050
PLN	0.2407	0.2455	0.2382	0.2390
RUB	0.0221	0.0248	0.0236	0.0250
SGD	0.5743	0.6207	0.6017	0.6229
VND in 1000	0.0345	0.0364	0.0358	0.0373
USD	0.7251	0.7579	0.7530	0.7783

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

(iv) Hedge of net investments in foreign operations
Foreign currency differences arising on the 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 hereafter.

If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends either to settle on a net basis or to realise the asset and settle the liability simultaneously then financial assets and liabilities are presented in the statement of financial position as a net amount.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting policies for interest income, interest expenses and other net finance income and expenses are discussed in note 3r.

(ii) Held-to-maturity investments
If HEINEKEN has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Debt securities are loans and long-term receivables and are measured at amortised cost using the effective interest method, less any impairment losses. Investments held-to-maturity are recognised or derecognised on the day they are transferred to or by HEINEKEN.

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 the profit or loss. Available-for-sale investments are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

(iv) Investments at fair value through profit or loss
An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if HEINEKEN manages such investments and makes purchase and sale decisions based on their fair value in accordance with HEINEKEN's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred.

Investments at fair value through profit or loss are measured at fair value, with changes therein recognised in profit or loss as part of the other net finance income/(expenses). Investments at fair value through profit and loss are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

(v) Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Included in non-derivative financial instruments are advances to customers. Subsequently, the advances are amortised over the term of the contract as a reduction of revenue.

(d) Derivative financial instruments (including hedge accounting)

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

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

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, then hedge accounting is discontinued and the cumulative unrealised gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity, is recognised in profit or loss immediately, or when a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above-mentioned policy when the transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss.

(iii) Fair value hedges
Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss and adjusts the carrying amount of the hedged item.

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

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

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

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

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(iii) Dividends
Dividends are recognised as a liability in the period in which they are declared.

(f) Property, Plant and Equipment (P, P & E)
(i) Owned assets
Items of P, P & E are measured at cost less government grants received (refer (q)), accumulated depreciation (refer (iv)) and accumulated impairment losses (3i(ii)).

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

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are capitalised and amortised as part of the equipment. For example, purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. In all other cases spare parts are carried as inventory and recognised in 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.

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 reasonable certain that HEINEKEN will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative years are as follows:

▪ Buildings	30 – 40 years
▪ Plant and equipment	10 – 30 years
▪ Other fixed assets	3 – 10 years

Where parts of an item of P, P & E have different useful lives, they are accounted for as separate items of P, P & E.

The depreciation methods, residual value as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

(v) Gains and losses on sale

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

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of the acquisition over HEINEKEN's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associate, respectively the joint ventures. In respect of acquisitions prior to 1 October 2003, goodwill is included on the basis of deemed cost, being the amount recorded under previous GAAP. Goodwill on acquisitions purchased before 1 January 2003 has been deducted from equity.

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

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

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

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

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

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

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 indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and presented in the fair value reserve in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) Non-financial assets
The carrying amounts of HEINEKEN's non-financial assets, other than inventories (refer accounting policy (h) and deferred tax assets (refer accounting policy (s)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

For the purpose of impairment testing, goodwill acquired in a business combination, is allocated to each of the acquirer's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored on regional, sub regional or country level depending on the characteristics of the acquisition, the synergies to be achieved and the level of integration.

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

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

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 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 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 (see note 29).

The grant date fair value of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for both the Executive Board and senior management members are spread evenly over the performance period.

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the share plans 2011 – 2013, 2012– 2014 and 2013–2015 of the senior management members and the Executive Board. It recognises the impact of the revision of original estimates (only applicable for internal performance conditions, if any) in profit or loss, with a corresponding adjustment to equity.

(vi) Matching share entitlement
As from 21 April 2011 HEINEKEN established a matching share entitlement for the Executive Board. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity settled incentive.

(vii) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if 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 to be expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of the net finance expenses.

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, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Other revenue

Other revenues are proceeds from royalties, rental income, pub management services and technical services to third parties, net of sales tax. Royalties are recognised in profit or loss on an accrual basis in accordance with the substance of the relevant agreement. Rental income, pub management services and technical services are recognised in profit or loss when the services have been delivered.

(o) Other income

Other income 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 ownership has been transferred to the buyer.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(ii) Finance lease payments
Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Government grants
Government grants are recognised at their fair value when it is reasonably assured that HEINEKEN will comply with the conditions attaching to them and the grants will be received.

Government grants relating to P, P & E are deducted from the carrying amount of the asset.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(r) Interest income, interest expenses and other net finance income and expenses
Interest income and expenses are recognised as they accrue in profit or loss, using the effective interest method unless collectability is in doubt.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Other net finance income and expenses comprises dividend income, gains and losses on the disposal of available-for-sale investments, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments, changes in fair value of hedging instruments that are recognised in profit or loss, unwinding of the discount on provisions, 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; and
- taxable temporary differences arising on the initial recognition of goodwill.

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) Tax exposures

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

(t) Discontinued operations

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

IFRS 9 (2009) Financial Instruments introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. In November 2013 the IASB concluded the project phase in relation to hedge accounting. The last phase of the project to replace IAS 39, about impairment of financial assets is ongoing and an effective date for applicability of IFRS 9 will only be determined by the IASB when concluding on the entire project. Early adoption is allowed. HEINEKEN is in the process of evaluating the impact of the implementation of the new standard.

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, then fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on current price for the residual maturity of the contract using a risk-free interest rate (based on inter-bank interest rates).

Fair values include the instrument's credit risk and adjustments to take account of the credit risk of 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 view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. EBIT (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of these segments.

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

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

5. Operating segments continued

Information about reportable segments

In millions of EUR	Note	Western Europe 2013	Western Europe 2012*	Central and Eastern Europe 2013	Central and Eastern Europe 2012*	The Americas 2013	The Americas 2012*
Revenue							
Third party revenue[1]		6,800	7,140	3,082	3,255	4,486	4,507
Interregional revenue		656	645	15	25	9	16
Total revenue		**7,456**	7,785	**3,097**	3,280	**4,495**	4,523
Other income		50	13	119	9	56	2
Results from operating activities		737	723	231	320	681	593
Net finance expenses							
Share of profit of associates and joint ventures and impairments thereof		2	1	15	24	70	81
Income tax expense							
Profit							
Attributable to:							
Equity holders of the Company (net profit)							
Non-controlling interests							
EBIT reconciliation							
EBIT[2]		739	724	246	344	751	674
Eia[2]		115	224	60	12	39	86
EBIT (beia)[2]	27	**854**	948	**306**	356	**790**	760
Beer volumes (in million hectolitres)							
Consolidated beer volume[2]		42,224	44,288	44,261	47,269	51,209	53,124
Attributable share of joint ventures & associates volume[2]		–	–	3,743	3,735	3,717	3,785
Group beer volume[2]		**42,224**	44,288	**48,004**	51,004	**54,926**	56,909
Current segment assets		2,036	2,007	982	1,082	1,236	1,193
Non-current segment assets		7,262	8,015	3,128	3,423	5,193	5,649
Investment in associates and joint ventures		43	22	194	196	823	835
Total segment assets		**9,341**	10,044	**4,304**	4,701	**7,252**	7,677
Unallocated assets							
Total assets							
Segment liabilities		3,571	4,121	1,242	1,347	1,027	1,072
Unallocated liabilities							
Total equity							
Total equity and liabilities							
Purchase of P, P & E		264	260	191	197	261	250
Acquisition of goodwill		9	7	–	–	–	36
Purchases of intangible assets		24	26	6	12	12	14
Depreciation of P, P & E		(329)	(344)	(235)	(247)	(211)	(201)
(Impairment) and reversal of impairment of P, P & E		(7)	(36)	(9)	15	(1)	(17)
Amortisation intangible assets		(65)	(86)	(17)	(16)	(97)	(103)
(Impairment) and reversal of impairment of intangible assets		(17)	(7)	(99)	–	–	–

*Restated for the revised IAS 19 and finalisation of the purchase price allocation of APB.
[1]Includes other revenue of EUR375 million in 2013 and EUR433 million in 2012.
[2]For definition see 'Glossary'. Note that these are both non-GAAP measures and therefore unaudited.

5. Operating segments continued

Information about reportable segments

In millions of EUR	Africa Middle East 2013	Africa Middle East 2012*	Asia Pacific 2013	Asia Pacific 2012*	Head Office & Other/Eliminations 2013	Head Office & Other/Eliminations 2012*	Consolidated 2013	Consolidated 2012*
Revenue								
Third party revenue[1]	2,554	2,639	2,036	527	245	315	19,203	18,383
Interregional revenue	–	–	1	–	(681)	(686)	–	–
Total revenue	**2,554**	2,639	**2,037**	527	**(436)**	(371)	**19,203**	18,383
Other income	1	–	–	1,486	–	–	226	1,510
Results from operating activities	606	616	376	1,546	(77)	(101)	2,554	3,697
Net finance expenses							(593)	(321)
Share of profit of associates and joint ventures and impairments thereof	37	1	26	109	(4)	(3)	146	213
Income tax expense							(520)	(515)
Profit							**1,587**	3,074
Attributable to:								
Equity holders of the Company (net profit)							1,364	2,914
Non-controlling interests							223	160
							1,587	3,074
EBIT reconciliation								
EBIT[2]	643	617	402	1,655	(81)	(104)	2,700	3,910
Eia[2]	2	38	163	(1,388)	12	36	391	(992)
EBIT (beia)[2]	**645**	655	**565**	267	**(69)**	(68)	**3,091**	2,918
Beer volumes (in million hectolitres)								
Consolidated beer volume[2]	23,281	23,289	17,347	3,742	–	–	178,322	171,712
Attributable share of joint ventures & associates volume[2]	4,119	4,200	5,345	13,202	–	–	16,924	24,922
Group beer volume[2]	**27,400**	27,489	**22,692**	16,944	**–**	–	**195,246**	196,634
Current segment assets	939	959	757	913	(475)	(629)	5,475	5,525
Non-current segment assets	2,216	2,073	6,254	7,166	1,400	1,619	25,453	27,945
Investment in associates and joint ventures	238	281	476	534	109	82	1,883	1,950
Total segment assets	**3,393**	3,313	**7,487**	8,613	**1,034**	1,072	**32,811**	35,420
Unallocated assets							526	560
Total assets							**33,337**	35,980
Segment liabilities	853	760	449	513	319	238	7,461	8,051
Unallocated liabilities							13,520	15,124
Total equity							12,356	12,805
Total equity and liabilities							**33,337**	35,980
Purchase of P, P & E	461	395	142	20	50	48	1,369	1,170
Acquisition of goodwill	–	–	–	2,720	–	480	9	3,243
Purchases of intangible assets	2	2	5	–	28	24	77	78
Depreciation of P, P & E	(183)	(176)	(80)	(11)	(35)	(38)	(1,073)	(1,017)
(Impairment) and reversal of impairment of P, P & E	–	(8)	2	–	(1)	2	(16)	(44)
Amortisation intangible assets	(6)	(6)	(179)	(24)	(12)	(12)	(376)	(247)
(Impairment) and reversal of impairment of intangible assets	–	–	–	–	–	–	(116)	(7)

*Restated for the revised IAS 19 and finalisation of the purchase price allocation of APB.
[1]Includes other revenue of EUR375 million in 2013 and EUR433 million in 2012.
[2]For definition see 'Glossary'. Note that these are both non-GAAP measures and therefore unaudited.

6. Acquisitions and disposals of subsidiaries and non-controlling interests

Accounting for the acquisition of APIPL/APB

The accounting for the acquisition of Asia Pacific Investment Pte. Ltd ('APIPL') and Asia Pacific Breweries Ltd ('APB') and their subsidiaries (together referred to as the 'APIPL/APB acquisition') has been finalised on 15 November 2013. Some adjustments were made to the provisional accounting for the APIPL/APB acquisition, resulting in a decrease in goodwill of EUR37 million. The adjustments mainly related to the revaluation of P, P & E based on additional information obtained about the facts and circumstances that existed at the acquisition date, which resulted in an increase in P, P & E of EUR52 million and an increase in trade and other payables of EUR10 million. Comparative information has been restated.

In 2012 the APIPL/APB financial figures were consolidated for 1.5 months from 15 November 2012 to year-end. In 2013 the APIPL/APB financial figures have been consolidated for the full year.

Acquisitions of non-controlling interests

In 2013 HEINEKEN paid a total cash consideration of EUR156 million for the remaining APB shares outstanding in the market as at 31 December 2012. There were no other individually material acquisitions of non-controlling interests during 2013.

The value of non-controlling interests and equity impact (result of buy-out) are disclosed in the table below:

In millions of EUR	Consideration paid	Value of the non-controlling interest	Result buy-out
APB	156	65	91
Other	53	7	46

Disposals

Disposal of Oy Hartwall Ab ('Hartwall') in Finland

On 23 August 2013 HEINEKEN sold its 100 per cent stake in Oy Hartwall Ab in Finland to Danish Royal Unibrew A/S. A EUR6 million pre-tax book gain on the disposal was recorded in other income.

Disposal of our stake in Kazakhstan

On 8 January 2013 HEINEKEN sold its 28 per cent stake in Efes Kazakhstan JSC FE to the majority shareholder Efes Breweries International N.V. A EUR75 million pre-tax book gain on the disposal was recorded in other income.

Disposal of Jiangsu Dafuhao Breweries Co. Ltd

On 15 January 2013 HEINEKEN sold its 49 per cent stake in Jiangsu Dafuhao Breweries Co. Ltd, which was acquired in the APIPL/APB acquisition, to Nantong Fuhao Alcohol Co. Ltd.

Disposal of Pago International GmbH

On 15 February 2013 HEINEKEN sold its 100 per cent stake in Pago International GmbH to the Eckes-Granini Group. A pre-tax EUR17 million book gain on the disposal was recorded in other income.

Disposal of stake in Shanghai Asia Pacific Brewery Company

On 12 April 2013 HEINEKEN disposed of Shanghai Asia Pacific Brewery Company by selling its shares in Heineken-APB (China) Pte Ltd to Step Best Investments Ltd. Full ownership of these entities was acquired in the APIPL/APB acquisition.

The aggregated consideration received in cash amounted to EUR588 million. Assets sold in the transactions above that resulted in loss of control included cash and cash equivalents amounting to EUR37 million negative. The other categories of assets and liabilities other than cash and cash equivalents in the operations over which control was lost were as follows:

In millions of EUR	2013
Current assets	83
Non-current assets	541
Current liabilities	(165)
Non-current liabilities	(63)

7. Assets and liabilities (or disposal groups) classified as held for sale

The below assets and liabilities are classified as held for sale following the commitment of HEINEKEN to a plan to sell certain assets and liabilities. Efforts to sell these assets and liabilities have commenced and are expected to be completed during 2014.

Assets and liabilities classified as held for sale

In millions of EUR	2013	2012
Current assets	19	38
Non-current assets	18	86
Current liabilities	(10)	(36)
Non-current liabilities	(1)	(3)
	26	85

8. Other income

In millions of EUR	2013	2012
Net gain/(loss) on sale of property, plant & equipment	87	22
Net gain/(loss) on sale of intangible assets	–	2
Net gain/(loss) on sale of subsidiaries, joint ventures and associates	139	1,486
	226	1,510

In addition to the results disclosed in note 6, HEINEKEN's shareholding in joint venture Compania Cervecerias Unidas S.A. (CCU) reduced as a result of a share issuance. The corresponding gain amounted to EUR47 million and is included in other income. Other income in 2012 comprises the fair value gain of HEINEKEN's previously held equity interest in APB amounting to EUR1,486 million.

9. Raw materials, consumables and services

In millions of EUR	2013	2012
Raw materials	1,868	1,892
Non-returnable packaging	2,502	2,376
Goods for resale	1,551	1,616
Inventory movements	2	(85)
Marketing and selling expenses	2,418	2,250
Transport expenses	1,031	1,029
Energy and water	564	562
Repair and maintenance	482	458
Other expenses	1,768	1,751
	12,186	11,849

Other expenses mainly include rentals of EUR282 million (2012: EUR264 million), consultant expenses of EUR166 million (2012: EUR191 million), telecom and office automation of EUR183 million (2012: EUR179 million) and travel expenses of EUR155 million (2012: EUR155 million).

10. Personnel expenses

In millions of EUR	Note	2013	2012*
Wages and salaries		2,125	2,078
Compulsory social security contributions		346	352
Contributions to defined contribution plans		41	39
Expenses related to defined benefit plans	28	41	22
Expenses related to other long-term employee benefits		11	11
Equity-settled share-based payment plan	29	10	12
Other personnel expenses		534	517
		3,108	3,031

*Restated for the revised IAS 19.

In other personnel expenses, restructuring costs are included for an amount of EUR80 million. These costs are primarily related to the restructuring of operations in the United Kingdom, France and Greece.

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

	2013	2012
The Netherlands	4,054	4,053
Other Western Europe	13,924	14,410
Central and Eastern Europe	15,946	16,835
The Americas	23,951	25,035
Africa Middle East	14,062	14,604
Asia Pacific	8,996	1,254
Heineken N.V. and subsidiaries	**80,933**	76,191

11. Amortisation, depreciation and impairments

In millions of EUR	Note	2013	2012
Property, plant & equipment	14	1,089	1,061
Intangible assets	15	492	254
Impairment on available-for-sale assets		–	1
		1,581	1,316

12. Net finance income and expense

Recognised in profit or loss

In millions of EUR	2013	2012*
Interest income	**47**	62
Interest expenses	**(579)**	(551)
Dividend income from available-for-sale investments	15	25
Net gain/(loss) on disposal of available-for-sale investments	–	192
Net change in fair value of derivatives	16	(7)
Net foreign exchange gain/(loss)	(31)	15
Unwinding discount on provisions	(5)	(7)
Interest on the net defined benefit obligation	(56)	(51)
Other net financial income/(expenses)	–	1
Other net finance income/(expenses)	**(61)**	168
Net finance income/(expenses)	**(593)**	(321)

*Restated for the revised IAS 19.

The net gain on disposal of available-for-sale-investments for the year ended 31 December 2012 mainly related to the sale of our minority shareholding in Cervecería Nacional Dominicana S.A. in the Dominican Republic and to the revaluation of HEINEKEN's existing interest in the acquisition of Brasserie d'Haiti.

13. Income tax expense

Recognised in profit or loss

In millions of EUR	2013	2012*
Current tax expense		
Current year	740	639
Under/(over) provided in prior years	13	(6)
	753	633
Deferred tax expense		
Origination and reversal of temporary differences	(173)	(100)
Previously unrecognised deductible temporary differences	–	(28)
Changes in tax rate	(32)	4
Utilisation/(benefit) of tax losses recognised	(13)	(6)
Under/(over) provided in prior years	(15)	12
	(233)	(118)
Total income tax expense in profit or loss	**520**	515

*Restated for the revised IAS 19.

13. Income tax expense continued

Reconciliation of the effective tax rate

In millions of EUR	2013	2012*
Profit before income tax	2,107	3,589
Share of net profit of associates and joint ventures and impairments thereof	(146)	(213)
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)	**1,961**	**3,376**

*Restated for the revised IAS 19.

	%	2013	%*	2012*
Income tax using the Company's domestic tax rate	25.0	490	25.0	845
Effect of tax rates in foreign jurisdictions	4.1	79	1.9	63
Effect of non-deductible expenses	4.6	90	1.9	64
Effect of tax incentives and exempt income	(8.3)	(162)	(14.0)	(472)
Recognition of previously unrecognised temporary differences	–	–	(0.8)	(28)
Utilisation or recognition of previously unrecognised tax losses	(0.6)	(11)	(0.5)	(17)
Unrecognised current year tax losses	1.3	26	0.8	25
Effect of changes in tax rate	(1.6)	(32)	0.1	4
Withholding taxes	2.1	42	0.8	27
Under/(over) provided in prior years	(0.1)	(2)	0.2	6
Other reconciling items	–	–	(0.1)	(2)
	26.5	**520**	15.3	515

*Restated for the revised IAS 19.

The higher reported tax rate in 2013 of 26.5 per cent (2012: 15.3 per cent) can be mainly explained by the fact that in 2012 the revaluation of HEINEKEN's PHEI in APIPL/APB was tax exempt.

Income tax recognised in other comprehensive income

In millions of EUR	Note	2013	2012*
Changes in fair value		10	(24)
Changes in hedging reserve		(2)	(18)
Changes in translation reserve		(43)	(22)
Other		(67)	113
	24	**(102)**	49

*Restated for the revised IAS 19.

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 2012		4,870	6,277	4,052	332	15,531
Changes in consolidation		297	385	91	77	850
Purchases		38	105	365	662	1,170
Transfer of completed projects under construction and other		58	235	270	(540)	23
Transfer (to)/from assets classified as held for sale		(37)	(21)	(24)	–	(82)
Disposals		(19)	(81)	(284)	(1)	(385)
Effect of hyperinflation		1	4	1	–	6
Effect of movements in exchange rates		59	23	23	(4)	101
Balance as at 31 December 2012		5,267	6,927	4,494	526	17,214
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**
Depreciation and impairment losses						
Balance as at 1 January 2012		(1,622)	(3,339)	(2,710)	–	(7,671)
Changes in consolidation		–	(2)	(1)	–	(3)
Depreciation charge for the year	11	(142)	(399)	(476)	–	(1,017)
Impairment losses	11	(10)	(36)	(19)	–	(65)
Reversal impairment losses	11	4	12	5	–	21
Transfer to/(from) assets classified as held for sale		26	15	20	–	61
Disposals		5	80	261	–	346
Effect of movements in exchange rates		(14)	(9)	(19)	–	(42)
Balance as at 31 December 2012		(1,753)	(3,678)	(2,939)	–	(8,370)
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)**
Carrying amount						
As at 1 January 2012		3,248	2,938	1,342	332	7,860
As at 31 December 2012		3,514	3,249	1,555	526	8,844
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**

* Restated for the finalisation of the purchase price allocation for APB.

14. Property, plant and equipment continued

Impairment losses

In 2013 a total impairment loss of EUR23 million (2012: EUR65 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 2013 the net carrying amount of leased P,P & E was EUR9 million (2012: EUR39 million). During the year, HEINEKEN acquired leased assets of EUR13 million (2012: EUR5 million).

Security to authorities

Certain P, P & E amounting to EUR122 million (2012: EUR142 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 Brazil (see note 34).

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 2013 borrowing costs amounting to EUR8 million have been capitalised (2012: EUR nil).

15. Intangible assets

In millions of EUR	Note	Goodwill*	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total*
Cost							
Balance as at 1 January 2012		7,809	2,272	1,228	162	378	11,849
Changes in consolidation		3,243	2,069	1,077	624	48	7,061
Purchased/internally developed		–	–	–	7	71	78
Disposals		(11)	–	(5)	(4)	–	(20)
Transfers to assets held for sale		–	–	–	–	(1)	(1)
Effect of movements in exchange rates		(1)	(9)	4	(9)	6	(9)
Balance as at 31 December 2012		11,040	4,332	2,304	780	502	18,958
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**
Amortisation and impairment losses							
Balance as at 1 January 2012		(279)	(221)	(268)	(3)	(243)	(1,014)
Changes in consolidation		–	–	–	–	–	–
Amortisation charge for the year	11	–	(68)	(121)	(11)	(47)	(247)
Impairment losses	11	(7)	–	–	–	–	(7)
Disposals		–	–	–	–	–	–
Transfers to assets held for sale		–	–	–	–	1	1
Effect of movements in exchange rates		(11)	–	7	(9)	10	(3)
Balance as at 31 December 2012		(297)	(289)	(382)	(23)	(279)	(1,270)

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 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)**
Carrying amount							
As at 1 January 2012		7,530	2,051	960	159	135	10,835
As at 31 December 2012		10,743	4,043	1,922	757	223	17,688
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**

* Restated for the finalisation of the purchase price allocation for APB.

The carrying amount of our CGU in Russia has been reduced to its recoverable amount through recognition of a EUR94 million impairment loss against goodwill and EUR5 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 by management on a regional basis. In respect of less integrated subsidiaries such as Russia, Brazil, and subsidiaries within Africa Middle East and Head Office and other, goodwill is allocated and monitored by management on an individual country basis.

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

In millions of EUR	2013	2012*
Western Europe	3,246	3,428
Central and Eastern Europe (excluding Russia)	1,419	1,445
Russia	–	106
The Americas (excluding Brazil)	1,707	1,778
Brazil	82	99
Africa Middle East (aggregated)	482	507
Asia Pacific	2,364	2,637
Head Office and other (aggregated)	716	743
	10,016	10,743

*Restated for the finalisation of the purchase price allocation for APB.

15. Intangible assets continued

Throughout the year total goodwill mainly decreased due to the disposal of Hartwall, an impairment loss recognised in our CGU Russia and net foreign currency differences.

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

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

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

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

In per cent	Pre-tax WACC	Expected annual long-term inflation 2017-2023	Expected volume growth rates 2017-2023
Western Europe	9.6	2.0	(0.5)
Central and Eastern Europe (excluding Russia)	11.7	2.3	0.5
Russia	14.1	4.1	1.0
The Americas (excluding Brazil)	12.0	3.2	1.7
Brazil	15.5	4.5	0.9
Africa Middle East	14.8 – 22.7	3.2 – 10.7	1.8 – 7.7
Asia Pacific	13.3	4.9	3.9
Head Office and other	11.2 – 13.0	2.1 – 3.8	2.2 – 2.6

The impact of excise duty increases and other recent adverse regulatory changes has resulted in the deterioration of the beer market outlook in Russia, whilst also limiting HEINEKEN's commercial freedom in the country. Consequently, a goodwill impairment of EUR94 million before tax has been recognised in 2013. 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 equity accounted for.

Summarised financial information for equity accounted joint ventures and associates

The following table includes, in aggregate, the carrying amount and HEINEKEN's share of profit and OCI of joint ventures and associates:

In millions of EUR	Joint ventures 2013	Joint ventures 2012	Associates 2013	Associates 2012
Carrying amount of interests	**1,814**	1,883	**69**	67
Share of:				
Profit or loss from continuing operations	130	179	16	34
Other comprehensive income	5	(1)	–	–
	135	178	**16**	34

Reporting date

The reporting date of the financial statements of HEINEKEN joint ventures and associates, used in applying the equity method, is the same as for the Company except for:

- Heineken Lion Australia Pty which has a 30 September reporting date;
- Cerveceria Costa Rica S.A. which has a 30 September reporting date
- United Breweries Limited which has a 31 March reporting date
- Guinness Ghana Breweries Ltd which has a 30 June reporting date

This is due to historical reasons or local statutory requirements. The results of Cerveceria Costa Rica S.A., Guinness Ghana Breweries Ltd and United Breweries Limited have been adjusted to include numbers for the full financial year ended 31 December 2013.

17. Other investments and receivables

In millions of EUR	Note	2013	2012
Non-current other investments			
Loans to customers	32	203	368
Indemnification receivable	32	113	136
Other receivables	32	128	148
Held-to-maturity investments	32	4	4
Available-for-sale investments	32	247	327
Non-current derivatives	32	67	116
		762	1,099
Current other investments			
Investments held for trading	32	11	11
		11	11

17. Other investments and receivables continued

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

The indemnification receivable represents the receivable on FEMSA and Lewiston investments and is a mirroring of the corresponding indemnified liabilities originating from the acquisition of the beer operations of FEMSA and Sona.

The other receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian Authorities on which interest is calculated in accordance with Brazilian legislation. Collection of this receivable is expected to be beyond a period of five years.

The main available-for-sale investments are S.A. Des Brasseries du Cameroun, 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 (2012: EUR21 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

As at 31 December 2013 an amount of EUR134 million (2012: EUR193 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.

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	2013	2012*	2013	2012*	2013	2012*
Property, plant & equipment	119	136	(655)	(756)	(536)	(620)
Intangible assets	84	75	(1,318)	(1,610)	(1,234)	(1,535)
Investments	128	134	(9)	(12)	119	122
Inventories	19	20	–	(7)	19	13
Loans and borrowings	1	2	–	–	1	2
Employee benefits	317	385	(2)	(2)	315	383
Provisions	113	125	(12)	(17)	101	108
Other items	261	242	(202)	(195)	59	47
Tax losses carry forward	220	238	–	–	220	238
Tax assets/(liabilities)	**1,262**	1,357	**(2,198)**	(2,599)	**(936)**	(1,242)
Set-off of tax	(754)	(807)	754	807	–	–
Net tax assets/(liabilities)	**508**	550	**(1,444)**	(1,792)	**(936)**	(1,242)

*Restated for the revised IAS 19 and finalisation of the purchase price allocation for APB..

Of the total net deferred tax assets of EUR508 million at 31 December 2013 (2012: EUR550 million*), EUR280 million (2012: EUR287 million*) is recognised in respect of subsidiaries in various countries where losses have been incurred 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 EUR1,906 million as at 31 December 2013 (2012: EUR2,011 million), which expire in the following years:

In millions of EUR	2013	2012
2013	–	11
2014	16	17
2015	33	32
2016	28	29
2017	29	27
2018	23	–
After 2018 respectively 2017 but not unlimited	330	292
Unlimited	1,447	1,603
	1,906	2,011
Recognised as deferred tax assets gross	(978)	(989)
Unrecognised	**928**	1,022

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses. The majority of the unrecognised losses was acquired as part of the beer operations of FEMSA in 2010.

Movement in deferred tax balances during the year

In millions of EUR	Balance 1 January 2012*	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2012*
Property, plant & equipment	(497)	(66)	(5)	(54)	–	2	(620)
Intangible assets	(682)	(923)	6	59	–	5	(1,535)
Investments	85	(4)	4	37	(2)	2	122
Inventories	11	(18)	1	22	–	(3)	13
Loans and borrowings	3	–	(2)	–	–	1	2
Employee benefits	250	6	6	12	113	(4)	383
Provisions	151	(9)	3	(34)	–	(3)	108
Other items	8	9	(9)	70	(40)	9	47
Tax losses carry forward	237	1	4	6	–	(10)	238
Net tax assets/(liabilities)	(434)	(1,004)	8	118	71	(1)	(1,242)

*Restated for the revised IAS 19 and finalisation of the purchase price allocation for APB.

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 & 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	2013	2012
Raw materials	271	320
Work in progress	176	176
Finished products	388	407
Goods for resale	218	207
Non-returnable packaging	171	191
Other inventories and spare parts	288	295
	1,512	1,596

During 2013 and 2012 no write-down of inventories to net realisable value was made.

20. Trade and other receivables

In millions of EUR	Note	2013	2012
Trade receivables due from associates and joint ventures		22	27
Trade receivables		1,804	1,944
Other receivables		556	529
Derivatives		45	37
	32	**2,427**	2,537

A net impairment loss of EUR34 million (2012: EUR38 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	2013	2012
Cash and cash equivalents	32	1,290	1,037
Bank overdrafts	25	(178)	(191)
Cash and cash equivalents in the statement of cash flows		**1,112**	846

22. Capital and reserves

Share capital

As at 31 December 2013 the issued share capital comprised 576,002,613 ordinary shares (2012: 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 2013 amounted to EUR922 million (2012: EUR922 million).

The Company's authorised capital amounts to EUR2.5 billion, 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 2013 the share premium amounted to EUR2,701 million (2012: 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 2013, HEINEKEN held 1,010,213 of the Company's shares (2012: 891,561).

LTV
During the period from 1 January to 31 December 2013 HEINEKEN acquired 375,000 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	2013	2012
Final dividend previous year EUR0.56, respectively EUR0.53 per qualifying ordinary share	323	305
Interim dividend current year EUR0.36, respectively EUR0.33 per qualifying ordinary share	207	189
Total dividend declared and paid	**530**	494

The Heineken N.V. dividend policy is to pay out a ratio of 30 per cent to 35 per cent of full-year net profit (beia).The interim dividend is fixed at 40 per cent of the total dividend of the previous year.

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	2013	2012
Per qualifying ordinary share EUR0.89 (2012: EUR0.89)	**512**	512

22. Capital and reserves continued

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 2013 amounted to EUR954 million (2012: EUR1,071 million). Decrease of the NCI is mostly due to the purchase in 2013 of the remaining APIPL/APB shares in the open market as at 31 December 2012 (see note 6). All non-controlling interests are individually immaterial for HEINEKEN.

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2013 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,364 million (2012: EUR2,914 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2013 of 575,062,357 (2012: 575,022,338). Basic earnings per share for the year amounted to EUR2.37 (2012: EUR5.07*).

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2013 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,364 million (2012: EUR2,914 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 (2012: 576,002,613). Diluted earnings per share for the year amounted to EUR2.37 (2012: EUR5.06*).

*Restated for the revised IAS 19.

Weighted average number of shares – basic and diluted

	2013	2012
Number of shares basic 1 January	576,002,613	576,002,613
Effect of own shares held	(940,256)	(980,275)
Weighted average number of basic shares for the year	**575,062,357**	575,022,338
Effect of own shares held	940,256	980,275
Weighted average number of diluted shares for the year	**576,002,613**	576,002,613

24. Income tax on other comprehensive income

In millions of EUR	2013 Amount before tax	2013 Tax	2013 Amount net of tax	2012* Amount before tax	2012* Tax	2012* Amount net of tax
Other comprehensive income						
Actuarial gains and losses	263	(66)	197	(517)	113	(404)
Currency translation differences	(1,244)	(38)	(1,282)	59	(20)	39
Recycling of currency translation differences to profit or loss	1	–	1	–	–	–
Effective portion of net investment hedges	18	(5)	13	8	(2)	6
Effective portion of changes in fair value of cash flow hedges	17	(1)	16	16	(2)	14
Effective portion of cash flow hedges transferred to profit or loss	(3)	(1)	(4)	57	(16)	41
Net change in fair value available-for-sale investments	(63)	10	(53)	203	(68)	135
Net change in fair value available-for-sale investments transferred to profit or loss	–	–	–	(192)	44	(148)
Share of other comprehensive income of associates/joint ventures	6	(1)	5	(1)	–	(1)
Total other comprehensive income	**(1,005)**	**(102)**	**(1,107)**	(367)	49	(318)

*Restated for the revised IAS 19.

25. Loans and borrowings

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

Non-current liabilities

In millions of EUR	Note	2013	2012
Secured bank loans		16	28
Unsecured bank loans		422	1,221
Unsecured bond issues		8,083	8,206
Finance lease liabilities	26	5	22
Other non-current interest-bearing liabilities		1,271	1,828
Non-current interest-bearing liabilities		**9,797**	11,305
Non-current derivatives		47	111
Non-current non-interest-bearing liabilities		9	21
Non-current liabilities		**9,853**	11,437

25. Loans and borrowings continued

Current interest-bearing liabilities

In millions of EUR	Note	2013	2012
Current portion of secured bank loans		12	13
Current portion of unsecured bank loans		261	740
Current portion of unsecured bonds issued		904	600
Current portion of finance lease liabilities	26	4	16
Current portion of other non-current interest-bearing liabilities		471	12
Total current portion of non-current interest-bearing liabilities		**1,652**	1,381
Deposits from third parties (mainly employee loans)		543	482
		2,195	1,863
Bank overdrafts	21	178	191
Current interest-bearing liabilities		**2,373**	2,054

Net interest-bearing debt position

In millions of EUR	Note	2013	2012
Non-current interest-bearing liabilities		9,797	11,305
Current portion of non-current interest-bearing liabilities		1,652	1,381
Deposits from third parties (mainly employee loans)		543	482
		11,992	13,168
Bank overdrafts	21	178	191
		12,170	13,359
Cash, cash equivalents and current other investments		(1,302)	(1,048)
Net interest-bearing debt position		**10,868**	12,311

Non-current liabilities

In millions of EUR	Secured bank loans	Unsecured bank loans	Unsecured bond issues	Finance lease liabilities	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 2013	**28**	**1,221**	**8,206**	**22**	**1,828**	**111**	**21**	**11,437**
Consolidation changes	–	(9)	(1)	(9)	8	–	(1)	(12)
Effect of movements in exchange rates	–	(12)	–	–	(59)	26	(5)	(50)
Transfers to current liabilities	(9)	(404)	(990)	(8)	(455)	(116)	(3)	(1,985)
Charge to/(from) equity i/r derivatives	–	(24)	(10)	–	(15)	7	–	(42)
Proceeds	1	214	1,259	–	56	–	–	1,530
Repayments	(4)	(578)	(231)	–	(55)	–	(2)	(870)
Other	–	14	(150)	–	(37)	19	(1)	(155)
Balance as at 31 December 2013	**16**	**422**	**8,083**	**5**	**1,271**	**47**	**9**	**9,853**

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 2013	Face value 2013	Carrying amount 2012	Face value 2012
Secured bank loans	Bank Facilities	GBP	1.8	2016	9	9	13	13
Secured bank loans	Various	various	various	various	19	19	28	28
Unsecured bank loans	Bank Facilities	USD	0.7	2013	–	–	30	30
Unsecured bank loans	Bank Facilities	MXN	4.9	2013	–	–	36	36
Unsecured bank loans	Bank Facilities	PLN	3.2	2014	46	46	81	81
Unsecured bank loans	Bank Facility	EUR	5.1	2016	207	207	207	207
Unsecured bank loans	Bank Facilities	NGN	13.0	2013-2016	110	110	276	276
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2013	–	–	102	102
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2014	202	206	207	207
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.2	2016	111	111	111	111
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.8	2013	–	–	198	200
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	1.2	2013	–	–	291	294
Unsecured bank loans	2011 Syndicated Bank Facility	GBP	0.9	2017	–	–	196	196
Unsecured bank loans	2011 Syndicated Bank Facility	EUR	0.6	2017	–	–	180	180
Unsecured bank loans	Various	various	various	various	7	7	45	45
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	–	–	600	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	906	906	1,001	1,000
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	479	480	488	490
Unsecured bond	Issue under EMTN programme	SGD	2.7	2015	41	43	–	–
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	399	400	398	400
Unsecured bond	Issue under EMTN programme	SGD	2.3	2017	57	57	–	–

25. Loans and borrowings continued

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2013	Face value 2013	Carrying amount 2012	Face value 2012
Unsecured bond	Issue under EMTN programme	EUR	1.3	2018	99	100	–	–
Unsecured bond	Issue under EMTN programme	SGD	2.2	2018	54	55	–	–
Unsecured bond	Issue under EMTN programme	EUR	0.7	2018	60	60	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.5	2019	843	850	841	850
Unsecured bond	Issue under EMTN programme	EUR	2.1	2020	995	1,000	995	1,000
Unsecured bond	Issue under EMTN programme	EUR	2.0	2021	496	500	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2024	496	500	496	500
Unsecured bond	Issue under EMTN programme	EUR	2.9	2025	741	750	740	750
Unsecured bond	Issue under EMTN programme	EUR	3.3	2033	179	180	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.6	2033	90	100	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2043	75	75	–	–
Unsecured bond	Issue under APB MTN programme	SGD	3.0-4.0	2014-2020	75	75	220	220
Unsecured bond	Issue under 144A/RegS	USD	0.8	2015	361	363	377	379
Unsecured bond	Issue under 144A/RegS	USD	1.4	2017	901	906	941	947
Unsecured bond	Issue under 144A/RegS	USD	3.4	2022	539	543	563	568
Unsecured bond	Issue under 144A/RegS	USD	2.8	2023	720	725	753	758
Unsecured bond	Issue under 144A/RegS	USD	4.0	2042	353	363	369	379
Unsecured bond issues	n/a	various	various	various	28	28	24	24

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2013	Face value 2013	Carrying amount 2012	Face value 2012
Other interest-bearing liabilities	2002 S&N US private placement	USD	5.6	2014	452	435	491	455
Other interest-bearing liabilities	2005 S&N US private placement	USD	5.4	2015	229	218	248	227
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	38	38	40	40
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	65	65	68	69
Other interest-bearing liabilities	2008 US private placement	GBP	7.3	2016	30	30	31	31
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	526	526	548	549
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	282	282	295	296
Other interest-bearing liabilities	Various	various	various	various	120	120	120	120
Deposits from third parties	n/a	various	various	various	543	543	482	482
Finance lease liabilities	n/a	various	various	various	9	9	38	38
					11,992	**12,040**	13,168	13,178

Financing headroom
As at 31 December 2013 no amounts were drawn on the existing revolving credit facility of EUR2 billion. This revolving credit facility matures in 2018. The committed financing headroom including cash balances available at Group level was approximately EUR2.7 billion as at 31 December 2013.

Incurrence covenant
HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt (calculated in accordance with the consolidation method of the 2007 Annual Accounts) by EBITDA (beia) (also calculated in accordance with the consolidation method of the 2007 Annual Accounts and including the pro-forma full-year EBITDA of any acquisitions made in 2013). As at 31 December 2013 this ratio was 2.5 (2012: 2.8). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent us from conducting further significant debt financed acquisitions.

26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 2013	Future minimum lease payments 2012	Interest 2012	Present value of minimum lease payments 2012
Less than one year	4	–	4	16	–	16
Between one and five years	5	–	5	21	(1)	20
More than five years	–	–	–	2	–	2
	9	**–**	**9**	39	(1)	38

The decrease in the finance lease liabilities mainly relates to the disposal of our Hartwall operations in Finland.

27. Non-GAAP measures

In the internal management reports HEINEKEN measures its performance primarily based on EBIT and EBIT (beia), which are non-GAAP measures not calculated in accordance with IFRS. A similar non-GAAP adjustment can be made to the IFRS profit or loss as defined in IAS 1 paragraph 7 being the total of income less expense. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. The table below presents the relationship with IFRS measures, the results from operating activities and Net profit and HEINEKEN non-GAAP measures being EBIT, EBIT (beia), Consolidated operating profit (beia), Group operating profit (beia) and Net profit (beia) for the financial year 2013.

In millions of EUR	2013[1]	2012[1*]
Results from operating activities	**2,554**	3,697
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	146	213
EBIT	**2,700**	3,910
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	391	(992)
EBIT (beia)	**3,091**	2,918
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(150)	(252)
Consolidated operating profit (beia)	**2,941**	2,666
Attributable share of operating profit from joint ventures and associates and impairments thereof	251	440
Group operating profit (beia)	**3,192**	3,106
Profit attributable to equity holders of the Company (net profit)	**1,364**	2,914
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	391	(992)
Exceptional items included in finance costs	(11)	(206)
Exceptional items included in income tax expense	(151)	(55)
Exceptional items included in non-controlling interest	(8)	–
Net profit (beia)	**1,585**	1,661

*Restated for the revised IAS 19.
[1]Unaudited

The 2013 exceptional items included in EBIT contain the amortisation of acquisition-related intangibles for EUR329 million (2012: EUR198 million), the impairment of intangible assets and P, P & E in Russia for EUR102 million, the gain on sale of our Kazakhstan operations of EUR75 million and restructuring expenses in Europe of EUR99 million (2012: EUR97 million). The remainder of EUR64 million primarily relates to the dilution gain as a result of the share issuance by our joint venture Compania Cervecerias Unidas S.A. of EUR47 million.

The exceptional items in income tax expense include the tax impact on amortisation of acquisition-related intangible assets of EUR84 million (2012: EUR53 million), the tax impact on other exceptional items included in EBIT and finance costs of EUR21 million (2012: EUR2 million) and the remeasurement of a deferred tax position due to a tax rate change amounting to EUR46 million (2012: nil).

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	2013	2012*
Present value of unfunded defined benefit obligations	306	253
Present value of funded defined benefit obligations	7,368	7,591
Total present value of defined benefit obligations	**7,674**	7,844
Fair value of defined benefit plan assets	(6,553)	(6,401)
Present value of net obligations	**1,121**	1,443
Asset ceiling items	2	1
Recognised liability for defined benefit obligations	**1,123**	1,444
Other long-term employee benefits	79	131
	1,202	1,575

*Restated for the revised IAS 19.

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 87.5 per cent of the total defined benefit plan assets (2012: 87.4 per cent), 82.5 per cent of the present value of the defined benefit obligations (2012: 82.1 per cent*) and 53.0 per cent of the present value of net obligations (2012: 58.5 per cent*) as at 31 December 2013.

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's UK plan (Scottish & Newcastle pension plan) was closed for future accrual in July 2010 and the liabilities thus relate to past service before plan closure.

In 2013, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum contribution level agreed with the Board of the Pension Fund. The same level will be paid in 2014.

For the UK plan, 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 2013 the IAS 19 (revised) present value of the net obligations of the Scottish & Newcastle pension plan represents a GBP306 million (EUR367 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 employees are: Austria, Belgium, Greece, Ireland (closed for the majority of employees in 2012), Mexico, Nigeria (closed for the majority of employees in 2007), Portugal, Spain 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 is carried out in accordance with the plan's regulations.

28. Employee benefits continued

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	2013	2012*	2013	2012*	2013	2012*
Balance as at 1 January		**7,844**	6,843	**(6,401)**	(5,860)	**1,443**	983
Included in profit or loss							
Current service cost		80	60	–	–	80	60
Past service cost/(credit)		(42)	(43)	–	–	(42)	(43)
Administration expense		–	–	3	3	3	3
Expense recognised in personnel expenses	10	**38**	17	**3**	3	**41**	20
Interest expense/(income)	12	288	330	(232)	(277)	56	53
		326	347	**(229)**	(274)	**97**	73
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from							
Demographic assumptions		16	116	–	–	16	116
Financial assumptions		(167)	907	–	–	(167)	907
Experience adjustments		(6)	(170)	–	–	(6)	(170)
Return on plan assets excluding interest income		–	–	(106)	(336)	(106)	(336)
Effect of movements in exchange rates		(100)	99	76	(73)	(24)	26
		(257)	952	**(30)**	(409)	**(287)**	543
Other							
Changes in consolidation and reclassification		48	(1)	5	1	53	–
Contributions paid:							
By the employer		–	–	(185)	(156)	(185)	(156)
By the plan participants		26	26	(26)	(26)	–	–
Benefits paid		(313)	(323)	313	323	–	–
		(239)	(298)	**107**	142	**(132)**	(156)
Balance as at 31 December		**7,674**	7,844	**(6,553)**	(6,401)	**1,121**	1,443

*Restated for the revised IAS 19.

The defined benefit plan in the Netherlands was amended to reflect changes in legal requirements. From 1 January 2014 the target retirement age went up from 65 to 67 and the maximum build-up rate was changed to the maximum rate allowed under the law of 2.15 per cent. As a result, the defined benefit obligation in the Dutch plan decreased by EUR30 million. A corresponding past service credit was recognised in profit or loss during 2013.

In Mexico, a curtailment gain was recognised as a result of a reduction in the number of employees covered by the plan following a restructuring.

Defined benefit plan assets

In millions of EUR	Quoted	Unquoted	2013 Total	Quoted	Unquoted	2012 Total
Equity instruments:						
Europe	711	–	711	620	–	620
Northern America	582	–	582	458	–	458
Japan	197	–	197	170	–	170
Asia other	177	–	177	236	–	236
Other	252	–	252	201	–	201
	1,919	**–**	**1,919**	1,685	–	1,685
Debt instruments:						
Corporate bonds – investment grade	2,150			1,986		
Corporate bonds – non-investment grade	39			58		
	2,189	**20**	**2,209**	2,044	16	2,060
Derivatives	423	2	425	210	6	216
Properties and real estate	233	214	447	213	222	435
Cash and cash equivalents	107	12	119	243	24	267
Investment funds	979	228	1,207	1,320	166	1,486
Other plan assets	184	43	227	197	55	252
	1,926	**499**	**2,425**	2,183	473	2,656
Balance as at 31 December	**6,034**	**519**	**6,553**	5,912	489	6,401

The primary goal of the Heineken pension funds is to monitor the mix of debt and equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis. 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 dollar, yen and sterling 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 USD 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 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 29.2 per cent.

28. Employee benefits continued

Inflation risk

Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation 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	2013	2012*	2013	2012*
Discount rate as at 31 December	3.6	3.0	4.6	4.4
Future salary increases	2.0	2.0	–	–
Future pension increases	1.4	1.0	3.2	2.9
Medical cost trend rate	–	–	–	–

*Restated for the revised IAS 19.
**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	2013	2012*	2013	2012*	2013	2012*
Discount rate as at 31 December	2.4-3.6	2.0-3.2	7.6	6.7	14.0	14.0
Future salary increases	1.0-3.5	1.0-3.5	3.9	3.8	9.2	10.8
Future pension increases	1.0-1.8	1.0-2.5	2.9	2.8	2.0	–
Medical cost trend rate	3.4-4.5	3.4-4.5	5.1	5.1	7.5	10.0

*Restated for the revised IAS 19.

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands the rates are obtained from the 'AG-Prognosetafel 2012-2062', fully generational. Correction factors from TowersWatson 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 17 years.

HEINEKEN expects the 2014 contributions to be paid for the defined benefit plans to be in line with 2013.

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 2013 In millions of EUR	Present value of defined benefit obligation Increase in assumption	 Decrease in assumption
Discount rate (0.5% movement)	(560)	636
Future salary growth (0.25% movement)	14	(22)
Future pension growth (0.25% movement)	236	(225)
Medical cost trend rate (0.5% movement)	4	(3)
Life expectancy (1 year)	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

As from 1 January 2005 HEINEKEN established a performance-based share plan (Long-Term Variable award; LTV) for the Executive Board. As from 1 January 2006 a similar plan was established for senior management. Under this LTV plan share rights are conditionally awarded to incumbents on an annual basis since 2010. 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 2011-2013, LTV 2012-2014 and LTV 2013-2015 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Gross Profit beia growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow. For these plans, 100 per cent of the awarded share rights vest at target performance. At threshold performance, 50 per cent of the awarded share rights vest. At maximum performance 200 per cent of the awarded share rights vest for the Executive Board as well as senior managers contracted by the US, Mexico and Brazil, and 175 per cent vest for all other senior managers.

The performance period for the aforementioned plans are:

LTV	Performance period start	Performance period end
2011-2013	1 January 2011	31 December 2013
2012-2014	1 January 2012	31 December 2014
2013-2015	1 January 2013	31 December 2015

The vesting date for the Executive Board is within five business days, and for senior management the latest of 1 April and 20 business days, after the publication of the annual results of 2013, 2014 and 2015 respectively.

As HEINEKEN will withhold the tax related to vesting on behalf of the individual employees, the number of Heineken N.V. shares to be received by the Executive Board and senior management will be a net number.

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

The annual share rights granted to the Executive Board and senior management are as follows:

Grant date/employees entitled	Number*	Based on share price
Share rights granted to Executive Board in 2011	65,072	36.69
Share rights granted to senior management in 2011	730,090	36.69
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**

*The number of shares is based on target performance.

The impact of the economic downturn on the pre-2014 performance has rendered the long-term incentive awards over the performance periods 2012-2014 and 2013-2015 ineffective for post-2013 performance. Therefore, the performance conditions for these plans have been recalibrated to restore the effectiveness of these awards as stretching performance incentives for the years 2014 and 2015. This has been done for the entire senior management population upon discretion by the Executive Board, and for the Executive Board, albeit at more stretching levels, upon discretion by the Supervisory Board. There was no incremental fair value of the underlying equity instruments granted. However due to the adjustment of the performance conditions the expected vesting of the outstanding awards has been revised accordingly. The fair value impact has been determined in accordance with the accounting policy for share-based payments (Note 3k (v)). The performance conditions of the long-term variable award over the performance period 2011-2013 have not been recalibrated.

For the long-term variable awards over performance periods 2013-2015 and beyond the Supervisory Board has agreed for the CEO in the context of his re-appointment in 2013, that resignation will qualify as retirement going forward. Given existing agreements per 2005 for a specific group of senior managers (including the current Executive Board members), this implies that such unvested LTV awards at resignation will continue to vest at their regular vesting dates, insofar and to the extent that pre-determined performance conditions are met. This agreement will not apply 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.

Based on internal performance it is expected that approximately 219,464 shares of the LTV 2011-2013 will vest in 2014 for senior management and 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 2013	Number of share rights 2013	Weighted average share price 2012	Number of share rights 2012
Outstanding as at 1 January	**35.42**	**1,357,826**	29.14	1,546,514
Granted during the year	50.47	611,141	35.77	770,128
Forfeited during the year	40.52	(120,014)	35.44	(99,391)
Vested during the year	33.27	(331,768)	21.90	(615,967)
Performance adjustment	–	(260,079)	–	(243,458)
Outstanding as at 31 December	**42.41**	**1,257,106**	35.42	1,357,826

Under the extraordinary share plans for senior management 36,750 shares were granted and 9,942 (gross) shares vested. These extraordinary grants only have a service condition and vest between 1 and 5 years. The expenses relating to these expected additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2013 are EUR1.1 million (2012: EUR1.1 million).

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

Personnel expenses

In millions of EUR	Note	2013	2012
Share rights granted in 2010		–	5
Share rights granted in 2011		(3)	2
Share rights granted in 2012		5	5
Share rights granted in 2013		8	–
Total expense recognised as personnel expenses	10	**10**	12

30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts*	Other	Total*
Balance as at 1 January 2013		**138**	**36**	**374**	**548**
Changes in consolidation	6	(1)	–	(1)	(2)
Provisions made during the year		80	9	51	140
Provisions used during the year		(41)	(11)	(21)	(73)
Provisions reversed during the year		(12)	(1)	(34)	(47)
Effect of movements in exchange rates		–	(1)	(31)	(32)
Unwinding of discounts		–	–	4	4
Balance as at 31 December 2013		**164**	**32**	**342**	**538**
Non-current		75	22	270	367
Current		89	10	72	171

*Restated for the finalisation of the purchase price allocation for APB.

Restructuring

The provision for restructuring of EUR164 million mainly relates to restructuring programmes in Spain and the UK.

Other provisions

Included are, amongst others, surety and guarantees provided of EUR25 million (2012: EUR23 million) and litigation and claims of EUR168 million (2012: EUR202 million).

31. Trade and other payables

In millions of EUR	Note	2013	2012*
Trade payables		2,140	2,244
Returnable packaging deposits		507	512
Taxation and social security contributions		804	764
Dividend		36	47
Interest		188	204
Derivatives		149	53
Other payables		260	299
Accruals and deferred income		1,047	1,162
	32	**5,131**	5,285

*Restated for the finalisation of the purchase price allocation for APB.

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.

Loans to customers

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

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

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

Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. HEINEKEN's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly. As a result of the deteriorating economic circumstances since 2008, certain purchase limits have been redefined. Customers that fail to meet HEINEKEN's benchmark creditworthiness may transact with HEINEKEN only on a prepayment basis.

In monitoring customer credit risk, customers are, on a country 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 on consolidated level diverse, as such the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

HEINEKEN establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The components of this allowance are a specific loss component and a collective loss component.

32. Financial risk management and financial instruments continued

Advances to customers

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

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

Investments

HEINEKEN limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have a credit rating of at least single A or equivalent for short-term transactions and AA- for long-term transactions. HEINEKEN actively monitors these credit ratings.

Guarantees

HEINEKEN's policy is to avoid issuing guarantees where possible unless this leads to substantial benefits for 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	2013	2012
Loans to customers	17	203	368
Indemnification receivable	17	113	136
Other long-term receivables	17	128	148
Held-to-maturity investments	17	4	4
Available-for-sale investments	17	247	327
Non-current derivatives	17	67	116
Investments held for trading	17	11	11
Trade and other receivables, excluding current derivatives	20	2,382	2,500
Current derivatives	20	45	37
Cash and cash equivalents	21	1,290	1,037
		4,490	4,684

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	2013	2012
Western Europe	956	978
Central and Eastern Europe	466	502
The Americas	428	225
Africa Middle East	237	448
Asia Pacific	178	214
Head Office/eliminations	117	133
	2,382	2,500

Impairment losses

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

In millions of EUR	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	2,016	(83)	2,052	(49)
Past due 0 – 30 days	281	(15)	323	(14)
Past due 31 – 120 days	191	(33)	213	(67)
More than 120 days	312	(287)	373	(331)
	2,800	**(418)**	2,961	(461)

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	2013	2012
Balance as at 1 January	**461**	478
Changes in consolidation	(3)	1
Impairment loss recognised	66	104
Allowance used	(66)	(60)
Allowance released	(32)	(66)
Effect of movements in exchange rates	(8)	4
Balance as at 31 December	**418**	461

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

In millions of EUR	2013	2012
Balance as at 1 January	**158**	170
Changes in consolidation	3	–
Impairment loss recognised	–	38
Allowance used	5	–
Allowance released	(14)	(53)
Effect of movements in exchange rates	(2)	3
Balance as at 31 December	**150**	158

Impairment losses recognised for trade and other receivables (excluding current derivatives) and loans are part of the other non-cash items in the consolidated statement of cash flows.

The net release in the allowance of EUR14 million (2012: EUR15 million) in respect of loans and the income statement impact of EUR34 million (2012: EUR38 million) in respect of trade 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.

32. Financial risk management and financial instruments continued

Recent times have proven the credit markets situation could be such that it is difficult to generate capital to finance long-term growth of HEINEKEN. Although currently the situation is more stable, HEINEKEN has a clear focus on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Financing strategies are under continuous evaluation. In addition, HEINEKEN focuses on a further fine-tuning of the maturity profile of its long-term debts with its forecast operating cash flows. Strong cost and cash management and controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

Contractual maturities

The following are the contractual maturities of non-derivative financial liabilities and derivative financial assets and liabilities, including interest payments and excluding the impact of netting agreements:

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

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

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

Market risk

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

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

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

Foreign currency risk

HEINEKEN is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of HEINEKEN entities. The main currencies that give rise to this risk are the US dollar, Euro and British pound.

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

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

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

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on 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 British pound, Nigerian naira, Singapore dollar, Polish zloty and Mexican peso bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies. Corresponding interest on these borrowings is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN. This provides an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of 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.

32. Financial risk management and financial instruments continued

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.

			2013			2012
In millions	EUR	GBP	USD	EUR	GBP	USD
Financial assets						
Trade and other receivables	15	–	37	12	–	10
Cash and cash equivalents	90	–	158	72	–	92
Intragroup assets	12	461	4,556	10	455	4,788
Financial liabilities						
Interest bearing borrowings	(12)	(855)	(6,183)	(6)	(858)	(6,285)
Non-interest-bearing liabilities	(13)	–	(3)	(1)	–	(61)
Trade and other payables	(105)	(1)	(124)	(74)	–	(33)
Intragroup liabilities	(414)	(3)	(282)	(298)	–	(715)
Gross balance sheet exposure	**(427)**	**(398)**	**(1,841)**	(285)	(403)	(2,204)
Estimated forecast sales next year	167	–	1,408	71	10	1,476
Estimated forecast purchases next year	(1,559)	(10)	(1,533)	(780)	(1)	(1,360)
Gross exposure	**(1,819)**	**(408)**	**(1,966)**	(994)	(394)	(2,088)
Net notional amount forward exchange contracts	(373)	397	1,533	(507)	483	1,216
Net exposure	**(2,192)**	**(11)**	**(433)**	(1,501)	89	(872)
Sensitivity analysis						
Equity	9	–	15	11	7	36
Profit or loss	(1)	–	(6)	–	(1)	(3)

Included in the US dollar amounts are intra-HEINEKEN cash flows. Within the net notional amount forward exchange contracts, the cross-currency interest rate swaps of Heineken UK form the largest component.

Sensitivity analysis

A 10 per cent strengthening of the Euro against the British pound and US dollar or, in case of the Euro, a strengthening of the Euro against all other currencies as at 31 December would have impacted the value of financial assets and liabilities recorded on the balance sheet and would have therefore increased (decreased) equity and profit by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2012.

A 10 per cent weakening of the Euro against the British pound and US dollar or, in case of the Euro, a weakening of the Euro against all other currencies as at 31 December would have had the equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

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

HEINEKEN opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Currently HEINEKEN's interest rate position is more weighted towards fixed 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 3.6 to 7.3 per cent (2012: from 1.0 to 8.1 per cent).

Interest rate risk – profile

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

In millions of EUR	2013	2012
Fixed rate instruments		
Financial assets	96	97
Financial liabilities	(11,017)	(11,133)
Net interest rate swaps	471	(9)
	(10,450)	(11,045)
Variable rate instruments		
Financial assets	1,488	1,430
Financial liabilities	(1,153)	(2,054)
Net interest rate swaps	(471)	9
	(136)	(615)

Fair value sensitivity analysis for fixed rate instruments

HEINEKEN applies hedge accounting on certain fixed rate financial liabilities. The fair value movements on these liabilities and hedge accounting instruments are recognised in profit or loss. The change in fair value on these liabilities was EUR58 million negative in 2013 (2012: EUR30 million negative), which was offset by the change in fair value of the hedge accounting instruments, which was EUR46 million (2012: EUR18 million).

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below (after tax).

	Profit or loss		Equity	
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Instruments designated at fair value	5	(5)	5	(5)
Interest rate swaps	(4)	4	(3)	3
Fair value sensitivity (net)	**1**	**(1)**	**2**	**(2)**
31 December 2012				
Instruments designated at fair value	11	(11)	20	(20)
Interest rate swaps	(6)	6	(9)	9
Fair value sensitivity (net)	5	(5)	11	(11)

As part of the acquisition of Scottish & Newcastle in 2008, HEINEKEN took over a portfolio of Euro floating-to-fixed interest rate swaps of which currently EUR300 million is still outstanding. Although interest rate risk is hedged economically, it is not possible to apply hedge accounting on this portfolio. A movement in interest rates will therefore lead to a fair value movement in the profit or loss under the other net financing income/(expenses). Any related non-cash income or expenses in our profit or loss are expected to reverse over time.

32. Financial risk management and financial instruments continued

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 2012.

	Profit or loss		Equity	
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
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**
31 December 2012				
Variable rate instruments	(4)	4	(4)	4
Net interest rate swaps	–	–	–	–
Cash flow sensitivity (net)	(4)	4	(4)	4

Commodity price risk

Commodity price risk is the risk that changes in commodity prices will affect HEINEKEN's income. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, whilst optimising the return on risk. The main commodity exposure relates to the purchase of cans, glass bottles, malt and utilities. Commodity price risk is in principle addressed by negotiating fixed prices in supplier contracts with various contract durations. So far, commodity hedging with financial counterparties by HEINEKEN is limited to the incidental sale of surplus CO_2 emission rights, aluminium hedging and to a limited extent gas hedging, which are done in accordance with risk policies. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements. As at 31 December 2013, the market value of commodity swaps was EUR26 million negative (2012: EUR22 million negative).

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.

						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**	**–**

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.

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

Fair value hedges/net investment hedges

The following table indicates the periods in which the cash flows associated with derivatives that are fair value hedges or net investment hedges are expected to occur.

In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2013
Interest rate swaps:						
Assets	–	547	325	222	–	–
Liabilities	(104)	(642)	(408)	(234)	–	–
Forward exchange contracts:						
Assets	–	–	–	–	–	–
Liabilities	–	–	–	–	–	–
	(104)	**(95)**	**(83)**	**(12)**	**–**	**–**

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

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.

32. Financial risk management and financial instruments continued

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 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Bank loans	(711)	(711)	(2,002)	(2,002)
Unsecured bond issues	(8,987)	(8,951)	(8,806)	(9,126)
Finance lease liabilities	(9)	(9)	(38)	(38)
Other interest-bearing liabilities	(1,742)	(1,742)	(1,840)	(1,840)

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 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 2013	Level 1	Level 2	Level 3
Available-for-sale investments	134	68	45
Non-current derivative assets	–	67	–
Current derivative assets	–	45	–
Investments held for trading	11	–	–
	145	**180**	**45**
Non-current derivative liabilities	–	(47)	–
Current derivative liabilities	–	(149)	–
	–	**(196)**	**–**

31 December 2012	Level 1	Level 2	Level 3
Available-for-sale investments	131	62	134
Non-current derivative assets	–	116	–
Current derivative assets	–	37	–
Investments held for trading	11	–	–
	142	215	134
Non-current derivative liabilities	–	111	–
Current derivative liabilities	–	53	–
	–	164	–

There were no transfers between level 1 and level 2 of the fair value hierarchy during the period ended 31 December 2013.

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 2013 are set out below

In millions of EUR	2013	2012
Available-for-sale investments based on level 3		
Balance as at 1 January	**134**	183
Fair value adjustments recognised in other comprehensive income	8	1
Disposals	(1)	(50)
Transfers	(96)	–
Balance as at 31 December	**45**	134

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.

33. Off-balance sheet commitments

In millions of EUR	Total 2013	Less than 1 year	1-5 years	More than 5 years	Total 2012
Lease & operational lease commitments	701	191	330	180	618
Property, plant & equipment ordered	160	124	36	–	136
Raw materials purchase contracts	4,526	1,731	2,119	676	3,806
Other off-balance sheet obligations	2,279	569	1,307	403	2,139
Off-balance sheet obligations	**7,666**	**2,615**	**3,792**	**1,259**	6,699
Undrawn committed bank facilities	**2,397**	**49**	**2,348**	**–**	1,832

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 2013 EUR282 million (2012: EUR265 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 (see note 30). The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2013 is EUR564 million. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against Heineken Brasil. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies.
A significant part of the aforementioned contingencies (EUR308 million) is tax-related and qualifies for indemnification by FEMSA (see note 17).

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR296 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

Guarantees

In millions of EUR	Total 2013	Less than 1 year	1-5 years	More than 5 years	Total 2012
Guarantees to banks for loans (to third parties)	280	191	72	17	300
Other guarantees	423	122	258	43	358
Guarantees	**703**	**313**	**330**	**60**	658

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 has a related party relationship with its associates and joint ventures (refer to note 16), Heineken Holding N.V., 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). For our shareholder structure reference is made to the section ‘Shareholder Information’.

Key management remuneration

In millions of EUR	2013	2012
Executive Board	10.0	6.8
Supervisory Board	0.9	0.9
Total	**10.9**	7.7

Executive Board

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay and a Long-Term Variable award. The Short-Term Variable pay is based on financial and operational measures and on individual leadership measures as set by the Supervisory Board. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years HEINEKEN will match the blocked shares 1:1 which we refer to as the matching share entitlement. For the Long-Term Variable award see note 29. The separate remuneration report is stated on pages 43-49.

As at 31 December 2013, J.F.M.L. van Boxmeer held 97,829 Company shares and D.R. Hooft Graafland 49,962 (2012: J.F.M.L. van Boxmeer 48,641 and D.R. Hooft Graafland 25,109 shares). D.R. Hooft Graafland held 3,052 shares of Heineken Holding N.V. as at 31 December 2013 (2012: 3,052 shares).

			2013			2012
In thousands of EUR	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total
Fixed Salary	1,150	650	1,800	1,050	650	1,700
Short-Term Variable Pay	1,127	455	1,582	1,361	602	1,963
Matching Share Entitlement[1]	564	228	792	681	301	982
Long-Term Variable award[2]	475	227	702	912	477	1,389
APB Bonus and Retention	3,039	1,300	4,339	–	–	–
Pension Plan	470	277	747	496	318	814
Total [3]	**6,825**	**3,137**	**9,962**	4,500	2,348	6,848

[1] The matching share entitlement for 2012 is based on 2012 performance. The matching share entitlement for 2013 is based on 2013 performance. The granted matching shares vest immediately and as such EUR792 (in thousands) was recognised in the 2013 income statement.

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

[3] The Dutch government has introduced for a second time an additional tax levy of 16 per cent over 2013 taxable income above EUR150 thousand, as a liability for the employer. This tax levy related to remuneration over 2013 for the Executive Board is EUR1,529 (in thousands) and is not included in the table above.

To recognise the excellent achievements of the CEO and CFO in the successful acquisition of Asia Pacific Breweries Limited, the CEO and CFO were rewarded with an extraordinary share award to the value of their 2012 base salary plus short-term variable pay opportunity at target level, amounting to EUR2.52 million for the CEO (45,893 shares gross) and EUR1.3 million for the CFO (23,675 shares gross). The share awards were granted against the closing share price of EUR54.91 net of taxes (i.e. after deduction of withholding tax due on the full gross award). The awarded Heineken N.V. shares will remain blocked for a period of five years, also in case of resignation during that period. Clawback provisions apply to these awards.

To foster the intended re-appointment of the CEO and to ensure the CEO is retained for HEINEKEN for a number of years ahead, the Supervisory Board decided to grant a retention share award to the CEO. This retention share award was granted immediately after the close of the 2013 Annual General Meeting, to the value of EUR1.5 million (27,317 shares gross), against the closing share price of that day. After two years the share award will vest and will be converted into Heineken N.V. shares, provided the CEO is still in service at that time. After vesting, a three-year holding restriction will apply to these shares also in case of resignation during that period, to align with shareholder interests.

This retention share award 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 CEO. In addition, revision and clawback provisions apply to this award.

Notes to the consolidated financial statements continued

35. Related parties continued

Supervisory Board

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

In thousands of EUR	2013	2012
G.J. Wijers*	133	52
C.J.A. van Lede**	51	160
J.A. Fernández Carbajal	85	85
M. Das	85	85
M.R. de Carvalho	135	135
J.M. Hessels	–	23
J.M. de Jong	80	80
A.M. Fentener van Vlissingen	83	80
M.E. Minnick	77	70
V.C.O.B.J. Navarre	72	75
J.G. Astaburuaga Sanjinés	75	75
H. Scheffers***	51	–
Total	**927**	920

* Appointed as chairman at 25 April 2013
** Stepped down as at 25 April 2013
*** Appointed as at 25 April 2013

M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2013 (2012: 8 shares). As at 31 December 2013 and 2012, the Supervisory Board members did not hold any of the Company's bonds or option rights. M.R. de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2013 (2012: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 ordinary shares).

Other related party transactions

	Transaction value		Balance outstanding as at 31 December	
In millions of EUR	2013	2012	2013	2012
Sale of products, services and royalties				
To associates and joint ventures	70	107	26	31
To FEMSA	699	649	129	114
	769	756	**155**	145
Raw materials, consumables and services				
Goods for resale – joint ventures	–	–	–	–
Other expenses – joint ventures	–	–	–	–
Other expenses FEMSA	142	175	25	27
	142	175	**25**	27

Heineken Holding N.V.

In 2013, an amount of EUR757,719 (2012: EUR694,065) was paid to Heineken Holding N.V. for management services for HEINEKEN.

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

FEMSA

As consideration for HEINEKEN's acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA). FEMSA, became a major shareholder of Heineken N.V. Therefore, several existing contracts between FEMSA and former FEMSA-owned companies acquired by HEINEKEN have become related-party contracts. The total revenue amount related to these related-party relationships amounted to EUR672 million.

36. HEINEKEN entities

Control of HEINEKEN

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

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to legal entities established in the Netherlands. 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 2013 up to and including 31 December 2013 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 2013. 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.

Notes to the consolidated financial statements continued

We disclose fewer entities than in previous years due to the change of the significance criteria used for the purpose of this disclosure. There were no significant changes to the HEINEKEN structure and ownership interests except those disclosed in note 6.

		% of ownership	
	Country of incorporation	2013	2012
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	54.1%	54.1%
Heineken USA Inc.	United States	100%	100%
Heineken UK Ltd	United Kingdom	100%	100%
Heineken España S.A.	Spain	99.4%	98.7%
Heineken Italia S.p.A.	Italy	100%	100%
Brau Union AG	Austria	100%	100%
Brau Union Österreich AG	Austria	100%	100%
Grupa Zywiec S.A.	Poland	65.2%	61.9%
LLC Heineken Breweries	Russia	100%	100%
Heineken Asia Pacific Pte Ltd	Singapore	100%	98.7%

37. Subsequent events

New financing

On 30 January 2014, HEINEKEN issued 15.5 year Notes for an amount of EUR200 million with a coupon of 3.5 per cent under the EMTN programme.

Heineken N.V. Balance Sheet

Before appropriation of profit
As at 31 December

In millions of EUR	Note	2013	2012*
Fixed assets			
Financial fixed assets			
Investments in participating interests	38	21,611	22,504
Other investments		167	219
Deferred tax assets		133	87
Total financial fixed assets		**21,911**	22,810
Trade and other receivables		5	34
Cash and cash equivalents		2	2
Total current assets		**7**	36
Total assets		**21,918**	22,846
Shareholders' equity			
Issued capital		922	922
Share premium		2,701	2,701
Translation reserve		(1,721)	(527)
Hedging reserve		2	(11)
Fair value reserve		97	150
Other legal reserves		805	779
Reserve for own shares		(41)	(26)
Retained earnings		7,273	4,832
Net profit		1,364	2,914
Total shareholders' equity	39	**11,402**	11,734
Liabilities			
Loans and borrowings	40	9,112	9,692
Total non-current liabilities		**9,112**	9,692
Loans and borrowings (current part)		1,204	1,195
Trade and other payables		187	206
Tax payable		13	19
Total current liabilities		**1,404**	1,420
Total liabilities		**10,516**	11,112
Total shareholders' equity and liabilities		**21,918**	22,846

*Restated for the revised IAS 19.

Heineken N.V. Income Statement

For the year ended 31 December

In millions of EUR	Note	2013	2012*
Share of profit of participating interests, after income tax		1,478	2,980
Other profit after income tax		(114)	(66)
Net profit	39	**1,364**	2,914

*Restated for the revised IAS 19.

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 interest	Total
Balance as at 1 January 2012	11,256	4,977	16,233
Profit of participating interests	3,015	–	3,015
Dividend payments by participating interests	(397)	397	–
Effect of movements in exchange rates	71	–	71
Changes in hedging and fair value adjustments	40	–	40
Actuarial gains/(losses)	(438)	–	(438)
Acquisition of non-controlling interests without a change in control	(212)	–	(212)
Investments/(repayments)	–	3,746	3,746
Other movements*	49	–	49
Balance as at 31 December 2012	13,384	9,120	22,504
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**

*Restated for the revised IAS 19.

39. Shareholders' equity

In millions of EUR	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve
Balance as at 1 January 2012	922	2,701	(575)	(69)	159
Policy change	–	–	–	–	–
Restated balance as at 1 January 2012*	922	2,701	(575)	(69)	159
Profit	–	–	–	–	–
Other comprehensive income	–	–	48	58	(9)
Total comprehensive income	–	–	48	58	(9)
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Balance as at 31 December 2012	922	2,701	(527)	(11)	150
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 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**

*Restated for the revised IAS 19.

Notes to the Heineken N.V. Financial Statements continued

In millions of EUR	Other legal reserve	Reserve for own shares	Retained earnings	Net profit	Share-holders' equity
Balance as at 1 January 2012	1,026	(43)	4,223	1,430	9,774
Policy change	–	–	43	–	43
Restated balance as at 1 January 2012*	1,026	(43)	4,266	1,430	9,817
Profit	222	–	(222)	2,914	2,914
Other comprehensive income	4	–	(407)	–	(306)
Total comprehensive income	226	–	(629)	2,914	2,608
Transfer to retained earnings	(473)	–	1,903	(1,430)	–
Dividends to shareholders	–	–	(494)	–	(494)
Purchase/reissuance own shares	–	–	–	–	–
Own shares granted	–	17	(17)	–	–
Share-based payments	–	–	15	–	15
Acquisition of non-controlling interests without a change in control	–	–	(212)	–	(212)
Balance as at 31 December 2012	779	(26)	4,832	2,914	11,734
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 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**

For more details on reserves, please see note 22 of the consolidated financial statements.

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

40. Loans and borrowings

Non-current liabilities

In millions of EUR	2013	2012
Unsecured bank loans	107	687
Unsecured bond issues	7,981	7,962
Other	979	1,021
Non-current interest-bearing liabilities	**9,067**	9,670
Non-current non-interest-bearing liabilities	4	–
Non-current derivatives	41	22
	9,112	9,692

In millions of EUR	Unsecured bank loans	Unsecured bond issues	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest bearing liabilities	Total
Balance as at 1 January 2013	**687**	**7,962**	**1,021**	**22**	**–**	**9,692**
Charge from/to equity i/r derivatives	(24)	(10)	(15)	(6)	–	(55)
Effects of movements of exchange rates	–	1	–	–	–	1
Proceeds	214	1,181	–	–	4	1,399
Repayments	(391)	(15)	–	–	–	(406)
Transfers	(393)	(990)	–	(5)	–	(1,388)
Other	14	(148)	(27)	30	–	(131)
Balance as at 31 December 2013	**107**	**7,981**	**979**	**41**	**4**	**9,112**

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 2013	Face value 2013	Carrying amount 2012	Face value 2012
Unsecured bank loans	German Schuld-schein notes	EUR	1.0 – 6.0	2013	–	–	102	102
Unsecured bank loans	German Schuld-schein notes	EUR	1.0 – 6.0	2014	202	206	207	207
Unsecured bank loans	German Schuld-schein notes	EUR	1.0 – 6.2	2016	111	111	111	111
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.8	2013	–	–	198	200
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	1.2	2013	–	–	291	294
Unsecured bank loans	2011 Syndicated Bank Facility	GBP	0.9	2017	–	–	196	196
Unsecured bank loans	2011 Syndicated Bank Facility	EUR	0.6	2017	–	–	180	180
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	–	–	600	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,000	1,000	1,001	1,000
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	479	480	488	490

Notes to the Heineken N.V. Financial Statements continued

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2013	Face value 2013	Carrying amount 2012	Face value 2012
Unsecured bond	Issue under EMTN programme	SGD	2.7	2015	41	43	–	–
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	399	400	398	400
Unsecured bond	Issue under EMTN programme	SGD	2.3	2017	57	57	–	–
Unsecured bond	Issue under EMTN programme	EUR	1.3	2018	99	100	–	–
Unsecured bond	Issue under EMTN programme	SGD	2.2	2018	54	55	–	–
Unsecured bond	Issue under EMTN programme	EUR	0.7	2018	60	60	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.5	2019	843	850	841	850
Unsecured bond	Issue under EMTN programme	EUR	2.1	2020	995	1,000	995	1,000
Unsecured bond	Issue under EMTN programme	EUR	2.0	2021	496	500	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2024	496	500	496	500
Unsecured bond	Issue under EMTN programme	EUR	2.9	2025	740	750	740	750
Unsecured bond	Issue under EMTN programme	EUR	3.3	2033	179	180	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.6	2033	90	100	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2043	75	75	–	–
Unsecured bond	Issue under 144A/RegS	USD	0.8	2015	361	363	377	379
Unsecured bond	Issue under 144A/RegS	USD	1.4	2017	901	906	941	947
Unsecured bond	Issue under 144A/RegS	USD	3.4	2022	539	543	563	568
Unsecured bond	Issue under 144A/RegS	USD	2.8	2023	720	725	753	758
Unsecured bond	Issue under 144A/RegS	USD	4.0	2042	353	363	369	379
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	38	38	40	40
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	65	65	68	69
Other interest-bearing liabilities	2008 US private placement	GBP	7.3	2016	30	30	31	31
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	526	526	548	549
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	282	282	295	296

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2013	Face value 2013	Carrying amount 2012	Face value 2012
Other interest-bearing liabilities	Various	various	various	various	38	38	36	36
					10,269	**10,346**	10,865	10,932

For financial risk management and financial instruments, see note 32.

41. Audit fees

Other expenses in the consolidated financial statements include EUR13.7 million of fees in 2013 (2012: EUR14.5 million) for services provided by KPMG Accountants N.V. and its member firms and/or affiliates. Fees for audit services include the audit of the financial statements of HEINEKEN and its subsidiaries. Fees for other audit services include sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include due diligence related to mergers and acquisitions, review of interim financial statements, agreed upon procedures and advisory services.

	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2013	2012	2013	2012	2013	2012
Audit of HEINEKEN and its subsidiaries	2.1	2.4	8.2	7.5	10.3	9.9
Other audit services	0.3	0.3	0.3	0.3	0.6	0.6
Tax services	–	–	1.4	2.1	1.4	2.1
Other non-audit services	0.2	0.4	1.2	1.5	1.4	1.9
Total	**2.6**	3.1	**11.1**	11.4	**13.7**	14.5

42. Off-balance sheet commitments

In millions of EUR	Total 2013	Less than 1 year	1 – 5 years	More than 5 years	Total 2012
Undrawn committed bank facility	**2,000**	–	2,000	–	1,625

	2013		2012	
	Third parties	HEINEKEN companies	Third parties	HEINEKEN companies
Declarations of joint and several liability	**–**	**1,987**	–	2,049

Fiscal unity

The Company is part of the fiscal unity of HEINEKEN in the Netherlands. Based on this the Company is liable for the tax liability of the fiscal unity in the Netherlands.

43. Subsequent events

For subsequent events, see note 37.

Notes to the Heineken N.V. Financial Statements continued

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	2013	2012
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%
Heineken Insurance Services B.V.	The Netherlands	100%	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%
Invebra Holland B.V.	The Netherlands	100%	100%
B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
Heineken CEE Holdings B.V.	The Netherlands	100%	100%
Brasinvest B.V.	The Netherlands	100%	100%
Heineken 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%

45. Other disclosures

Remuneration

We 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, 11 February 2014	Executive Board	Supervisory Board
	Van Boxmeer	Wijers
	Hooft Graafland	Fernández Carbajal
		Das
		de Carvalho
		De Jong
		Fentener van Vlissingen
		Minnick
		Navarre
		Astaburuaga Sanjinés
		Scheffers

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 EUR512 million of the profit for payment of dividend and to add EUR852 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 EUR2.5 billion.

Independent Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements 2013 of Heineken N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information as included on page 55 to 128. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information as included on page 129 to 137.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Executive Board as included on page 3 to 42, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the report of the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 11 February 2014

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 2013, L'Arche Green N.V. held 51.482 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.

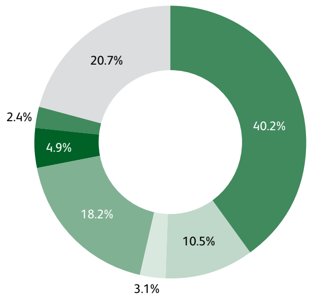
In 2013, the average daily trading volume of Heineken N.V. shares was 738,842 shares.

Market capitalisation Heineken N.V.
On 31 December 2013, there were 576,002,613 shares of EUR1.60 nominal value in issue. At a year-end price of EUR49.08 on 31 December 2013, the market capitalisation of Heineken N.V. on the balance sheet date was EUR28.3 billion.

Year-end price	EUR49.08	31 December 2013
Highest closing price	EUR60.02	26 March 2013
Lowest closing price	EUR46.50	18 December 2013

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.)



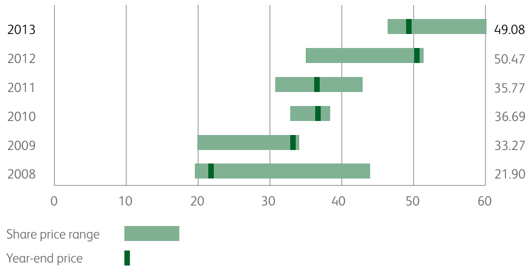
Based on 215.8 million shares in free float

Americas	40.2%
UK/Ireland	10.5%
Netherlands	3.1%
Rest of Europe (ex. Netherlands)	18.2%
Rest of the world	4.9%
Retail	2.4%
Unidentified	20.7%

* Source: Cmi2i estimate based on available information January 2014.

Heineken N.V. share price

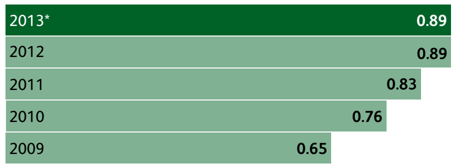
In EUR, NYSE Euronext Amsterdam



Average trade in 2013: 738,842 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 2013, the average daily trading volume of Heineken Holding N.V. shares was 153,206 shares.

Market capitalisation Heineken Holding N.V.

On 31 December 2013, 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 EUR45.99 on 31 December 2013, the market capitalisation of Heineken Holding N.V. on balance sheet date was EUR13.2 billion.

Year-end price	EUR45.99	31 December 2013
Highest closing price	EUR50.60	3 April 2013
Lowest closing price	EUR40.84	14 January 2013

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 programme.

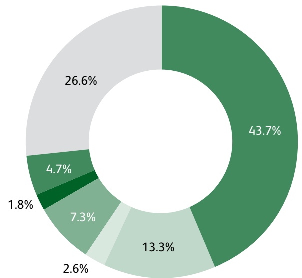
Heineken N.V.
Ticker: HEINY
ISIN: US4230123014
CUSIP: 423012301
Structure: Sponsored Level I ADR
Exchange: OTCQX
Ratio (DR:ORD): 2:1

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

Shareholder Information continued

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

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



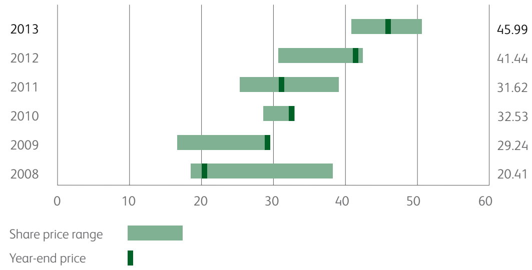
Based on 96.7 million shares in free float

Americas	43.7%
UK/Ireland	13.3%
Netherlands	2.6%
Rest of Europe (ex. Netherlands)	7.3%
Rest of the world	1.8%
Retail	4.7%
Unidentified	26.6%

* Source: CMi2i estimate based on available information January 2014.

Heineken Holding N.V. share price

In EUR, NYSE Euronext Amsterdam



Average trade in 2013: 153,206 shares per day

ADR contact information

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Email: DB@amstock.com

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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
UK Tel: +44 207 547 6500

The Company ADR programme is 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 Depositary 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).

Financial calendar in 2014 for both Heineken N.V. and Heineken Holding N.V.

Announcement of 2013 results	12 February
Publication of Annual Report	3 March
Trading update first quarter 2014	24 April
Annual General Meeting of Shareholders	24 April
Quotation ex-final dividend 2013	28 April
Final dividend 2013 payable	8 May
Announcement of half-year results 2014	20 August
Quotation ex-interim dividend	22 August
Interim dividend 2014 payable	2 September
Trading update third quarter 2014	22 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), which results in a dividend payout ratio in the range of 30-35 per cent.

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 subsequently updated in 2009, 2010, 2012 and 2013. The programme allows Heineken N.V. to issue Notes for a total amount of up to EUR10 billion. Currently, approximately EUR6.3 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 at the date of this Annual Report.

On 4 April 2013, HEINEKEN issued 8-year Notes for a principal amount of EUR500 million with a coupon of 2.0 per cent, followed by the private placement of approximately EUR680 million of Notes with a weighted average yield of 2.5 per cent.

- 15 April 2013, 20-year Notes for a principal amount of EUR180 million;
- 16 April 2013, 2-year Notes for a principal amount of SGD75 million;
- 18 April 2013, 5-year Notes for a principal amount of EUR100 million;
- 19 April 2013, 20-year Notes for a principal amount of EUR100 million;
- 17 May 2013, 4-year Notes for a principal amount of SGD100 million;
- 2 July 2013, 5-year Notes for a principal amount of SGD95 million;
- 2 July 2013, 30-year Notes for a principal amount of EUR75 million;
- 4 July 2013, 5-year Notes for a principal amount of EUR60 million.

These Notes have been issued under the Company's Euro Medium Term Note Programme.

On 31 May 2013, three outstanding Notes of Asia Pacific Breweries Ltd. were replaced by equivalent Notes from Heineken Asia Pacific Pte. Ltd.* with a guarantee from Heineken NV:

- 2014 Notes with a principal amount of SGD100 million;
- 2020 Notes with a principal amount of SGD40 million;
- 2022 Notes with a principal amount of SGD40 million.

In this process, SGD51 million of these Notes were purchased by HEINEKEN and subsequently cancelled. Two other outstanding Notes were terminated in full:

- 2015 Notes with a principal amount of SGD75 million;
- 2017 Notes with a principal amount of SGD100 million.

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

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

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate	Maturity	ISIN code
EUR EMTN 2014	April 6, 2009	EUR1 billion	7.125%	April 7, 2014	XS0421464719
GBP EMTN 2015	March 10, 2009	GBP400 million	7.250%	March 10, 2015	XS0416081296
SGD EMTN 2015	April 16, 2013	SGD75 million	2.710%	March 12, 2015	XS0911400553
144A/RegS 2015	October 10, 2012	USD500 million	0.800%	October 1, 2015	US423012AC71
EUR EMTN 2016	October 8, 2009	EUR400 million	4.625%	October 10, 2016	XS0456567055
SGD EMTN 2017	May 17, 2013	SGD100 million	0.890%	February 23, 2017	XS0920230520
144A/RegS 2017	October 10, 2012	USD1.25 billion	1.400%	October 1, 2017	US423012AB98
EUR EMTN 2018	April 18, 2013	EUR100 million	1.250%	April 18, 2018	XS0918766550
SGD EMTN 2018	July 2, 2013	SGD95 million	2.165%	May 4, 2018	XS0950579184
EUR EMTN 2019	March 19, 2012	EUR850 million	2.500%	March 19, 2019	XS0758419658
EUR EMTN 2020	August 2, 2012	EUR1 billion	2.125%	August 4, 2020	XS0811554962
EUR EMTN 2021	April 4, 2013	EUR500 million	2.000%	April 6, 2021	XS0911691003
144A/RegS 2022	April 3, 2012	USD750 million	3.400%	April 1, 2022	US423012AA16
144A/RegS 2023	October 10, 2012	USD1 billion	2.750%	April 1, 2023	US423012AD54
EUR EMTN 2024	March 19, 2012	EUR500 million	3.500%	March 19, 2024	XS0758420748
EUR EMTN 2025	August 2, 2012	EUR750 million	2.875%	August 4, 2025	XS0811555183
EUR EMTN 2029	January 30, 2014	EUR200 million	3.500%	July 30, 2029	XS1024136282
EUR EMTN 2033	April 15, 2013	EUR180 million	3.250%	April 15, 2033	XS0916345621
EUR EMTN 2033	April 19, 2013	EUR100 million	2.562%	April 19, 2033	XS0920838371
144A/RegS 2042	October 10, 2012	USD 500 million	4.000%	October 1, 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 2014	October 1, 2009	SGD 90.5 million	3.550%	October 1, 2014	SG7T89948738
SGD MTN 2020	March 3, 2009	SGD 22.25 million	3.780%	March 3, 2020	SG7V34954621
SGD MTN 2022	January 7, 2010	SGD 16.25 million	4.000%	January 7, 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

	2013	2012*	2011	2010**	2009
Revenue and profit					
In millions of EUR					
Revenue	19,203	18,383	17,123	16,133	14,701
Results from operating activities	2,554	3,697	2,215	2,298	1,630
Results from operating activities (beia)	2,941	2,666	2,458	2,430	1,968
as % of revenue	15.3	14.5	14.4	15.1	13.4
as % of total assets	8.8	7.4	9.1	9.1	9.8
Net profit	1,364	2,914	1,430	1,447	1,018
Net profit (beia)	1,585	1,661	1,584	1,456	1,055
as % of equity attributable to equity holders of the Company	13.9	14.2	16.2	14.7	19.7
Dividend proposed	512	512	477	438	318
as % of net profit (beia)	32.3	30.8	30.1	30.1	30.1
Per share of EUR1.60					
In millions of EUR					
Cash flow from operating activities	5.07	4.69	5.05	4.61	4.87
Net profit (beia)	2.76	2.89	2.71	2.59	2.16
Dividend proposed	0.89	0.89	0.83	0.76	0.65
Equity attributable to equity holders of the Company	19.83	20.41	16.70[1]	17.67	10.95
Cash flow statement					
In millions of EUR					
Cash flow from operations	3,983	3,518	3,720	3,548	3,029
Cash flow related to interest, dividend and income tax	(1,069)	(823)	(809)	(891)	(650)
Cash flow from operating activities	2,914	2,695	2,911	2,657	2,379
Cash flow (used in)/from operational investing activities	(1,396)	(1,210)	(818)	(664)	(638)
Free operating cash flow	1,518	1,485	2,093	1,993	1,741
Cash flow (used in)/from acquisitions and disposals	555	(4,415)	(937)	257	(149)
Dividend paid	(710)	(604)	(580)	(483)	(392)
Cash flow (used in)/from financing activities, excluding dividend	(1,042)	3,660	(454)	(1,689)	(1,445)
Net cash flow	321	126	122	78	(245)
Cash conversion rate	84.0%	81.5%	122.1%	125.6%	147.7%
Financing ratios					
Net debt/EBITDA (beia)	2.58	3.09	2.27	2.26	2.62

* 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.

	2013	2012*	2011	2010**	2009
EBIT (beia)/net interest expense	5.8	6.0	6.4	5.4	3.9
Free operating cash flow/net debt	14%	12%	25%	25%	23%
Net debt/total equity	**0.9**	1.0	0.8	0.8	1.4

Financing

In millions of EUR

	2013	2012*	2011	2010**	2009
Share capital	922	922	922	922	784
Reserves and retained earnings	10,480	10,812	8,852	9,010	4,567
Equity attributable to equity holders of the Company	**11,402**	11,734	9,774	9,932	5,351
Non-controlling interest	954	1,071	318	288	296
Total equity	**12,356**	12,805	10,092	10,220	5,647
Employee benefits	**1,202**	1,575	1,174	1,097	634
Provisions (including deferred tax liabilities)	**1,982**	2,340	1,483	1,589	1,304
Non-current loans and borrowings	9,853	11,437	8,199	8,078	7,401
Other liabilities (excluding provisions)	7,944	7,823	6,179	5,678	5,194
Liabilities (excluding provisions)	**17,797**	19,260	14,378	13,756	12,595
Total equity and liabilities	**33,337**	35,980	27,127	26,662	20,180
Equity attributable to equity holders of the Company/ (employee benefits, provisions, and liabilities)	**0.58**	0.46	0.57	0.60	0.37

Employment of capital

In millions of EUR

	2013	2012*	2011	2010**	2009
Property, plant and equipment	8,454	8,844	7,860	7,687	6,017
Intangible assets	15,934	17,688	10,835	10,890	7,135
Other non-current assets	3,454	3,911	3,724	3,767	2,875
Total non-current assets	**27,842**	30,443	22,419	22,344	16,027
Inventories	1,512	1,596	1,352	1,206	1,010
Trade and other current assets	2,693	2,904	2,543	2,502	2,623
Cash, cash equivalents and current other investments	1,290	1,037	813	610	520
Total current assets	**5,495**	5,537	4,708	4,318	4,153
Total assets	**33,337**	35,980	27,127	26,662	20,180
Total equity/total non-current assets	**0.44**	0.42	0.45	0.46	0.35
Current assets/current liabilities (excluding provisions)	**0.70**	0.72	0.78	0.79	0.80

* 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 amongst 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 debt/EBITDA (beia) ratio
The ratio is based on a 12-month rolling calculation for EBITDA (beia).

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 & 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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Cocoon Silk is produced by an ISO 140001 accredited manufacturer and is certified as an FSC® recycled product.

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 Frans Eusman 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 exchange-rate fluctuations, changes in tax rates, changes in law, 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 are only relevant as of the date of this Annual Report. HEINEKEN does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these forward-looking statements. 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
igNITE beer bottle
We are always committed to **surprising and exciting** our consumers. That's why we have introduced the interactive igNITE beer bottle. The bottle lights up when you 'CHEERS' or drink and flashes along to the **beat of the music**. It ignites the night.