HEINEKEN HOLDING NV

2013 Ann

Established in Amsterdam

HEINEKEN HOLDING N.V.
ANNUAL REPORT 2013

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PROFILE

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

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

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

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

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

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

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

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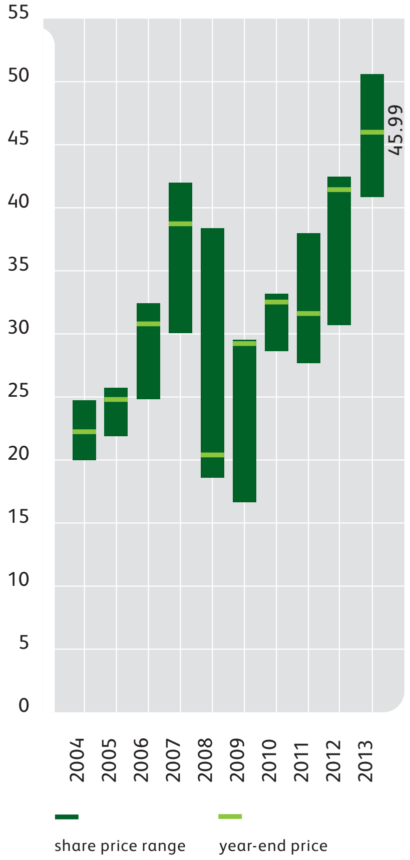
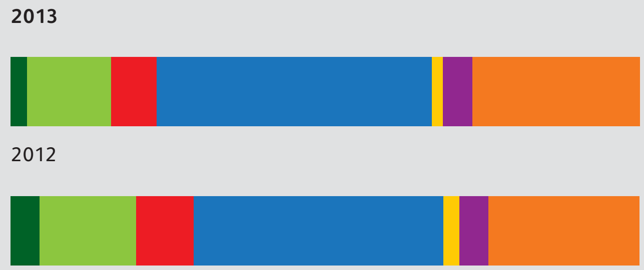


Average trade in 2013:
153,206 shares per day

Nationality Heineken Holding N.V. shareholders
in %
Based on 96.7 million shares in free float
(excluding the holding of L'Arche Green N.V.
and FEMSA in Heineken Holding N.V.)



	2013	2012
Netherlands	**2.6**	4.6
United Kingdom/Ireland	**13.3**	15.3
Rest of Europe	**7.3**	9.2
Americas	**43.7**	39.7
Rest of the world	**1.8**	2.5
Retail	**4.7**	4.6
Unidentified	**26.6**	24.1
	100.0	100.0

Source: CMi2i estimate based on available information January 2014

HEINEKEN HOLDING N.V.

Heineken Holding N.V. ordinary shares are traded on NYSE Euronext Amsterdam. Heineken Holding N.V.'s ordinary shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken Holding N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken Holding N.V. ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken Holding N.V.'s ADR programme.
In 2013, the average daily trading volume of Heineken Holding N.V. shares was 153,206 shares.

Market capitalisation

Shares in issue as at 31 December 2013:
288,030,168 ordinary shares of EUR1.60 nominal value;
250 priority shares of EUR2 nominal value.
At a year-end price of EUR45.99 on 31 December 2013, the market capitalisation of Heineken Holding N.V. as at the 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

Substantial shareholdings

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

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

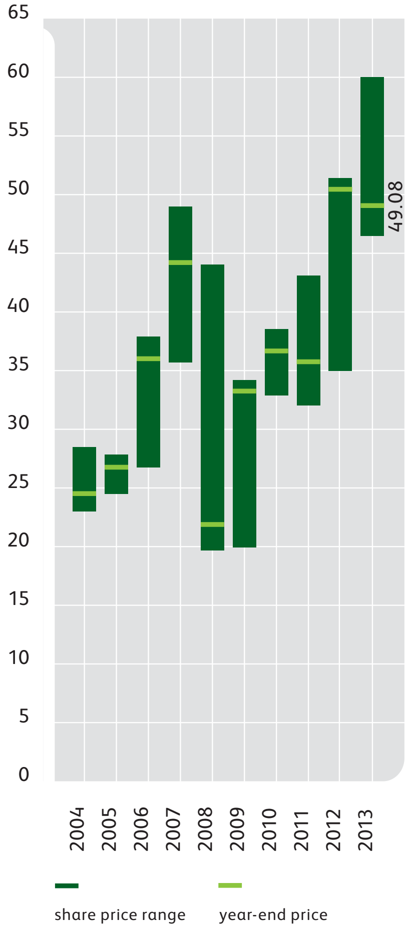
* The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 13.

Dividend per share

in euros
after restatement for share split

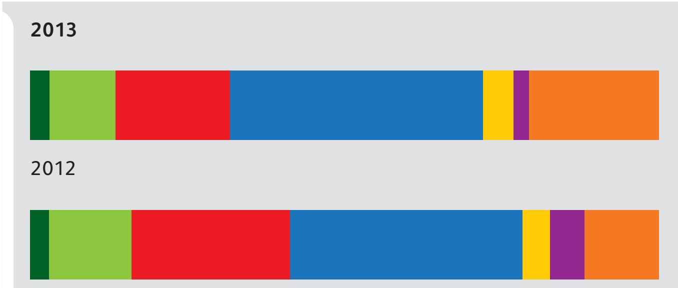
2004	0.40
2005	0.40
2006	0.60
2007	0.70
2008	0.62
2009	0.65
2010	0.76
2011	0.83
2012	0.89
2013	0.89 (proposed)

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



Average trade in 2013:
738,842 shares per day

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



	2013	2012
Netherlands	**3.1**	3.0
United Kingdom/Ireland	**10.5**	13.1
Rest of Europe	**18.2**	25.2
Americas	**40.2**	37.0
Rest of the world	**4.9**	4.4
Retail	**2.4**	5.5
Unidentified	**20.7**	11.8
	100.0	100.0

Source: CMi2i estimate based on available information January 2014

HEINEKEN N.V.

The shares of Heineken N.V. are traded on NYSE Euronext Amsterdam, where the company is included in the AEX Index. Heineken N.V.'s shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken N.V. share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken N.V.'s ADR programme.
Options on Heineken N.V. shares are listed on Euronext. Liffe Amsterdam.
In 2013, the average daily trading volume of Heineken N.V. shares was 738,842 shares.

Market capitalisation

Shares in issue as at 31 December 2013:
576,002,613 shares of EUR1.60 nominal value.
At a year-end price of EUR49.08 on 31 December 2013, the market capitalisation of Heineken N.V. as at 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

Substantial shareholdings

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (indirectly 50.005 per cent through L'Arche Holding S.A.; the direct 50.005 per cent shareholder is Heineken Holding N.V.)[1];
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (10.14 per cent)[1];
- 1 July 2013: 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)) (initial notification: 2 February 2010).

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 HEINEKEN's EMTN Programme.

On 31 May 2013, three outstanding Notes of Asia Pacific Breweries Ltd. were replaced by equivalent Notes from Heineken Asia Pacific Pte. Ltd.[2] 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.

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.

[1] The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 13.
[2] After a name change, Heineken Asia Pacific Pte. Ltd. is currently registered as Heineken Asia MTN Pte. Ltd.

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	7.25	March 10, 2015	XS0416081296
SGD EMTN 2015	April 16, 2013	SGD75 million	2.71	March 12, 2015	XS0911400553
144A/RegS 2015	October 10, 2012	USD500 million	0.8	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	0.89	February 23, 2017	XS0920230520
144A/RegS 2017	October 10, 2012	USD1.25 billion	1.4	October 1, 2017	US423012AB98
EUR EMTN 2018	April 18, 2013	EUR100 million	1.25	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	2.5	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	2.0	April 6, 2021	XS0911691003
144A/RegS 2022	April 3, 2012	USD750 million	3.4	April 1, 2022	US423012AA16
144A/RegS 2023	October 10, 2012	USD1 billion	2.75	April 1, 2023	US423012AD54
EUR EMTN 2024	March 19, 2012	EUR500 million	3.5	March 19, 2024	XS0758420748
EUR EMTN 2025	August 2, 2012	EUR750 million	2.875	August 4, 2025	XS0811555183
EUR EMTN 2029	January 30, 2014	EUR200 million	3.5	July 30, 2029	XS1024136282
EUR EMTN 2033	April 15, 2013	EUR180 million	3.25	April 15, 2033	XS0916345621
EUR EMTN 2033	April 19, 2013	EUR100 million	2.562	April 19, 2033	XS0920838371
144A/RegS 2042	October 10, 2012	USD500 million	4.0	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. [1] Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
SGD MTN 2014	October 1, 2009	SGD90.5 million	3.55	October 1, 2014	SG7T89948738
SGD MTN 2020	March 3, 2009	SGD22.25 million	3.78	March 3, 2020	SG7V34954621
SGD MTN 2022	January 7, 2010	SGD16.25 million	4.0	January 7, 2022	SG7U93952517

The above Heineken Asia Pacific Pte. Ltd.[1] Notes are listed on the Singapore Exchange and guaranteed by Heineken N.V.

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

Financial calendar in 2014 for both Heineken Holding N.V. and Heineken 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, Amsterdam[2]	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

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

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

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

BOARD OF DIRECTORS

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

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

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

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

Mr A.A.C. de Carvalho (1984)
Non-executive director
Dutch and English nationality
Member of the Board of Directors since 2013
Associate at Lion Capital, a private equity firm, since 2011

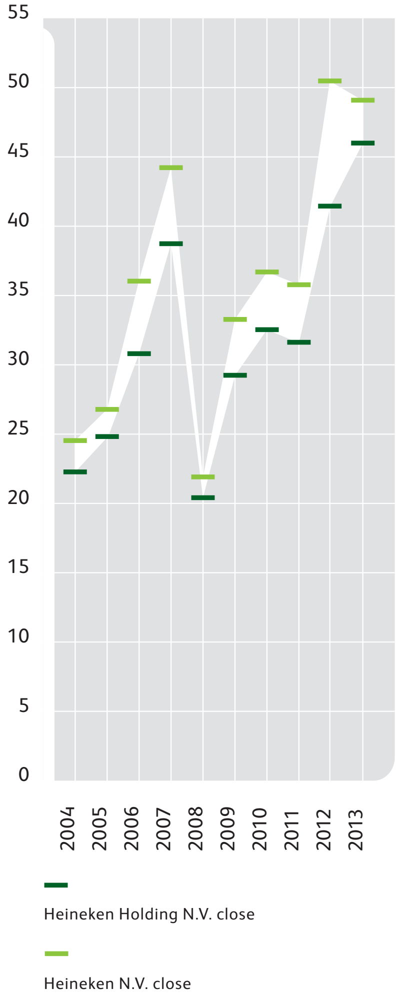
Mrs C.L. de Carvalho-Heineken (1954)
Executive director
Dutch nationality
Member of the Board of Directors since 1988

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

in euros

NYSE Euronext Amsterdam

after restatement for share split



POLICY PRINCIPLES

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

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

ACTIVITIES

The Board of Directors met with the Preparatory Committee of the Supervisory Board of Heineken N.V. on six occasions in 2013. The Board of Directors also met separately on two occasions to discuss, among other things, the Report of the Board of Directors and the financial statements for 2012 and the first half of 2013. At the meeting of the Board of Directors at which the directors' report and the financial statements were discussed, the external auditors gave a comprehensive report on their activities.

Other matters considered during the year included proposals for acquisitions, investments and disposals and opportunities and priorities. The APB acquisition was finalised and Oy Hartwall (Finland) was sold. Work started on a new brewery in Ethiopia and the construction of a new brewery in Myanmar was announced.

The outcome of the strategic review was presented to the Board of Directors. Important developments affecting the business in various countries were discussed, such as the political situation in Egypt and Nigeria and the risks to which HEINEKEN staff were exposed. The economic developments in Europe, the effect of duty increases in several countries and sponsorship of the UEFA Champions League were also discussed.

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

A recurrent element in all the meetings was a discussion of the results: volumes, revenues and gross profits were reviewed by region and country and a member of the Executive Board of Heineken N.V. outlined conditions in those markets, paying special attention in all cases to the development of the Heineken® brand. The cash flows, funding ratios and share price were also discussed. Special attention was given to the integration and results of APB.

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

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

Mrs C.L. de Carvalho-Heineken, executive director, travelled to Singapore for a forum meeting and she opened the new Star Bottle line in the brewery in Zoeterwoude (the Netherlands). She attended the award ceremony of the Quality Awards and the American distributors' meeting, both in Amsterdam.

Further information regarding developments during the 2013 financial year affecting Heineken N.V. and its related companies and the material risks faced by those companies is given in Heineken N.V.'s Annual Report.

REVIEW OF 2013

Share price

The share price was quite stable during the year, with a downward trend towards the end of the year. The gap between the Heineken N.V. and Heineken Holding N.V. share prices went down from around 18 per cent at the beginning of the year to 6 per cent at the end of December.

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

Interest in Heineken N.V.

The nominal value of our company's interest in Heineken N.V. as at 31 December 2013 was EUR461 million (31 December 2012: EUR461 million). The nominal value of the ordinary shares issued by our company as at the same date was also EUR461 million. As at 31 December 2013, our company's interest in Heineken N.V. represented 50.005 per cent of the issued capital (being 50.093 per cent of the outstanding capital) of Heineken N.V.

Results

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

The Board of Directors has elected to avail itself of the option given by Section 362, subsection 8, of Book 2 of the Dutch Civil Code of using the same accounting policies for the valuation of assets and liabilities and determination of results in the company financial statements as those used for the preparation of the consolidated financial statements of Heineken Holding N.V. Since the interest in Heineken N.V. is measured using the equity method, the equity attributable to the equity holders of Heineken Holding N.V., amounting to EUR5,620 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the company balance sheet less the priority shares.

Our company's 50.093 per cent share in Heineken N.V.'s 2013 profit of EUR1,364 million is recognised as income of EUR683 million in the 2013 company income statement. This share in Heineken N.V.'s profit consists of both distributed and retained earnings for 2013.

HEINEKEN N.V. PERFORMANCE IN 2013 AND OUTLOOK

Heineken N.V. posted a net profit of EUR1,364 million in 2013.

In 2013, despite challenging beer market conditions in several key markets, HEINEKEN invested in further building its premium brand portfolio and strengthening its market positions. This was supported by sustained high levels of marketing and sales investments to enhance brand equity and drive effective execution in the marketplace. HEINEKEN added new capacity in the higher growth markets of Asia Pacific, Americas and Africa Middle East to fully capitalise on current and future growth opportunities in these regions. APB continued its strong growth momentum and was successfully integrated within the HEINEKEN Asia Pacific region. Further, HEINEKEN's continued focus on revenue management and disciplined cost management drove higher revenue per hectolitre and operating margin expansion.

Organically, group revenue grew 0.1 per cent, with lower volume offset by higher pricing and positive sales mix, driving a 2.7 per cent increase in group revenue per hectolitre. Organically, group beer volume was 2.7 per cent lower, as a fragile economic environment, higher excise duties and other adverse regulatory developments led to reduced consumer spending in Europe. In addition, slower economic growth and social unrest impeded volume development in key developing markets. In the second half of the year, group revenue grew 0.8 per cent organically, reflecting improved trading conditions in Western Europe and several key markets in the Americas and Africa Middle East regions.

Group operating profit (beia) grew 0.6 per cent, on an organic basis, as the benefit of higher revenue and TCM2 cost savings was partly offset by higher input costs. Group operating profit (beia) margins expanded by 20 basis points to 15 per cent which includes a positive impact from full consolidation of the higher margin APB business.

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

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 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 per cent). 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 EUR625 million covering 2012-2014 during the year. An intensified focus on driving cost efficiencies is expected to result in new restructuring opportunities across HEINEKEN. 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 EUR115 million. At net profit (beia), this effect will be around EUR75 million.

Improving financial flexibility: HEINEKEN will maintain its focus on cash flow generation and disciplined working capital management. HEINEKEN 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 EUR1.5 billion (2013: EUR1.4 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 per cent in 2014 (2013: 84 per cent).

Interest rate: HEINEKEN forecasts an average interest rate of around 4.1 per cent (2013: 4.4 per cent), 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 per cent to 30 per cent (2013: 28.7 per cent), broadly in line with 2013.

FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Directors will submit the financial statements for 2013 to the General Meeting of Shareholders. These financial statements, on pages 22 to 123 of this report, have been audited by KPMG Accountants N.V., whose report can be found on page 126.

Heineken N.V. proposes to distribute a dividend for 2013 of EUR0.89 per share of EUR1.60 nominal value, of which EUR0.36 per share of EUR1.60 nominal value has already been paid as interim dividend.

With the approval of the meeting of priority shareholders, the Board of Directors has resolved to vote at the General Meeting of Shareholders of Heineken N.V. in favour of Heineken N.V.'s dividend proposal. On that basis, the dividend payable to our company for 2013 totals EUR256.3 million in cash, of which EUR103.7 million has already been received by way of interim dividend. The final dividend due will therefore be EUR152.6 million.

In accordance with the provisions of Article 10, paragraph 9, of the Articles of Association, an interim dividend of EUR0.36 per share of EUR1.60 nominal value was distributed to holders of ordinary shares on 3 September 2013. Pursuant to the provisions of Article 10 of the Articles of Association, a final dividend of EUR0.53 per share of EUR1.60 nominal value currently in issue will be payable to holders of ordinary shares from 8 May 2014. Like the holders of Heineken N.V. shares, holders of ordinary shares will therefore receive a total dividend for 2013 of EUR0.89 per share of EUR1.60 nominal value. A total of EUR256.3 million will be distributed to holders of ordinary shares and a total of EUR20 (4 per cent of the nominal value of EUR2 per share) will be distributed as dividend to holders of priority shares.

The Annual General Meeting of Shareholders last appointed the external auditor, KPMG Accountants N.V., in 2012 for a four-year period (financial years (2012-2015). In the context of the mandatory rotation regulations, both Heineken Holding N.V. and Heineken N.V. were involved in a tender process which was initiated. Based on the overall performance of the audit firms participating in the tender process, the Board of Directors will submit a proposal to the General Meeting of Shareholders on 24 April 2014 to appoint Deloitte Accountants B.V. for a three-year period (financial statements 2015-2017).

CORPORATE GOVERNANCE

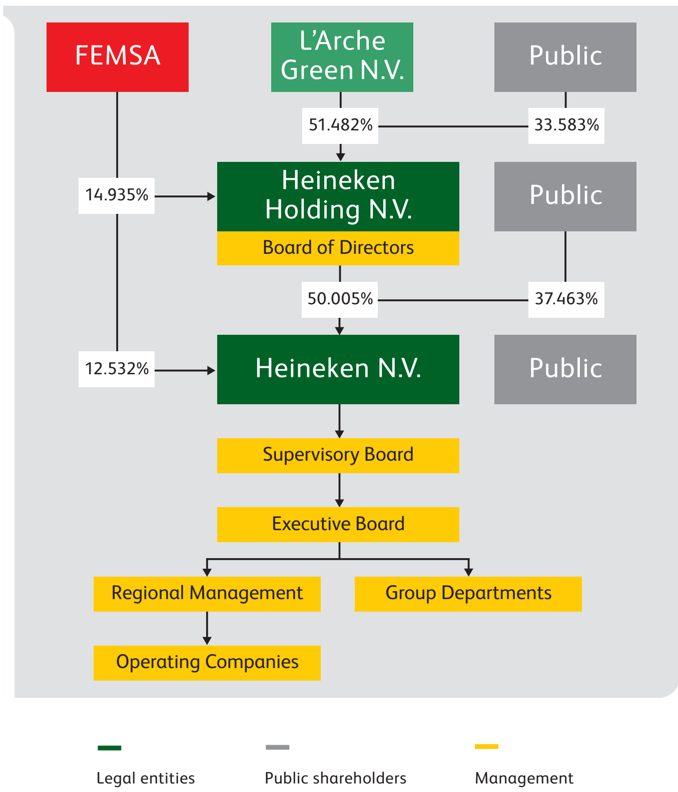
On 10 December 2008, a revised Dutch Corporate Governance Code was published (the 'Code'), referred to in Section 391, subsection 5, of Book 2 of the Dutch Civil Code, superseding the Dutch Corporate Governance Code of 9 December 2003. The Code is available at www.commissiecorporategovernance.nl.

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

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

Structure of the HEINEKEN group

Heineken Holding N.V. has a 50.005 per cent interest in the issued share capital of Heineken N.V. Both companies are listed on NYSE Euronext Amsterdam. L'Arche Green N.V., a company owned by the Heineken



family and the Hoyer family, holds as at 31 December 2013 51.482 per cent (31 December 2012: 51.083 per cent) interest of the issued share capital of Heineken Holding N.V. The Heineken family holds 88.67 per cent of the issued share capital of L'Arche Green N.V. and the remaining 11.33 per cent is held by the Hoyer family. The Heineken family also owns a direct 0.03 per cent stake in Heineken Holding N.V. FEMSA, through its affiliate CB Equity LLP, holds a 14.935 per cent interest of the issued share capital of Heineken Holding N.V. In combination with its Heineken N.V. shareholdings this represents a 20 per cent economic interest in the HEINEKEN group. Of the issued share capital of Heineken Holding N.V. 33.583 per cent is held by public shareholders.

A full description of rights conferred by the outstanding priority shares in the share capital of Heineken Holding N.V. is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 124) of this Annual Report.

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

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

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

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

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

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

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

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

Compliance with the Code

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

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

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

Although the nature of the activities of the Board of Directors has essentially not changed as a result of the implementation of the one-tier management structure, such implementation may result in a formal non-compliance of best-practice provisions III.8.1

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

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

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

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

BOARD OF DIRECTORS

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

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

At the Annual General Meeting of Shareholders on 25 April 2013 Mr Das was reappointed and Mr de Carvalho was appointed as non-executive members of the Board of Directors for the maximum period of four years. In accordance with the current rotation schedule, Mr. Fernández Carbajal and Mr Vuursteen will stand down at the Annual General Meeting of Shareholders on 24 April 2014.

The meeting of holders of priority shares has, pursuant to the provisions of Article 7, paragraph 5, of the Articles of Association of the company, drawn up a non-binding nomination of Mr Fernández Carbajal for reappointment as a non-executive member of the Board of Directors with effect from 24 April 2014, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders held in 2018). Mr Fernández Carbajal was first appointed in 2010. The meeting of holders of priority shares proposes to reappoint Mr Fernández Carbajal in view of his broad strategic and operational experience in the beer business in Latin America and the way he has fulfilled his role as a member of the Board of Directors.

Mr Vuursteen, aged 72, will not be proposed for reappointment.

Mr Vuursteen has been a member of the Board of Directors since 2002. Partly through his long-term membership and chairmanship of the Executive Board of Heineken N.V., he has made an important contribution to the work of the Board of Directors, and he is owed a considerable debt of gratitude.

The changes in the non-executive members of the Board of Directors of Heineken Holding N.V. have been incorporated in the rotation schedule. The rotation schedules are made available at the company's website (www.heinekenholding.com).

Balanced distribution of board seats over men and women

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

Remuneration policy

Remuneration of the members of the Board of Directors was enabled by an amendment to the company's Articles of Association in 2001. The policy on the remuneration of members of the Board of Directors was approved by the General Meeting of Shareholders in 2005. Under this policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V. For 2014, this means EUR90,000 a year for the chairman and EUR60,000 a year for the other members of the Board of Directors.

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

THE GENERAL MEETING OF SHAREHOLDERS

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

Notice of meeting

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

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

Right of shareholders to place items on agenda

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

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

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

Record date

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

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

Attendance by proxy or electronic communication

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

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

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

Attendance register

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

Chairman of the General Meeting of Shareholders

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

Voting

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

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

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

Once cast, a vote cannot be retracted.

Minutes

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

Resolutions to be adopted by the General Meeting of Shareholders

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

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

Provision of information

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

Priority shares

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

A full description of rights conferred by the priority shares is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 124) of this Annual Report.

FURTHER INFORMATION PURSUANT TO THE ARTICLE 10 TAKEOVER DIRECTIVE DECREE

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

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

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

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

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

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

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

Persons who hold shares on a predetermined record date may attend and exercise their voting rights at General Meetings of Shareholders. The record date for the General Meeting of Shareholders on 24 April 2014 has been set 28 days before the General Meeting of Shareholders, i.e. on 27 March 2014.

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

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

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

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

The Annual General Meeting of Shareholders on 25 April 2013 extended, for the statutory maximum period of 18 months, commencing on 25 April 2013, the authorisation which it had granted to the Board of Directors on 19 April 2012 to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association:

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

The Annual General Meeting of Shareholders on 25 April 2013 furthermore extended, for a period of 18 months, commencing on 25 April 2013, the authorisation which it had granted to the Board of Directors on 19 April 2012 to issue shares or grant rights to subscribe for shares, with due observance of the law and the Articles of Association.
The authorisation is limited to 10 per cent of the issued share capital of the company on the date of issue.

The Annual General Meeting of Shareholders on 25 April 2013 also extended, for a period of 18 months, commencing on 25 April 2013, the authorisation which it had granted to the Board of Directors on 19 April 2012 to restrict or exclude shareholders' pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares, with due observance of the law and the Articles of Association.

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

Amsterdam, 11 February 2014

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

HEINEKEN HOLDING NV

2013

FINANCIAL STATEMENTS 2013

BALANCE SHEET OF HEINEKEN HOLDING N.V.

before appropriation of profit
in millions of euros

		31 December 2013	31 December 2012*
Assets			
Financial fixed assets			
Participating interest in Heineken N.V.	note I	**5,620**	5,787
Current assets			
Cash	note II	**–**	–
		5,620	5,787

* Restated for the revised IAS 19.

		31 December 2013		31 December 2012*
Equity and liabilities				
Shareholders' equity				
Issued capital:				
Priority shares	–		–	
Ordinary shares	461		461	
		461		461
Share premium		1,257		1,257
Translation reserve		(862)		(264)
Hedging reserve		2		(5)
Fair value reserve		49		76
Other legal reserves		403		390
Retained earnings		3,627		2,413
Profit for the year		683		1,459
note III		5,620		5,787
Current liabilities				
Other payables		–		–
		5,620		5,787

* Restated for the revised IAS 19.

INCOME STATEMENT OF HEINEKEN HOLDING N.V.

in millions of euros

		2013	2012*
Share in result of participating interest in Heineken N.V. after income tax	note IV	**683**	1,459
Other revenues and expenses after income tax	note V	**–**	–
Profit		**683**	1,459

* Restated for the revised IAS 19.

NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2013 AND THE INCOME STATEMENT FOR 2013 OF HEINEKEN HOLDING N.V.

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

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

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

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

The financial statements have been prepared by the Board of Directors of the Company and authorised for issue on 11 February 2014 and will be submitted for adoption to the Annual General Meeting of Shareholders on 24 April 2014.

Significant accounting policies

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

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

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

note I PARTICIPATING INTEREST IN HEINEKEN N.V

The interest of Heineken Holding N.V. in Heineken N.V. is 50.005 per cent of the issued capital (being 50.093 per cent (2012: 50.083 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.). The nominal value of the Heineken N.V. shares held by the Company amounted to EUR461 million as at 31 December 2013 (EUR461 million as at 31 December 2012).

Valuation of the participating interest in Heineken N.V. is based on 50.093 per cent of the shareholders' equity published by Heineken N.V. in its financial statements.

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2013 amounted to EUR14.1 billion (31 December 2012: EUR14.5 billion).

Balance as at 1 January 2012	4,804
Policy change	22
Restated balance as at 1 January 2012*	4,826
50.083% of the profit of Heineken N.V.	1,459
Dividend payments received by Heineken Holding N.V.	(247)
Movements in translation reserve	24
Movements cash flow hedges	29
Movements fair value adjustments	(4)
Movements in legal reserves	2
Actuarial gains and losses	(204)
Share-based payments by Heineken N.V.	8
Movement because of changes in consolidation by Heineken N.V.	(106)
Balance as at 31 December 2012	5,787
Balance as at 1 January 2013	5,787
50.093% of the profit of Heineken N.V.	683
Dividend payments received by Heineken Holding N.V.	(265)
Movements in translation reserve	(598)
Movements cash flow hedges	7
Movements fair value adjustments	(27)
Actuarial gains and losses	98
Share of other comprehensive income of associates and joint ventures of Heineken N.V.	5
Purchase own shares by Heineken N.V.	(11)
Share-based payments by Heineken N.V.	4
Movement because of changes in consolidation by Heineken N.V.	(63)
Balance as at 31 December 2013	5,620

* Restated for the revised IAS 19.

note II CASH

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

note III SHAREHOLDERS' EQUITY

	Issued capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Profit for the year	Total equity [1]
Balance as at 1 January 2012	461	1,257	(288)	(34)	80	514	2,097	717	4,804
Policy change	–	–	–	–	–	–	22	–	22
Restated balance as at 1 January 2012 [2]	461	1,257	(288)	(34)	80	514	2,119	717	4,826
Other comprehensive income [3]	–	–	24	29	(4)	2	(204)	–	(153)
Profit for the year	–	–	–	–	–	111	(111)	1,459	1,459
Total comprehensive income	–	–	24	29	(4)	113	(315)	1,459	1,306
Transfer of profit to retained earnings	–	–	–	–	–	–	717	(717)	–
Transfer between reserves	–	–	–	–	–	(237)	237	–	–
Dividends to shareholders	–	–	–	–	–	–	(247)	–	(247)
Purchase own shares by Heineken N.V.	–	–	–	–	–	–	–	–	–
Share-based payments by Heineken N.V	–	–	–	–	–	–	8	–	8
Changes in consolidation by Heineken N.V.	–	–	–	–	–	–	(106)	–	(106)
Balance as at 31 December 2012	461	1,257	(264)	(5)	76	390	2,413	1,459	5,787
Balance as at 1 January 2013	461	1,257	(264)	(5)	76	390	2,413	1,459	5,787
Other comprehensive income [3]	–	–	(598)	7	(27)	–	103	–	(515)
Profit for the year	–	–	–	–	–	107	(107)	683	683
Total comprehensive income	–	–	(598)	7	(27)	107	(4)	683	168
Transfer of profit to retained earnings	–	–	–	–	–	–	1,459	(1,459)	–
Transfer between reserves	–	–	–	–	–	(94)	94	–	–
Dividends to shareholders	–	–	–	–	–	–	(265)	–	(265)
Purchase own shares by Heineken N.V.	–	–	–	–	–	–	(11)	–	(11)
Share-based payments by Heineken N.V.	–	–	–	–	–	–	4	–	4
Changes in consolidation by Heineken N.V.	–	–	–	–	–	–	(63)	–	(63)
Balance as at 31 December 2013	461	1,257	(862)	2	49	403	3,627	683	5,620

[1] Total equity attributable to equity holders of Heineken Holding N.V.
[2] Restated for the revised IAS 19.
[3] Net income recognised directly in equity is explained in the consolidated statement of comprehensive income.

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

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

Included here is the share in the profit of Heineken N.V. for 2013, being 50.093 per cent of EUR1,364 million (2012: 50.083 per cent of EUR2,914 million*).

note V OTHER REVENUES AND EXPENSES AFTER INCOME TAX

Expenses made to manage and provide services to Heineken N.V. amounting to EUR758 thousand (2012: EUR694 thousand) are reimbursed by Heineken N.V. to Heineken Holding N.V. in accordance with the management agreement.

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

* Restated for the revised IAS 19.

note VI

AUDIT FEES

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

In millions of euros	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2013	2012	**2013**	2012	**2013**	2012
Audit of Heineken Holding N.V. 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
	2.6	3.1	**11.1**	11.4	**13.7**	14.5

Amsterdam, 11 February 2014

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

CONSOLIDATED INCOME STATEMENT

in millions of euros

			2013		2012*
Revenue	note 5		**19,203**		18,383
Other income	note 8		**226**		1,510
Raw materials, consumables and services	note 9	**(12,186)**		(11,849)	
Personnel expenses	note 10	**(3,108)**		(3,031)	
Amortisation, depreciation and impairments	note 11	**(1,581)**		(1,316)	
Total expenses			**(16,875)**		(16,196)
Results from operating activities			**2,554**		3,697
Interest income	note 12	**47**		62	
Interest expenses	note 12	**(579)**		(551)	
Other net finance income/(expenses)	note 12	**(61)**		168	
Net finance expenses			**(593)**		(321)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	note 16		**146**		213
Profit before income tax			**2,107**		3,589
Income tax expense	note 13		**(520)**		(515)
Profit			**1,587**		3,074
Attributable to:					
Equity holders of Heineken Holding N.V. (net profit)			**683**		1,459
Non-controlling interests in Heineken N.V.			**681**		1,455
Non-controlling interests in Heineken N.V. group companies			**223**		160
Profit			**1,587**		3,074
Weighted average number of ordinary shares – basic	note 23		**288,030,168**		288,030,168
Weighted average number of ordinary shares – diluted	note 23		**288,030,168**		288,030,168
Basic earnings per ordinary share (EUR)	note 23		**2.37**		5.07
Diluted earnings per ordinary share (EUR)	note 23		**2.37**		5.07

* Restated for the revised IAS 19.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of euros

		2013		2012*	
Profit			**1,587**		3,074
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains and losses	note 24/28	**197**		(404)	
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	note 24	**(1,282)**		39	
Recycling of currency translation differences to profit or loss	note 24	**1**		–	
Effective portion of net investment hedges	note 24	**13**		6	
Effective portion of changes in fair value of cash flow hedges	note 24	**16**		14	
Effective portion of cash flow hedges transferred to profit or loss	note 24	**(4)**		41	
Net change in fair value available-for-sale investments	note 24	**(53)**		135	
Net change in fair value available-for-sale investments transferred to profit or loss	note 24	**–**		(148)	
Share of other comprehensive income of associates and joint ventures	note 24	**5**		(1)	
Other comprehensive income, net of tax	note 24		**(1,107)**		(318)
Total comprehensive income			**480**		2,756
Attributable to:					
Equity holders of Heineken Holding N.V.			**168**		1,306
Non-controlling interests in Heineken N.V.			**168**		1,302
Non-controlling interests in Heineken N.V. group companies			**144**		148
Total comprehensive income			**480**		2,756

* Restated for the revised IAS 19.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of euros

		31 December 2013		31 December 2012*	
Assets					
Non-current assets					
Property, plant & equipment	note 14	**8,454**		8,844	
Intangible assets	note 15	**15,934**		17,688	
Investments in associates and joint ventures	note 16	**1,883**		1,950	
Other investments and receivables	note 17	**762**		1,099	
Advances to customers		**301**		312	
Deferred tax assets	note 18	**508**		550	
			27,842		30,443
Current assets					
Inventories	note 19	**1,512**		1,596	
Other investments	note 17	**11**		11	
Trade and other receivables	note 20	**2,427**		2,537	
Prepayments and accrued income		**218**		232	
Cash and cash equivalents	note 21	**1,290**		1,037	
Assets classified as held for sale	note 7	**37**		124	
			5,495		5,537
			33,337		35,980

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

		31 December 2013		31 December 2012*	
Equity					
Share capital	note 22	**461**		461	
Share premium	note 22	**1,257**		1,257	
Reserves		**(408)**		197	
Retained earnings		**4,310**		3,872	
Equity attributable to equity holders of Heineken Holding N.V.			**5,620**		5,787
Non-controlling interests in Heineken N.V.			**5,782**		5,947
Non-controlling interests in Heineken N.V. group companies	note 22		**954**		1,071
			12,356		12,805
Liabilities					
Non-current liabilities					
Loans and borrowings	note 25	**9,853**		11,437	
Tax liabilities		**112**		140	
Employee benefits	note 28	**1,202**		1,575	
Provisions	note 30	**367**		419	
Deferred tax liabilities	note 18	**1,444**		1,792	
			12,978		15,363
Current liabilities					
Bank overdrafts	note 21	**178**		191	
Loans and borrowings	note 25	**2,195**		1,863	
Trade and other payables	note 31	**5,131**		5,285	
Tax liabilities		**317**		305	
Provisions	note 30	**171**		129	
Liabilities classified as held for sale	note 7	**11**		39	
			8,003		7,812
			20,981		23,175
			33,337		35,980

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

CONSOLIDATED STATEMENT OF CASH FLOWS

in millions of euros

		2013	2013	2012*	2012*
Operating activities					
Profit		**1,587**		3,074	
Adjustments for:					
Amortisation, depreciation and impairments	note 11	**1,581**		1,316	
Net interest expenses	note 12	**532**		489	
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	note 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	note 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

* Restated for the revised IAS 19.

		2013	2013	2012*	2012*
Investing activities					
Proceeds from sale of property, plant & equipment and intangible assets		152		131	
Purchase of property, plant & equipment	note 14	(1,369)		(1,170)	
Purchase of intangible assets	note 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	note 6	460		–	
Disposal of associates, joint ventures and other investments	note 6	165		142	
Cash flow (used in)/from acquisitions and disposals			555		(4,415)
Cash flow (used in)/from investing activities			(841)		(5,625)
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 by Heineken N.V.		(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	note 21		1,112		846

* Restated for the revised IAS 19.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of euros

		Share capital	Share premium	Translation reserve	Hedging reserve
Balance as at 1 January 2012		461	1,257	(288)	(34)
Policy change		–	–	–	–
Restated balance as at 1 January 2012[2]		461	1,257	(288)	(34)
Profit		–	–	–	–
Other comprehensive income	note 24	–	–	24	29
Total comprehensive income		–	–	24	29
Transfer to retained earnings		–	–	–	–
Dividends to shareholders		–	–	–	–
Purchase own shares by Heineken N.V.		–	–	–	–
Share-based payments by Heineken N.V.		–	–	–	–
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control		–	–	–	–
Balance as at 31 December 2012		461	1,257	(264)	(5)
Balance as at 1 January 2013		461	1,257	(264)	(5)
Profit		–	–	–	–
Other comprehensive income	note 24	–	–	(598)	7
Total comprehensive income		–	–	(598)	7
Transfer to retained earnings		–	–	–	–
Dividends to shareholders		–	–	–	–
Purchase own shares by Heineken N.V.		–	–	–	–
Share-based payments by Heineken N.V.		–	–	–	–
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	note 6	–	–	–	–
Balance as at 31 December 2013		461	1,257	(862)	2

[1] Equity attributable to equity holders of Heineken Holding N.V.
[2] Restated for the revised IAS 19.

Fair value reserve	Other legal reserves	Retained earnings	Equity[1]	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
80	514	2,814	4,804	4,970	318	10,092
–	–	22	22	21	–	43
80	514	2,836	4,826	4,991	318	10,135
–	111	1,348	1,459	1,455	160	3,074
(4)	2	(204)	(153)	(153)	(12)	(318)
(4)	113	1,144	1,306	1,302	148	2,756
–	(237)	237	–	–	–	–
–	–	(247)	(247)	(247)	(110)	(604)
–	–	–	–	–	–	–
–	–	8	8	7	–	15
–	–	(106)	(106)	(106)	715	503
76	390	3,872	5,787	5,947	1,071	12,805
76	390	3,872	5,787	5,947	1,071	12,805
–	107	576	683	681	223	1,587
(27)	–	103	(515)	(513)	(79)	(1,107)
(27)	107	679	168	168	144	480
–	(94)	94	–	–	–	–
–	–	(265)	(265)	(265)	(185)	(715)
–	–	(11)	(11)	(10)	–	(21)
–	–	4	4	4	–	8
–	–	(63)	(63)	(62)	(76)	(201)
49	403	4,310	5,620	5,782	954	12,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

note1 REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates.

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

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

note 2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. 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 HEINEKEN also comply fully with IFRS as issued by the IASB.

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

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.

note 3 SIGNIFICANT ACCOUNTING POLICIES

General

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to HEINEKEN. HEINEKEN controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

HEINEKEN measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

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

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries
Subsidiaries are entities controlled by HEINEKEN. HEINEKEN controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by HEINEKEN. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control
Upon the loss of control, HEINEKEN derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. If HEINEKEN retains any interest in the previous subsidiary, 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 asssociates 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 not control or joint control, over the financial and operating policies. Joint ventures are the arrangements in which HEINEKEN has joint control, whereby HEINEKEN has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include HEINEKEN's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of HEINEKEN, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When HEINEKEN's share of losses exceeds the carrying amount of the associate or joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that HEINEKEN has an obligation or has made a payment on behalf of the associate or joint venture.

(vi) Transactions eliminated on consolidation
Intra-HEINEKEN balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-HEINEKEN transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted associates and JVs are eliminated against the investment to the extent of HEINEKEN's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the

functional currency at the exchange rate at that date. The foreign currency gain or loss arising on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

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

(ii) Foreign operations

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

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

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

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

In euros	*Year-end*		*Average*	
	2013	2012	**2013**	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.

(iii) Available-for-sale investments

HEINEKEN's investments in equity securities and certain debt securities are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein – other than impairment losses (see 3i*(i)*), and foreign currency differences on available-for-sale monetary items (see 3b*(i)*) – are recognised in other comprehensive income and presented within equity in the fair value reserve. When these investments are derecognised, the relevant cumulative gain or loss in the fair value reserve is transferred to profit or loss.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit or loss. Available-for-sale investments are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

(iv) Investments at fair value through profit or loss

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

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

(v) Other

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

(d) Derivative financial instruments (including hedge accounting)

(i) General

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

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

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Derivatives for which hedge accounting is not applied are accounted for as instruments at fair value through profit or loss. When derivatives qualify for hedge accounting, subsequent measurement is at fair value, and changes therein accounted for as described in 3b*(iv)*, 3d*(ii)* 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 3q), accumulated depreciation (refer *(iv)*) and accumulated impairment losses (refer 3i*(ii)*).

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

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

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

(ii) Leased assets
Leases in terms of which HEINEKEN assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition P, P & E acquired by way of finance lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised in HEINEKEN's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(iii) Subsequent expenditure
The cost of replacing a part of an item of P, P & E is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, if it is probable that the future economic benefits embodied within the part will flow to HEINEKEN and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of P, P & E are recognised in profit or loss when incurred.

(iv) Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Land except for financial leases on land over the contractual period is not depreciated as it is deemed to have an infinite life. Depreciation on other P, P & E is charged to profit or loss on a straight-line basis over the estimated useful lives of items of P, P & E, and major components that are accounted for separately, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets under construction are not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that HEINEKEN will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative years are as follows:

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

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

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

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

(g) Intangible assets

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

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

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

Goodwill is measured at cost less accumulated impairment losses (refer 3i*(ii)*). Goodwill is allocated to individual or groups of cash-generating units (CGUs) for the purpose of impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income.

(ii) Brands

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

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

(iii) Customer-related, contract-based intangibles and reacquired rights

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

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

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

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

(iv) Software, research and development and other intangible assets

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

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

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

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

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

(v) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

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

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

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

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

(h) Inventories

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

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

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

(i) Impairment

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

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

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

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

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

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

(ii) Non-financial assets
The carrying amounts of HEINEKEN's non-financial assets, other than inventories (refer 3h) and deferred tax assets (refer 3s), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

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

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

(j) Non-current assets held for sale

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

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

(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 of Heineken N.V. and as from 1 January 2006 HEINEKEN also established a share plan for senior management (see note 29).

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

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the share plans 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 of Heineken N.V. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity-settled incentive.

(vii) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if 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.

(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 HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

(t) Discontinued operations
A discontinued operation is a component of HEINEKEN's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

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

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

(w) Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board of Heineken N.V., who is considered to be chief operating decision maker. An operating segment is a component of HEINEKEN that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of HEINEKEN's other components. All operating segments' operating

results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

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

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

(x) Emission rights

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

(y) Recently issued IFRS

New relevant standards and interpretations not yet adopted

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

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.

note 4 DETERMINATION OF FAIR VALUES

General

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

Fair value as a result of business combinations

(i) Property, plant and equipment

The fair value of P, P & E recognised as a result of a business combination is based on quoted market prices for similar items when available and replacement cost when appropriate.

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

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

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

Fair value from normal business

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

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

note 5 OPERATING SEGMENTS

HEINEKEN distinguishes the following six reportable segments:

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

The first five reportable segments as stated above are HEINEKEN's business regions. These business regions are each managed separately by a Regional President. The Regional President is directly accountable for the functioning of the segment's assets, liabilities and results of the region and reports regularly to the Executive Board of Heineken N.V. (the chief operating decision maker) to discuss operating activities, regional forecasts and regional results. The Heineken N.V. Head Office operating segment falls directly under the responsibility of the Executive Board of Heineken N.V.. For each of the six reportable segments, the Executive Board of Heineken N.V. reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table on pages 62 to 65. Performance is measured based on EBIT (beia), as included in the internal management reports that are reviewed by the Executive Board of Heineken N.V. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition-related intangibles. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. EBIT (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of these segments.

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

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

Information about reportable segments		Western Europe		Central and Eastern Europe		The Americas	
		2013	2012*	**2013**	2012*	**2013**	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 Heineken Holding N.V. (net profit)							
Non-controlling interests in Heineken N.V.							
Non-controlling interests in Heineken N.V. group companies							
EBIT reconciliation							
EBIT [2]		**739**	724	**246**	344	**751**	674
Eia [2]		**115**	224	**60**	12	**39**	86
EBIT (beia) [2]	note 27	**854**	948	**306**	356	**790**	760

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

[1] Includes other revenue of EUR375 million in 2013 and EUR433 million in 2012.

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

Africa Middle East		Asia Pacific		Heineken N.V. Head Office & Other/ eliminations		Consolidated	
2013	2012*	**2013**	2012*	**2013**	2012*	**2013**	2012*
2,554	2,639	**2,036**	527	**245**	315	**19,203**	18,383
–	–	**1**	–	**(681)**	(686)	**–**	–
2,554	2,639	**2,037**	527	**(436)**	(371)	**19,203**	18,383
1	–	**–**	1,486	**–**	–	**226**	1,510
606	616	**376**	1,546	**(77)**	(101)	**2,554**	3,697
						(593)	(321)
37	1	**26**	109	**(4)**	(3)	**146**	213
						(520)	(515)
						1,587	3,074
						683	1,459
						681	1,455
						223	160
						1,587	3,074
643	617	**402**	1,655	**(81)**	(104)	**2,700**	3,910
2	38	**163**	(1,388)	**12**	36	**391**	(992)
645	655	**565**	267	**(69)**	(68)	**3,091**	2,918

Information about reportable segments (continued)	Western Europe		Central and Eastern Europe		The Americas	
	2013	2012*	**2013**	2012*	**2013**	2012*
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 and 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 for APB.

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

Africa Middle East		Asia Pacific		Heineken N.V. Head Office & Other/ eliminations		Consolidated	
2013	2012*	**2013**	2012*	**2013**	2012*	**2013**	2012*
23,281	23,289	**17,347**	3,742	**–**	–	**178,322**	171,712
4,119	4,200	**5,345**	13,202	**–**	–	**16,924**	24,922
27,400	27,489	**22,692**	16,944	**–**	–	**195,246**	196,634
939	959	**757**	913	**(475)**	(629)	**5,475**	5,525
2,216	2,073	**6,254**	7,166	**1,400**	1,619	**25,453**	27,945
238	281	**476**	534	**109**	82	**1,883**	1,950
3,393	3,313	**7,487**	8,613	**1,034**	1,072	**32,811**	35,420
						526	560
						33,337	35,980
853	760	**449**	513	**319**	238	**7,461**	8,051
						13,520	15,124
						12,356	12,805
						33,337	35,980
461	395	**142**	20	**50**	48	**1,369**	1,170
–	–	**–**	2,720	**–**	480	**9**	3,243
2	2	**5**	–	**28**	24	**77**	78
(183)	(176)	**(80)**	(11)	**(35)**	(38)	**(1,073)**	(1,017)
–	(8)	**2**	–	**(1)**	2	**(16)**	(44)
(6)	(6)	**(179)**	(24)	**(12)**	(12)	**(376)**	(247)
–	–	**–**	–	**–**	–	**(116)**	(7)

note 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:

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

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 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:

	2013
Current assets	83
Non-current assets	541
Current liabilities	(165)
Non-current liabilities	(63)

note 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.

	2013	2012
Assets and liabilities classified as held for sale		
Current assets	19	38
Non-current assets	18	86
Current liabilities	(10)	(36)
Non-current liabilities	(1)	(3)
	26	85

note 8 OTHER INCOME

	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 Cervecerías 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.

note 9 RAW MATERIALS, CONSUMABLES AND SERVICES

	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).

note 10 PERSONNEL EXPENSES

		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	note 28	41	22
Expenses related to other long-term employee benefits		11	11
Equity-settled share-based payment plan	note 29	10	12
Other personnel expenses		534	517
		3,108	3,031

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.

* Restated for the revised IAS 19.

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
	80,933	76,191

note 11 AMORTISATION, DEPRECIATION AND IMPAIRMENTS

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

note 12 NET FINANCE INCOME AND EXPENSE

	2013		2012*	
Recognised in profit or loss				
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
		(593)		(321)

The net gain on disposal of available-for-sale investments for the year ended 31 December 2012 mainly related to the sale of the 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.

* Restated for the revised IAS 19.

note 13 **INCOME TAX EXPENSE**

	2013		2012*	
Recognised in profit or loss				
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)
		520		515

* Restated for the revised IAS 19.

	2013		2012*	
Reconciliation of the effective tax rate				
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

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.

* Restated for the revised IAS 19.

	2013	2012*
Income tax recognised in other comprehensive income		
Changes in fair value	**10**	(24)
Changes in hedging reserve	**(2)**	(18)
Changes in translation reserve	**(43)**	(22)
Other	**(67)**	113
note 24	**(102)**	49

* Restated for the revised IAS 19.

note 14 PROPERTY, PLANT AND EQUIPMENT

Cost property, plant & equipment	Land and buildings*	Plant and equipment	Other fixed assets	Under construction	Total*
Balance as at 1 January 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

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

Depreciation and impairment losses property, plant & equipment		Land and buildings*	Plant and equipment	Other fixed assets	Under construction	Total*
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	note 11	(142)	(399)	(476)	–	(1,017)
Impairment losses	note 11	(10)	(36)	(19)	–	(65)
Reversal impairment losses	note 11	4	12	5	–	21
Transfer to/(from) assets classified as held for sale		26	15	20	–	61
Disposals		5	80	261	–	346
Effect of movements in exchange rates		(14)	(9)	(19)	–	(42)
Balance as at 31 December 2012		(1,753)	(3,678)	(2,939)	–	(8,370)
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	note 11	(163)	(416)	(494)	–	(1,073)
Impairment losses	note 11	(3)	(15)	(5)	–	(23)
Reversal impairment losses	note 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.

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).

note 15 INTANGIBLE ASSETS

Cost intangible assets	Goodwill*	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total*
Balance as at 1 January 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

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

Amortisation and impairment losses intangible assets		Goodwill*	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total*
Balance as at 1 January 2012		(279)	(221)	(268)	(3)	(243)	(1,014)
Changes in consolidation		–	–	–	–	–	–
Amortisation charge for the year	note 11	–	(68)	(121)	(11)	(47)	(247)
Impairment losses	note 11	(7)	–	–	–	–	(7)
Disposals		–	–	–	–	–	–
Transfers to assets held for sale		–	–	–	–	1	1
Effect of movements in exchange rates		(11)	_	7	(9)	10	(3)
Balance as at 31 December 2012		(297)	(289)	(382)	(23)	(279)	(1,270)
Balance as at 1 January 2013		(297)	(289)	(382)	(23)	(279)	(1,270)
Changes in consolidation		–	22	27	–	7	56
Amortisation charge for the year	note 11	–	(101)	(176)	(62)	(37)	(376)
Impairment losses	note 11	(94)	(5)	–	–	(17)	(116)
Disposals		–	–	–	4	30	34
Transfers to assets held for sale		–	–	–	–	1	1
Effect of movements in exchange rates		–	14	20	10	7	51
Balance as at 31 December 2013		(391)	(359)	(511)	(71)	(288)	(1,620)
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

The carrying amount of the CGU in Russia has been reduced to its recoverable amount through recognition of an EUR94 million impairment loss against goodwill and EUR5 million against brands.

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

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 Heineken N.V. 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:

	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
Heineken N.V. Head Office and other (aggregated)	**716**	743
	10,016	10,743

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

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

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 %	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
Heineken N.V. 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.

note 16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

HEINEKEN has interests in a number of individually insignificant joint ventures and associates.
HEINEKEN holds a 75 per cent equity interest in Sedibeng Brewery Pty Ltd, but based on the contractual arrangements HEINEKEN has joint control. As a result this investment is 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:

		Joint ventures		Associates
	2013	2012	**2013**	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
- Cervecería 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 Cervecería 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.

note 17 OTHER INVESTMENTS AND RECEIVABLES

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

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.

note 18 **DEFERRED TAX ASSETS AND LIABILITIES**

Recognised deferred tax assets and liabilities		Assets		Liabilities		Net
Deferred tax assets and liabilities are attributable to the following items:	**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)

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.

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

Tax losses carry forward		**2013**		2012
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:				
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 2012	Balance 1 January*	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December*
Property, plant & equipment	(497)	(66)	(5)	(54)	–	2	(620)
Intangible assets	(682)	(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.

Movement in deferred tax balances during the year 2013	Balance 1 January	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December
Property, plant & equipment	(620)	19	29	30	3	3	(536)
Intangible assets	(1,535)	43	127	129	–	2	(1,234)
Investments	122	–	(6)	1	2	–	119
Inventories	13	2	–	4	–	–	19
Loans and borrowings	2	–	–	–	–	(1)	1
Employee benefits	383	–	(6)	(6)	(70)	14	315
Provisions	108	(5)	(1)	(1)	–	–	101
Other items	47	(9)	(44)	79	6	(20)	59
Tax losses carry forward	238	–	(10)	(3)	–	(5)	220
Net tax assets/(liabilities)	(1,242)	50	89	233	(59)	(7)	(936)

note 19 INVENTORIES

	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.

note 20 TRADE AND OTHER RECEIVABLES

		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
	note 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.

note 21 CASH AND CASH EQUIVALENTS

		2013	2012
Cash and cash equivalents	note 32	**1,290**	1,037
Bank overdrafts	note 25	**(178)**	(191)
Cash and cash equivalents in the statement of cash flows		**1,112**	846

note 22 CAPITAL AND RESERVES

Share capital

As at 31 December 2013 the issued share capital comprised 288,030,168 ordinary shares (2012: 288,030,168) with a par value of EUR1.60 and 250 priority shares (2012: 250) with a par value of EUR2. All issued shares are fully paid. The share capital as at 31 December 2013 amounted to EUR461 million (2012: EUR461 million). The Company's authorised capital amounted to EUR 1,500,000,500, consisting of 937,500,000 ordinary shares and 250 priority shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. For the rights of the priority shareholders reference is made to the Other information on page 124.

Share premium

As at 31 December 2013 the share premium amounted to EUR1,257 million (2012: EUR1,257 million).

Translation reserve

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

Hedging reserve

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

Fair value reserve

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

Other legal reserves

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

Purchase own shares by Heineken N.V.

As at 31 December 2013, Heineken N.V. held 1,010,213 own shares (2012: 891,561). This results in an increased interest in shareholding by Heineken Holding N.V.

The related dilution effect has been recognised directly in equity.

Share-based payments by Heineken N.V.

During the period from 1 January to 31 December 2013 Heineken N.V. acquired 375,000 Heineken N.V. shares for delivery against LTV and other share-based payment plans.

Dividends

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

	2013	2012
Final dividend previous year EUR0.56, respectively EUR0.53 per ordinary share	**161**	152
Interim dividend current year EUR0.36, respectively EUR0.33 per ordinary share	**104**	95
Total dividend declared and paid	**265**	247

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

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

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

	2013	2012
Per ordinary share EUR0.89 (2012: EUR0.89)	**256**	256

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

	2013	2013	2012	2012
NCI percentage		**49.91%**[1]		49.92%[1]
Non-current assets	**27,842**		30,443	
Current assets	**5,495**		5,537	
Non-current liabilities	**(12,978)**		(15,363)	
Current liabilities	**(8,003)**		(7,812)	
Net assets		**12,356**		12,805
Carrying amount of NCI		**5,782**		5,947
Revenue		**19,203**		18,383
Profit	**1,587**		3,074	
OCI	**(1,107)**		(318)	
Total comprehensive income		**480**		2,756
Profit allocated to NCI[2]		**681**		1,455
OCI allocated to NCI[2]		**168**		1,302
Cash flow from operating activities	**2,914**		2,695	
Cash flow from investing activities	**(841)**		(5,625)	
Cash flow from financing activities	**(1,752)**		3,056	
Net increase (decrease) in cash and cash equivalents		**321**		126
Final dividend previous year	**323**		305	
Interim dividend current year	**207**		189	
Total dividend		**530**		494
Dividend allocated to NCI		**265**		247

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

[2] Calculated based on 49.91 per cent (2012: 49.92 per cent) of the equity attributable to Heineken N.V.

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

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total non-controlling interest as at 31 December 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.

note 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 EUR683 million (2012: EUR1,459 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2013 of 288,030,168 (2012: 288,030,168). Basic earnings per share for the year amounted to EUR2.37 (2012: EUR5.07*).

* Restated for the revised IAS 19.

	2013	2012
Weighted average number of ordinary shares – basic and diluted		
Number of ordinary shares basic 1 January	**288,030,168**	288,030,168
Weighted average number of basic ordinary shares for the year	**288,030,168**	288,030,168

note 24 INCOME TAX ON OTHER COMPREHENSIVE INCOME

Other comprehensive income	Amount before tax **2013**	Tax **2013**	Amount net of tax **2013**	Amount before tax 2012*	Tax 2012*	Amount net of tax 2012*
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 and joint ventures	**6**	**(1)**	**5**	(1)	–	(1)
	(1,005)	**(102)**	**(1,107)**	(367)	49	(318)

* Restated for the revised IAS 19.

note 25 LOANS AND BORROWINGS

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

		2013		2012	
Non-current liabilities					
Secured bank loans		16		28	
Unsecured bank loans		422		1,221	
Unsecured bond issues		8,083		8,206	
Finance lease liabilities	note 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
			9,853		11,437
Current interest-bearing liabilities					
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	note 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	note 21		178		191
			2,373		2,054

Net interest-bearing debt position		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	note 21		178		191
			12,170		13,359
Cash, cash equivalents and current other investments			(1,302)		(1,048)
			10,868		12,311

Non-current liabilities	Secured bank loans	Unsecured bank loans	Unsecured bond issues	Finance lease liabilities	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 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:	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**	–	–
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
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

Terms and debt repayment schedule (continued)

	Category	Currency	Nominal interest rate (%)	Repayment	Carrying amount 2013	Face value 2013	Carrying amount 2012	Face value 2012
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 HEINEKEN from conducting further significant debt financed acquisitions.

note 26 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:	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 the Hartwall operations in Finland.

note 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.

	2013[1]	2012[1,2]
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 Heineken Holding N.V. (net profit)	**683**	1,459
Non-controlling interests in Heineken N.V.	**681**	1,455
	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

[1] Unaudited.

[2] Restated for the revised IAS 19.

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 the 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 the joint venture Compania Cervecerías 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.

note 28 EMPLOYEE BENEFITS

	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 contributions of GBP21 million per year, with a further contribution of between GBP15 million and GBP40 million per year, contingent on the funding level of the pension fund. As at 31 December 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.

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	
		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	note 10	**38**	17	**3**	3	**41**	20
Interest expense/(income)	note 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

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.

* Restated for the revised IAS 19.

Defined benefit plan assets

	Quoted 2013	Unquoted 2013	Total 2013	Quoted 2012	Unquoted 2012	Total 2012
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.

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:

In %	The Netherlands		UK[2]	
	2013	2012[1]	**2013**	2012[1]
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	**–**	–	**–**	–

[1] Restated for the revised IAS 19.

[2] The UK plan closed for future accrual leading to certain assumptions being equal to zero.

For the other defined benefit plans the following actuarial assumptions apply as at 31 December:

In %	Other Western, Central and Eastern Europe		The Americas		Africa Middle East	
	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

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands the rates are obtained from the 'AG-Prognose-tafel 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.

* Restated for the revised IAS 19.

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.

Present value of defined benefit obligation	Increase in assumption 31 December 2013	Decrease in assumption 31 December 2013
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.

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

As from 1 January 2005 HEINEKEN established a performance-based share plan (Long-Term Variable award; LTV) for the Executive Board of Heineken N.V. As from 1 January 2006 a similar plan was established for senior management. Under this LTV plan Heineken N.V. 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.

The annual Heineken N.V. 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 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 reappointment 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 Heineken N.V. 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 of shares is based on target performance.

The number, as corrected for the expected performance for the various awards, and weighted average share price per share under the LTV of senior management and Executive Board are as follows:

	Weighted average share price 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.

		2013	2012
Personnel expenses			
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	note 10	**10**	12

note 30 PROVISIONS

		Restructuring	Onerous contracts*	Other	Total
Balance as at 1 January 2013		138	36	374	548
Changes in consolidation	note 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).

note 31 TRADE AND OTHER PAYABLES

		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
	note 32	**5,131**	5,285

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

note 32 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

The Global Treasury function focuses primarily on the management of financial risk and financial resources. Some of the risk management strategies include the use of derivatives, primarily in the form of spot and forward exchange contracts and interest rate swaps, but options can be used as well. It is HEINEKEN policy that no speculative transactions are entered into.

Credit risk

Credit risk is the risk of financial loss to HEINEKEN if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from HEINEKEN's receivables from customers and investment securities.

Following the economic crisis, HEINEKEN placed particular focus on strengthening credit management and a Global Credit Policy was implemented. All local operations are required to comply with the principles contained within the Global Credit Policy and develop local credit management procedures accordingly. HEINEKEN annually reviews compliance with these procedures and continuous focus is placed on ensuring that adequate controls are in place to mitigate any identified risks in respect of both customer and supplier risk.

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

Loans to customers

HEINEKEN's exposure to credit risk is mainly influenced by the individual characteristics of each customer. HEINEKEN's held-to-maturity investments 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.

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:

		2013	2012
Loans to customers	note 17	**203**	368
Indemnification receivable	note 17	**113**	136
Other long-term receivables	note 17	**128**	148
Held-to-maturity investments	note 17	**4**	4
Available-for-sale investments	note 17	**247**	327
Non-current derivatives	note 17	**67**	116
Investments held for trading	note 17	**11**	11
Trade and other receivables, excluding current derivatives	note 20	**2,382**	2,500
Current derivatives	note 20	**45**	37
Cash and cash equivalents	note 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:

	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
Heineken N.V. 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:

	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:

	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:

	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.

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	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	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 of Heineken N.V.

Foreign currency risk

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

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

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

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

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on 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 HEINEKEN and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

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

In millions	EUR **2013**	GBP **2013**	USD **2013**	EUR 2012	GBP 2012	USD 2012
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:

	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
	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 profit or loss are expected to reverse over time.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. The analysis is performed on the same basis as for 2012.

	Profit or loss		Equity	
	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	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.

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

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.

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

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

Capital management

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

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

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

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

Fair values

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

	Carrying amount **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 in the table on page 117.

	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.

note 33 OFF-BALANCE SHEET COMMITMENTS

	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.

note 34 CONTINGENCIES

Brazil

As part of the acquisition of the beer operations of FEMSA in 2010, HEINEKEN inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiaries Cervejarias Kaiser Brasil and Cervejarias Kaiser Nordeste (jointly, Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common to the current economic and legal environment of Brazil. The proceedings have partly been provided for (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	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
	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.

note 35 RELATED PARTIES

Identification of related parties

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

Board of Directors of Heineken Holding N.V. remuneration *In thousands of euros*	**2013**	2012
M. Das	**90**	90
C.L. de Carvalho-Heineken	**60**	60
J.A. Fernández Carbajal	**60**	60
C.M. Kwist	**60**	60
K. Vuursteen	**60**	60
A.A.C. de Carvalho*	**41**	–
	371	330

As at 31 December 2013, the Board of Directors represented 148,368,480 ordinary shares in the Company (2012: 147,218,501 ordinary shares).

* Appointed as at 25 April 2013.

Executive Board of Heineken N.V.

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay 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.

As at 31 December 2013, J.F.M.L. van Boxmeer held 97,829 Heineken N.V. 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 ordinary shares of Heineken Holding N.V. as at 31 December 2013 (2012: 3,052 ordinary shares).

Executive Board of Heineken N.V. remuneration *In thousands of euros*	J.F.M.L. van Boxmeer **2013**	D.R. Hooft Graafland **2013**	Total **2013**	J.F.M.L. van Boxmeer 2012	D.R. Hooft Graafland 2012	Total 2012
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 of Heineken N.V. (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). In accordance with best practice provision II.2.5 of the Dutch Corporate Governance Code, 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 of Heineken N.V. 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 of Heineken N.V., 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 Heineken N.V. 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.

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

Supervisory Board of Heineken N.V. remuneration *In thousands of euros*	**2013**	2012
G.J. Wijers[1]	**133**	52
C.J.A. van Lede[2]	**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[3]	**51**	–
	927	920

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 Heineken N.V. bonds or option rights. M.R. de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2013 (2012: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 ordinary shares).

[1] Appointed as chairman as at 25 April 2013.
[2] Stepped down as at 25 April 2013.
[3] Appointed as at 25 April 2013.

Other related party transactions	Transaction value		Balance outstanding as at 31 December	
	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

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

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

note 36 HEINEKEN ENTITIES

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

Heineken Holding N.V. holds an interest in Heineken N.V. of 50.005 per cent of the issued capital (being 50.093 per cent (2012: 50.083 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.).

L'Arche Green N.V. holds 51.482 per cent (2012: 51.083 per cent) of the Heineken Holding N.V. ordinary shares.

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

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued by Heineken N.V. with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements on page 136.

Pursuant to the provisions of Article 17 (1) of the Republic of Ireland Companies (Amendment) Act 1986, Heineken N.V. issued irrevocable guarantees in respect of the financial year from 1 January 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 N.V.'s significant subsidiaries as at 31 December 2013. The subsidiaries as listed below are held by Heineken N.V. and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The country of incorporation or registration is also their principal place of business.

Fewer entities than in previous years are being disclosed 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.

Significant subsidiaries of Heineken N.V.	Country of incorporation	% of ownership held by Heineken N.V. **2013**	2012
Heineken International B.V.	The Netherlands	**100.0**	100.0
Heineken Brouwerijen B.V.	The Netherlands	**100.0**	100.0
Heineken Nederland B.V.	The Netherlands	**100.0**	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	**100.0**	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	**100.0**	100.0
Heineken France S.A.S.	France	**100.0**	100.0
Nigerian Breweries Plc.	Nigeria	**54.1**	54.1
Heineken USA Inc.	United States	**100.0**	100.0
Heineken UK Ltd.	United Kingdom	**100.0**	100.0
Heineken España S.A.	Spain	**99.4**	98.7
Heineken Italia S.p.A.	Italy	**100.0**	100.0
Brau Union AG	Austria	**100.0**	100.0
Brau Union Österreich AG	Austria	**100.0**	100.0
Grupa Zywiec S.A.	Poland	**65.2**	61.9
LLC Heineken Breweries	Russia	**100.0**	100.0
Heineken Asia Pacific Pte. Ltd.	Singapore	**100.0**	98.7

note 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.

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

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

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

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

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

Shares held by the Board of Directors
As at 31 December 2013, the Board of Directors represented 148,368,480 ordinary shares of the company.

Proposed appropriation of profit
It is proposed to appropriate EUR256 million of the profit for payment of dividend and to add EUR427 million to the reserves.

STATEMENT OF THE BOARD OF DIRECTORS

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

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

2. the Report of the Board of Directors includes a fair review of the position as at 31 December 2013 and the development and performance during the financial year 2013 of Heineken Holding N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Heineken Holding N.V. faces.

Amsterdam, 11 February 2014

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements 2013 of Heineken Holding N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 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 30 to 123. 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 22 to 29.

Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the company financial statements

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 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.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, as included on pages 10 to 20, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 11 February 2014
KPMG Accountants N.V.
E.J.L. van Leeuwen RA

COLOPHON

A Heineken Holding N.V. publication

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An abbreviated version of this report is available in the Dutch language. In the event of any discrepancy between language versions, the English version prevails.

Translation into Dutch
VVH business translations

Graphic Design and Electronic Publishing
KentieDesign bno

Printing
Boom + Verweij grafiservices

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