

Heineken

MARK  
Heineken

BREWERY  
FRESH  
DRADUITY

UNIQUE & YEAST

★ HEINEKEN  
ANNUAL  
REPORT  
2015



# Welcome to HEINEKEN

HEINEKEN is the world's most international brewer with brands available in 179 countries around the world.

We are a proud independent global brewer committed to bringing enjoyment to consumers around the world.

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

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



## Further information online:

### theHEINEKENcompany.com

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

Follow us on Twitter for news and updates: @HEINEKENCorp

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# Performance highlights

“Our strong performance in 2015 reflects the successful execution of our strategy, as well as the relevance of our unique geographic diversity and portfolio of premium brands, led by Heineken®.”

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



**Revenue**  
(in millions of EUR)

€20,511m

2015	20,511
2014	19,257
2013	19,203
2012	18,383
2011	17,123

**Consolidated beer volume**  
(in millions of hectolitres)

188.3mhl

2015	188.3
2014	181.3
2013	178.3
2012	171.7
2011	164.6

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

30.5mhl

2015	30.5
2014	29.5
2013	28.1
2012	29.1
2011	27.4

**Operating profit (beia)**  
(in millions of EUR)

€3,381m

2015	3,381
2014	3,129
2013	2,941
2012	2,666
2011	2,456

**Net profit (beia)**  
(in millions of EUR)

€2,048m

2015	2,048
2014	1,758
2013	1,585
2012	1,661
2011	1,584

# Key figures

## Consolidated results

In millions of EUR	2015	2014	Change in %
Revenue	20,511	19,257	6.5%
Operating profit (beia)	3,381	3,129	8.1%
Net profit	1,892	1,516	24.8%
Net profit (beia)	2,048	1,758	16.5%
EBITDA	4,841	4,365	10.9%
EBITDA (beia)	4,722	4,370	8.1%
Dividend (proposed)	741	632	17.2%
Free operating cash flow	1,692	1,574	7.5%

## Balance sheet

In millions of EUR	2015	2014	Change in %
Total assets	37,714	34,830	8.3%
Equity attributable to equity holders of the Company	13,535	12,409	9.1%
Net debt position	11,510	10,910 <sup>1</sup>	5.5%
Market capitalisation	45,131	33,955	32.9%

## Per share

Weighted average number of shares – basic	572,292,454	574,945,645	(0.5)%
Net profit	3.31	2.64	25.4%
Net profit (beia)	3.58	3.06	17.0%
Dividend (proposed)	1.30	1.10	18.2%
Free operating cash flow	2.96	2.74	8.0%
Equity attributable to equity holders of the Company	23.65	21.58	9.6%
Share price	78.77	58.95	33.6%
Weighted average number of shares – diluted	572,944,188	576,002,613	(0.5)%
Net profit (beia) – diluted	3.57	3.05	17.0%

## Employees

Average number of employees (FTE)	73,767	76,136	(3.1)%
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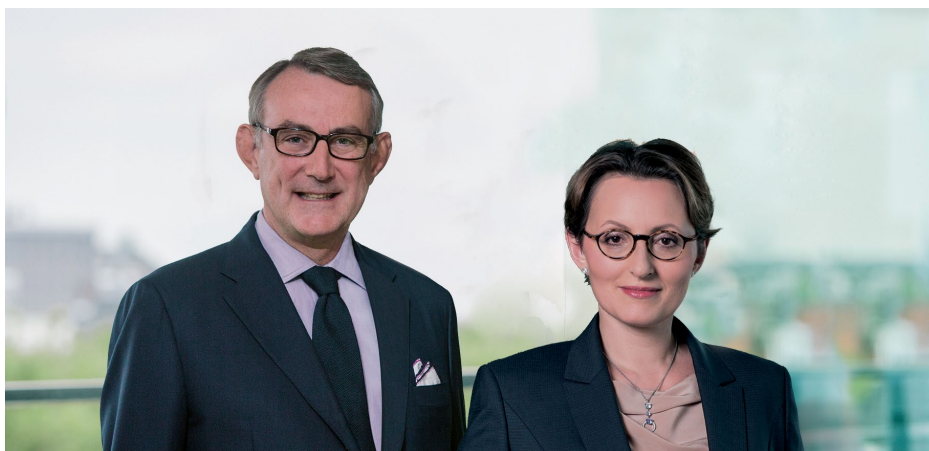
## Ratios

Operating profit (beia) as a % of revenue	16.5%	16.2%
Net profit as % of average equity attributable to equity holders of the Company	14.6%	12.7%
Net debt/EBITDA (beia)	2.44	2.50 <sup>1</sup>
Dividend % payout	36.2%	35.9%
Cash conversion rate	73.3%	78.9%

<sup>1</sup> Revised for the change in definition of net debt in 2015.



## Report of the Executive Board



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

**Right** Laurence Debroux  
Member of the Executive Board/CFO

# Chief Executive's statement

## Delivering sustainable growth

2015 has been another strong year for our business, reflecting the continued success of our strategy. Our focus on premium brands, together with disciplined cost management, has enabled us to drive top- and bottom-line growth and at the same time to increase our operating margin by 23 basis points, after the impact of the divestiture of Empaque, in line with our guidance for the year. Consolidated revenue grew 3.5 per cent organically with revenue per hectolitre up 1.3 per cent. Consolidated operating profit (beia) grew 6.9 per cent organically.

### The world in which we live and work

Our progress was achieved against a backdrop of significant geopolitical, socio-economic and environmental challenges, all of which in one way or another had an impact on our business.

It is therefore no coincidence that I begin my review with Brewing a Better World (BaBW), our approach to delivering sustainable growth and creating shared value across our stakeholders. The new thinking and partnerships that we are developing as part of this are central to navigating through, and ultimately meeting, the global challenges we face. At every stage of our business – from Barley to Bar – we are making positive progress in terms of achieving our targets. We also have a stronger understanding of how to optimise our impact in terms of the resources we use.

Our collaborations with global organisations such as UNIDO and WWF International, and with local stakeholders, are helping to reduce and balance our water usage. Solar power is enabling a number of our brands to be 'brewed by the sun' – the latest being Tiger in Singapore. And we continued to make good progress in creating what will be the world's first carbon neutral brewery at Göss in Austria, a best practice that we will learn from and use elsewhere. Addressing the issues associated with alcohol abuse remains a priority. We continue to invest significantly in 'Enjoy Responsibly' campaigns. In December, the first of our markets launched the latest iteration: 'Moderate Drinkers Wanted'. This is a compelling, yet light-hearted, international campaign that engages women and encourages them to let men know that drinking in moderation is cool.

### Focus on premium

Our strategic focus on premium brands is allowing us to benefit from continued and increasing consumer demand for premium and craft beer. Our premium portfolio is growing across all regions.

Heineken® remains the world's most valuable premium beer brand. It continues to grow across all regions. Our ability to achieve this is testament to the quality of the beer and our commitment to invest in high-impact, consumer-focused

marketing. 2015 was no exception with the new James Bond film 'Spectre', the Rugby World Cup and the UEFA Champions League all providing brilliant opportunities to engage our consumers.

Our premium focus goes well beyond the Heineken® brand. Desperados and Strongbow are leading in the high-growth, global premium flavoured beer and cider categories. And with Tiger and Dos Equis we have regional powerhouse brands that are gaining recognition around the world. We are also using our expertise to deliver premium extensions of local brands, like Birra Moretti Le Regionali in Italy, which are meeting the growing demand for premium-quality brands that deliver a sense of local pride and loyalty.

During the year we acquired a 50 per cent shareholding in the Lagunitas Brewing Company. The Lagunitas team has built one of the great US craft beer brands and we are looking forward to partnering with them to expand the brand globally. We will bring Lagunitas to parts of the world yet to be reached by the craft brewing phenomenon.

## Chief Executive's Statement continued

### Shaping the cider category

2015 was a landmark year for our cider business. We have made great progress in unlocking some of the technical, cost and regulatory barriers to growth and take-up by our global businesses. As a result, we have expanded availability to 71 markets and for the first time sold more than 1 million hl outside the UK. Consumers in Nigeria, Bulgaria and Singapore are now discovering the appeal of cider. And to complement this, the UK cider market is back in growth thanks to new flavour innovations and increased investment in the category.

### Innovations driving top-line growth

Innovation is the engine of growth for our business. In 2015 9.2 per cent of our revenue was driven by innovations. Our consumer-focus and insights enabled us to capitalise on the growing appetite for low and no alcohol products. Radler 2.0% and Radler 0.0% are now available in 45 countries on five continents and are helping to create new and different drinking opportunities. The focus on finding innovative new ways of delivering these and our other beers is also driving good results. The SUB, for the home market, and Brewlock in bars are ensuring a premium draught experience for consumers. Innovation is at the core of our business and is supported by our behaviours. Our focus is on investing in the types of innovation that will fuel continued growth in the future.

### Accelerating delivery of global strategy

Over many years we have learned and proved that success is achieved by having a well-articulated, aligned strategy that leverages your strengths as a business and that is delivered with energy, innovation and commitment. At HEINEKEN we have all of this plus a relentless focus on improvement. Earlier in the year, we changed our operating model and ways of working in order to better deliver our strategy, to focus more on growth and to be more agile in responding to consumer needs in the marketplace. The business has been regrouped

around four geographic regions, we have appointed a dedicated Chief Commercial Officer and we have streamlined the Head Office organisation. As a result our management structure is flatter, our operating companies are more empowered and our cost of doing business is lower.

### Consolidation in the industry

The competitive landscape will shift significantly in 2016. We again demonstrated in 2015 that when we believe there is a clear opportunity to create value through acquisition or investment in new markets, we will act. In July, we inaugurated our \$60 million greenfield brewery in Myanmar; in September we announced a new joint venture and brewery in Ivory Coast.

We also realigned our partnership arrangements with Diageo in a number of key markets: we now have ownership of Desnoes & Geddes in Jamaica along with the iconic Red Stripe brand; we acquired Diageo's shareholding in GAPL, giving us Guinness Anchor Berhad (GAB) in Malaysia and the licence for Guinness and ABC Stout in Singapore. As part of the transactions we also sold our minority interest in Ghana to Diageo. During the year we also restructured our operations in South Africa and Namibia. In Europe too we were active with the acquisition of Pivovarna Lasko in Slovenia. I feel very confident that with our strategy, well-balanced global footprint and fantastic people and brands we are ready to meet or take advantage of whatever competitive challenges or opportunities that may come our way. 2015 was a strong year for the Company and we are well positioned to build on this momentum.

### 2016 outlook

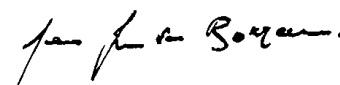
In 2016 HEINEKEN expects to deliver further organic revenue and profit growth despite an increasingly challenging external environment, with margin expansion in line with the medium term margin guidance of a year on year improvement in operating profit (beia) margin

of around 40bps. Assuming spot rates as of 4 February 2016 the calculated negative currency translational impact would be approximately €60 million at consolidated operating profit (beia), and €35 million at net profit (beia). Foreign exchange markets remain very volatile. We expect an average interest rate of c.3.3%, and an effective tax rate (beia) broadly in line with 2015. Capital expenditure related to property, plant and equipment should be slightly above €2 billion (2015: €1.6 billion).

### Thank you

As I do every year, I want to thank all my colleagues around the world for their professionalism and commitment. It is a privilege to work with such a dynamic and diverse group and to lead this exceptional Company. The changes we made during the year at our Head Office were difficult. We said goodbye to colleagues who had made a strong contribution to the Company. I want to thank them again for their hard work and commitment and to wish them well. I would also like to thank every single one of our consumers who – every day – make the choice to enjoy our brands and I would like to recognise our customers, partners and stakeholders for their continuing support and input into what we do and how we do it. The world and the challenges it presents will continue to test us into 2016 and beyond. But thanks to all our people, brands, global footprint and strategy, I believe we are well positioned to maintain the momentum we have created.

### Jean-François van Boxmeer

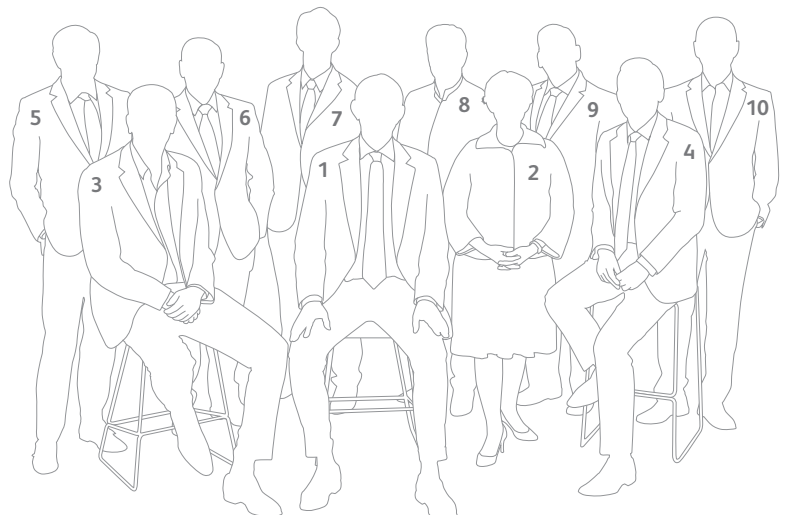


Chairman of the Executive Board/CEO  
Amsterdam, 9 February 2016



# Executive Team

The two members of the Executive Board, the four Regional Presidents and four Chief Officers form the Executive Team. The Executive Team is the highest consultative body within our Company. Its members are accountable for the global agendas for their particular function and are business partners for our operating companies.



**Key**

- |                              |                            |
|------------------------------|----------------------------|
| 1. Jean-François van Boxmeer | 6. Marc Gross              |
| 2. Laurence Debroux          | 7. Jan Derck van Karnebeek |
| 3. Marc Busain               | 8. Roland Pirmez           |
| 4. Frans Eusman              | 9. Sean O'Neill            |
| 5. Chris Van Steenberghe     | 10. Stefan Orłowski        |

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

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

**2. Laurence Debroux (French; 1969)****Member Executive Board/CFO**

In 2015, appointed member of the Executive Board. Joined HEINEKEN in 2015 from JCDecaux where she had been Chief Financial and Administrative Officer and member of the Executive Board since July 2010. Prior to this, she spent 14 years with global healthcare company SANOFI where she held various management positions. Mrs. Debroux began her career in banking. Executive Board responsibility for Global functions: Finance, Tax & Financial Markets, Business Development, Procurement, Information Systems and Integrated Portfolio Management (IPM).

**3. Marc Busain (Belgian; 1967)****President Americas**

In 2015, appointed President Americas. Marc Joined HEINEKEN in 1995 as Managing Director HEINEKEN Burundi. In 2006, he became Managing Director HEINEKEN Egypt. He was appointed Managing Director HEINEKEN France in 2010. From 2011 until 2015, he was Managing Director CM/HEINEKEN Mexico. Prior to this, Marc worked in Africa for three years in a Painting and Coating production company.

**4. Frans Eusman (Dutch; 1962)****President Asia Pacific**

In 2015, appointed President Asia Pacific. From 2010 until 2015 he was Chief Business Service Officer. Frans joined HEINEKEN in 1987. He has worked in various finance and general management positions in Europe and Asia, which included his role as Corporate Control & Accounting Director from 2003 to 2005. From 2005 to 2010, he was President of HEINEKEN France.

**5. Chris Van Steenberghe (Belgian; 1956)****Chief Human Resources Officer**

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

**6. Marc Gross (French; 1958)****Chief Supply Chain Officer**

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

**7. Jan Derck van Karnebeek (Dutch; 1967)****Chief Commercial Officer**

In 2015, appointed Chief Commercial Officer. From 2013 until 2015, he was President Central & Eastern Europe & Chief Sales Officer. Jan Derck was appointed President Central and Eastern Europe in 2012. Joined HEINEKEN in 1991. In 1999, he was appointed Commercial Director HEINEKEN, Slovak Republic. In 2001, he became General Manager HEINEKEN Beer Systems in the Netherlands. From 2006 until 2009, he managed HEINEKEN/CCHBC, Bulgaria and in 2009 became Managing Director HEINEKEN Romania.

**8. Roland Pirmez (Belgian; 1960)****President Africa, Middle East and Eastern Europe**

In 2015, appointed President Africa Middle East and Eastern Europe. From 2013 until 2015, he was President Asia Pacific and Chief Executive Officer APB. Roland joined HEINEKEN in 1995. From 1995 to 1998, he was Managing Director of HEINEKEN Angola. In 1998, he was appointed General Manager Thai Asia Pacific Brewery Co. Ltd, Thailand and in 2002, he became Chief Executive Officer of HEINEKEN Russia. In 2008, he returned to Asia as Chief Executive Officer of Asia Pacific Breweries Ltd (now Heineken Asia Pacific Pte Ltd) until the takeover by HEINEKEN.

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

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

**10. Stefan Orłowski (Australian; 1966)****President Europe**

In 2015, appointed President Europe. From 2013 until 2015, he was President Americas. Stefan joined HEINEKEN in 1998 as Sales, Marketing and Distribution Director for Żywiec in Poland. From 2003 until 2005, Stefan was Chief Operating Officer of Brau Union. In 2005, he became Managing Director of HEINEKEN Central and Eastern Europe. In 2007, Stefan was appointed Group Commerce Director HEINEKEN. From 2009 he was Managing Director HEINEKEN UK.



# From Barley to Bar

Our value chain uses many forms of capital, from the vital resources needed to brew our products, through to the intellectual capital of our people and brands. We continuously consider the sustainability of each step with respect to our key focus areas.

## HEINEKEN Inputs

### Financial

Shareholders' equity, assets and borrowing

### Natural

Land, water, energy and ecosystem

### Human

Employees, training and benefits, safety and Code of Conduct

### Manufactured

Buildings, breweries, equipment and supply chain

### Social

Communities and NGOs

### Intellectual

Brands, R&D, innovation, processes and corporate reputation



## EMPLOYEES

HEINEKEN employs more than 73,000 people. They enjoy the benefits and rewards – pay, training, healthcare, career opportunities – their hard work deserves. The HEINEKEN Employees' and Human Rights Policy supports and guides us all to act according to our core values. And our Global Code of Conduct ensures every employee knows what is expected of them. The annual employee 'climate' survey tracks engagement levels and action is required on dimensions which fall short.



## PACKAGING

The majority of our beer and cider is served in bottles, cans and kegs. We are constantly looking to innovate, finding ways to optimise the production of our packaging, such as light-weighting and increasing the recycling and re-use rate.



## DISTRIBUTION

The movement of our products around the globe is carefully managed. Several modes of transport are used, including road, rail and ocean freight as well as inland barges. Health and safety policies are in place to reduce the incidence of accidents. We optimise the distribution by changing the form of transport, training drivers on road safety, using more efficient engines, improved vehicle design and reassessment of distribution networks.



## CUSTOMERS

Millions of retailers, bars, restaurants and clubs serve a selection of our brands. New fridges purchased by HEINEKEN meet green standards and we continue to develop greener draught brewing equipment. We work in partnership to ensure our products are only sold to consumers of legal drinking age.



## AGRICULTURE

We work with farmers worldwide to sustainably grow raw materials, like barley and hops, needed to brew our beers. In addition, we use bittersweet apples for cider-making. Local sourcing is a priority because of the shared value it creates for the local communities, the country and for HEINEKEN.



## HEINEKEN outputs\*

### Financial

**€20.5 billion** revenue  
**€822 million** income tax expense (beia)  
**27.8%** effective income tax rate (beia)  
 Total dividend of **€1.30** per share (to be approved at 2015 AGM)

### Natural

Sustainably sourced raw materials:  
**21%** barley, **58%** hops and **71%** bittersweet apples  
**21%** renewable electricity under green certificates  
**2%** own generated renewable electricity  
**3.8%** renewable thermal energy used

### Human

**Over 1.5 million** training hours completed by employees  
**50,000** employees completed HeiCode e-learning training  
**2000+** employees completed Road safety training  
**6000+** employees completed Anti-bribery e-module  
**53** nationalities represented in Senior Management  
**77%** employee 'Climate' engagement score

### Manufactured

**167** breweries, malteries, cider plants and other production facilities  
**25%** water reduction since 2008  
**24%** energy reduction since 2008

### Social

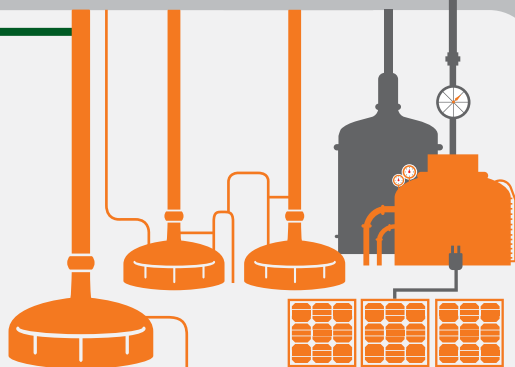
**Over €20 million** donations  
 HAF **€30 million** endowment  
**115,000+** green fridges purchased in 2015 with **45%** average energy saving compared to 2010  
**50** operating companies have a partnership to address alcohol-related harm  
 Participation in Global Commitment to reduce alcohol-related harm

### Intellectual

**4.15** (out of 5) reputation rating across 30 countries and 3,000 external stakeholders  
**250+** brands  
**€1.9bn** revenue from innovations

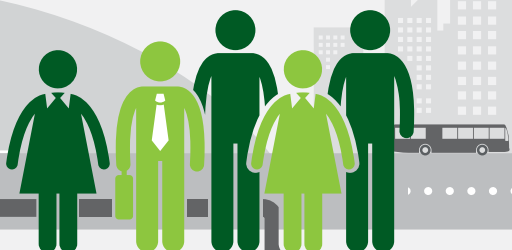
## BREWING

Brewing beer and making cider is an art. We own 11 malteries across the world and buy malted barley from business partners who have all signed our Supplier Code. We also operate 156 breweries, cider plants and other production facilities. Strict safety standards are adhered to. We invest in capacity expansion and build greenfield breweries, respecting all land rights. We are committed to improving energy and water efficiency and switching to more environmentally friendly energy sources where feasible.



## COMMUNITY

Growing with communities underlines our ambition to have a positive impact in the communities where we live, work and sell our products. Our support is based on three building blocks: direct contributions made locally, shared-value projects, and the Heineken Africa Foundation (HAF). The biggest contribution we make to communities is through the positive impact of our business itself: creating jobs, providing business to suppliers and paying taxes that support local and national development.



## CONSUMERS

Every day, millions of consumers in 179 countries choose to enjoy one of our more than 250 brands. We provide choice through our premium portfolio approach. Innovations, especially in the low and no alcohol categories, are meeting changing consumer tastes. Across the world we engage consumers on responsible drinking, most notably with the Heineken® brand campaigns.

\*Non-financial data are preliminary figures and not in scope for assurance. Final, assured data will be published in the 2015 Sustainability Report.



# Our business priorities

HEINEKEN is focused on six business priorities. They help us to achieve sustainable growth in all markets and to create value out of our heritage, global scale, people, brands and the green thread that unites us all around the world, the Heineken® brand.

**Win in premium led by Heineken®**

The illustration features a large green star with a white outline on the left. To its right is a stylized Dutch landscape with a windmill, a row of houses, and a bicycle. Below the star, two people are riding bicycles. The background shows a city skyline.

**Shape the cider category**

The illustration features a large purple apple with a white outline on the right. To its left is a landscape with trees, a suspension bridge, and a person walking a dog. Below the apple, there are icons of a barrel and a cider press. The background shows a city skyline.

**Lead by cool marketing & innovation**

The illustration features a large blue speech bubble with a white outline on the left. To its right is a scene with a person on a stage, a person kneeling, and a person standing. Below the speech bubble, there are icons of a truck and a helicopter. The background shows a city skyline.

**Be commercially assertive**

The illustration features a large yellow handshake icon with a white outline on the left. To its right is a scene with a train, a person, and a person. Below the handshake, there are icons of a truck and a person. The background shows a city skyline.

**Drive end2end productivity**

The illustration features a large green arrow pointing right with a white outline on the left. To its right is a scene with a person, a windmill, and a person. Below the arrow, there is a building labeled 'SUPERMERCARDO'. The background shows a city skyline.

**Brewing a Better World**

The illustration features a large orange tulip icon with a white outline on the left. To its right is a scene with a person, a person, and a person. Below the tulip, there are icons of a person and a person. The background shows a city skyline.



# Win in premium led by Heineken®

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

## Heineken® largest brand in premium segment

Continued global roll-out of international brands



And we welcomed...



**2<sup>nd</sup>** by volume in US Portfolio



**2<sup>nd</sup>** largest brand by volume in Asia-Pacific

Explore our regional and local brands: [theHEINEKENcompany.com](http://theHEINEKENcompany.com)

# Shape the cider category

HEINEKEN is the global leader in cider. With our established footprint, we are focusing on growing the cider category and creating a broader global cider portfolio.



**Strongbow® Apple Ciders** locally produced Bulgaria, Nigeria, Singapore and Slovakia

**FASTEST-GROWING CIDER MARKETS**  
Romania, USA and Ireland  
Strongbow® 2<sup>nd</sup> largest USA cider brand



## EXPANDING UK CIDER MARKET

Strongbow® Cloudy Apple, Strongbow® Dark Fruits, Bulmers Zesty Blood Orange

**Growing Strongbow® Apple Ciders flavour portfolio internationally**

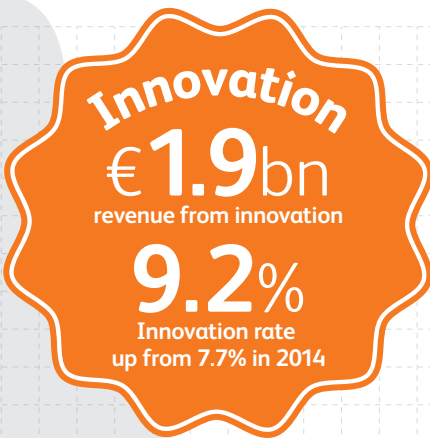


Discover how we are growing at HEINEKEN: [theHEINEKENcompany.com](http://theHEINEKENcompany.com)



# Lead by cool marketing & innovation

HEINEKEN is committed to being part of the conversation with consumers and we continue to unleash the power of our innovation, a core part of our DNA.



Partnership with  
**JAMES BOND**

**0.5bn**  
 SPECIAL EDITION BOTTLES

Activated in  
**90**  
 MARKETS

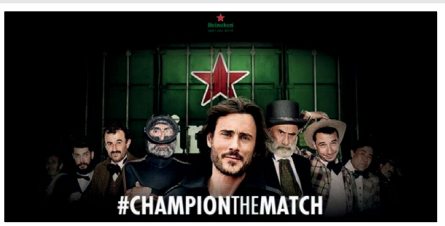
**Win with low and no alcohol**

**Radler 2.0%** in  
**45 markets**  
 ACROSS 5 CONTINENTS

**0.0% beer**  
 now in **10 MARKETS**



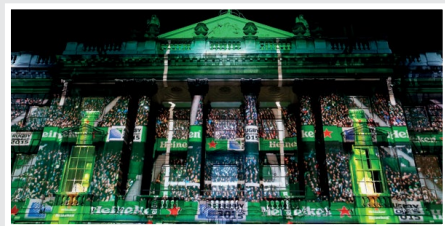
**#CHAMPIONTHEMATCH**



**109**  
 markets activated  
**76%**  
 Share of Voice

**Most activated global Heineken® campaign**

**Rugby World Cup 2015**



Worldwide Partner of biggest ever tournament.  
 Final watched by more than  
**120 million fans**

View our latest campaigns at HEINEKEN:  
[theHEINEKENcompany.com](http://theHEINEKENcompany.com)

# Be commercially assertive

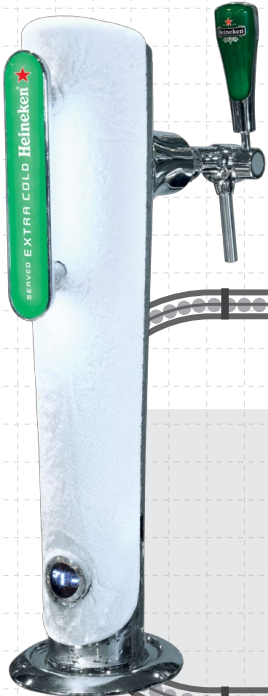
HEINEKEN is driving excellence in outlet execution and ensuring availability, visibility, and quality of our brands to win at point of sale.



## Excellent Outlet Execution



GLOBAL ROLL-OUT  
Common language... assessments... KPIs  
BUILDING CAPABILITIES



**1m**  
outlets in scope

Executing our 'PICTURE OF SUCCESS'

**23,000**

SALES FORCE... PUTTING MORE FEET ON THE STREET

## Driving excellence



Building a world-class sales community

In 37 OpCos

**2,700+**

Sales people trained at Global Sales Academy

Read more at HEINEKEN:  
[theHEINEKENcompany.com](http://theHEINEKENcompany.com)

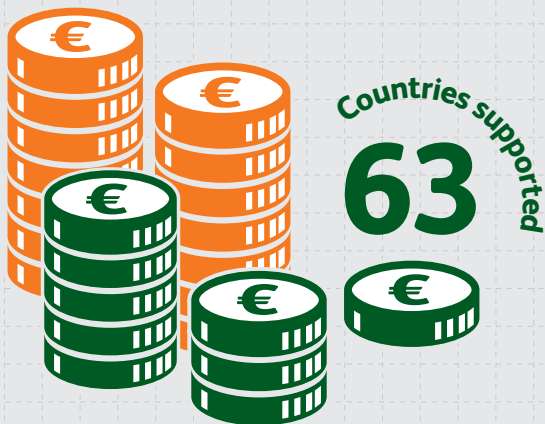
# Drive end2end productivity

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



## Global Procurement

Delivering efficiencies



**2,700** procurement-led cost reduction projects

## HEINEKEN GLOBAL SHARED SERVICES (HGSS)

### DELIVERING TRANSACTIONAL FINANCE ACTIVITIES



Covering **24** operating companies

**25** languages

**26** nationalities

**25%** increase in productivity invoice processing

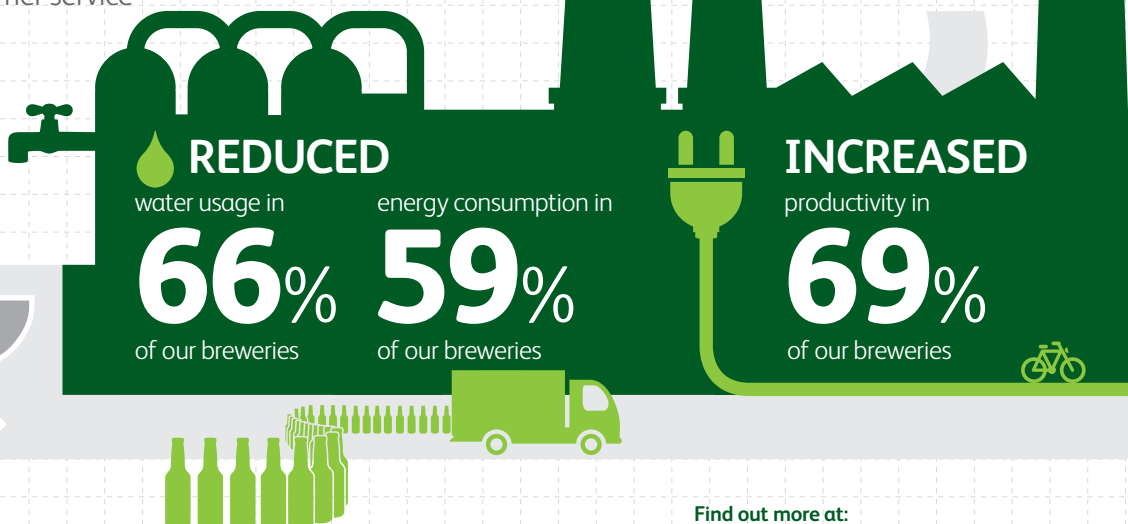
**26%** reduction in cost per invoice

### FINANCE SHARED SERVICES CENTRES ESTABLISHED IN



## Global Supply Chain

Improved customer service



Find out more at: [theHEINEKENcompany.com](http://theHEINEKENcompany.com)



# Brewing a Better World

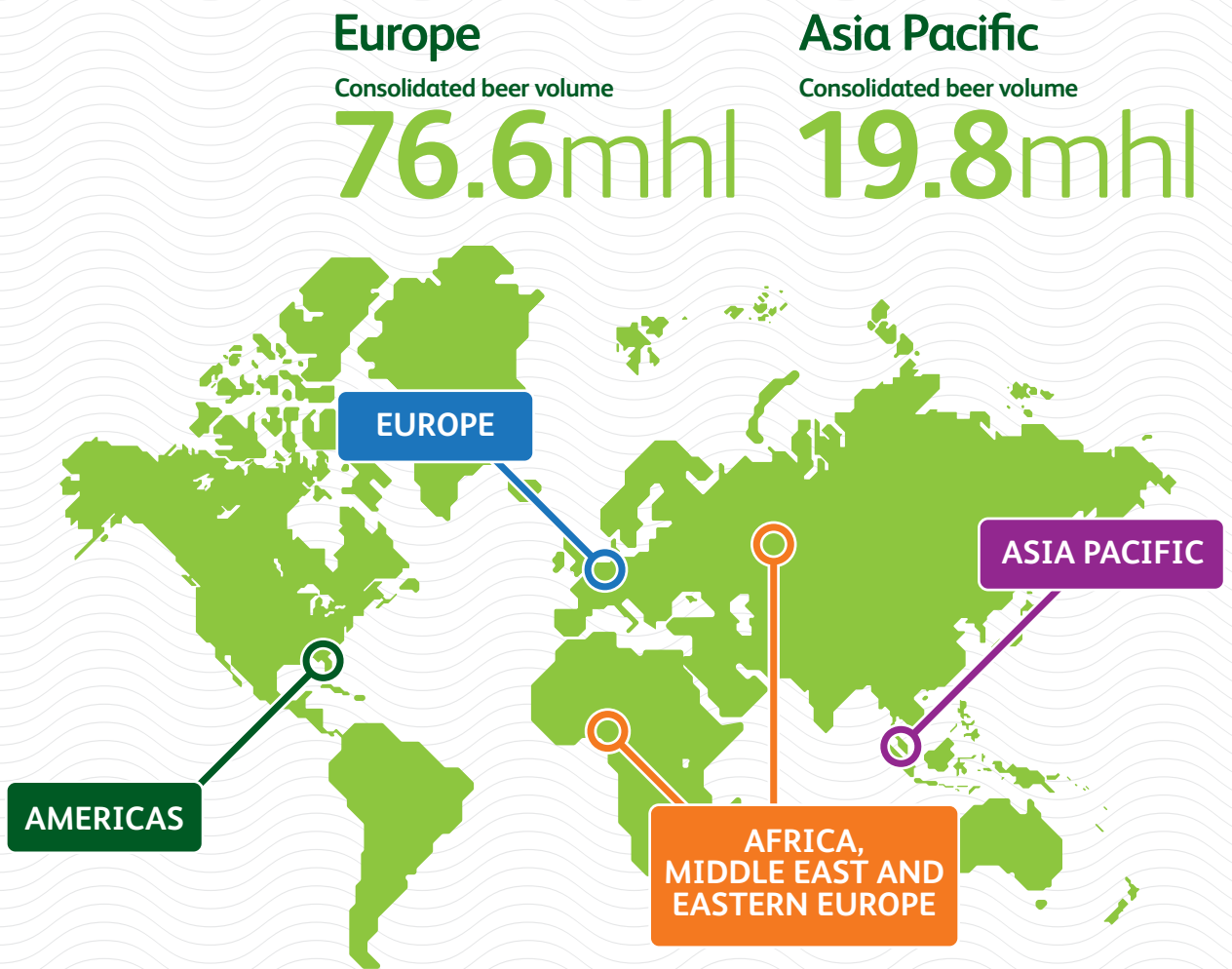
Our approach to sustainability is embedded in the Company strategy and focuses on creating sustainable value for the business and our stakeholders.



Read more about sustainability at HEINEKEN: [theHEINEKENcompany.com](http://theHEINEKENcompany.com)

# Regional Review

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



## Europe

Consolidated beer volume

76.6mhl

## Asia Pacific

Consolidated beer volume

19.8mhl

## Americas

Consolidated beer volume

56.0mhl

## Africa, Middle East and Eastern Europe

Consolidated beer volume

35.9mhl

The Company's new regional structure consists of four geographic regions: Africa, Middle East and Eastern Europe, Americas, Asia Pacific and Europe. The changes from HEINEKEN's previous regional structure are the combination of the previous regions of Western Europe and Central & Eastern Europe to form a single Europe region, and the addition of Russia and Belarus to the previous Africa, Middle East region to form a new Africa, Middle East and Eastern Europe region. The Americas and the Asia Pacific regions remain unchanged.

Read our regional announcement in full: [theHEINEKENcompany.com](http://theHEINEKENcompany.com)

# Africa, Middle East and Eastern Europe



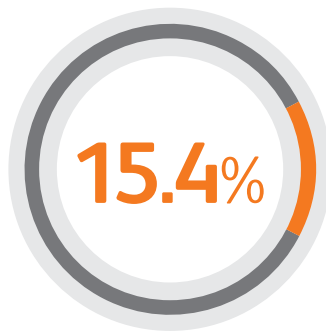
“Overall a challenging year for the region, largely due to tough macroeconomic conditions in Africa. Despite this, the depth of our portfolio and good progress with our innovation agenda helped to underpin solid performance. Whilst Nigeria was impacted by a weaker consumer environment we saw strong momentum in Ethiopia, and in Russia our premium brand portfolio continues to outperform the overall beer market.”

**Roland Pirmez**, President Africa, Middle East and Eastern Europe

Revenue

€3,263m

Revenue as % of total



Key brands



Consolidated beer volume

35.9mhl

Consolidated beer volume as % of total

19.1%

Heineken® volume in premium segment

4.6mhl

Operating profit (beia)

€579m

Operating profit (beia) as % of total

17.1%



# Americas



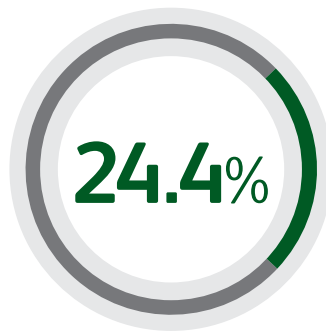
“Our portfolio strategy, continued investment in brands and excellent outlet execution supported strong revenue and profit growth in most markets. We strengthened our brand portfolio further with the acquisition of Lagunitas and Red Stripe. This performance demonstrates our continued ability to deliver volume and value growth across the region.”

Marc Busain, President Americas

Revenue

€5,159m

Revenue as % of total



Key brands



Consolidated beer volume

56.0mhl

Consolidated beer volume as % of total

29.7%

Heineken® volume in premium segment

9.4mhl

Operating profit (beia)

€904m

Operating profit (beia) as % of total

26.7%

# Asia Pacific



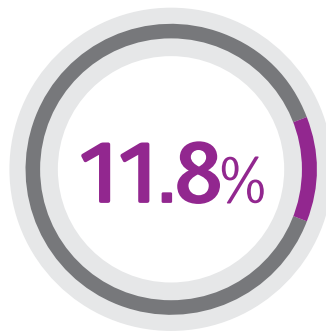
“Another exciting year for the region as we expanded our regional footprint, including opening a brewery in Myanmar. Volume growth was led by an especially strong performance of the Tiger brand. Despite macroeconomic and regulatory headwinds in a number of markets, we delivered solid top- and bottom-line growth.”

Frans Eusman, President Asia Pacific

Revenue

€2,483m

Revenue as % of total



Key brands



Consolidated beer volume

19.8mhl

Consolidated beer volume as % of total

10.5%

Heineken® volume in premium segment

6.4mhl

Operating profit (beia)

€702m

Operating profit (beia) as % of total

20.8%

# Europe



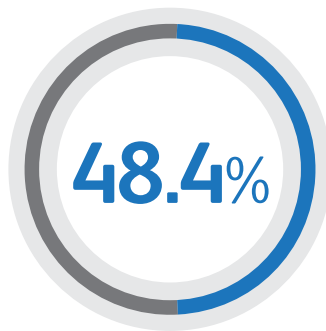
“A year of good progress with several key markets gaining share in the premium segment. Continued innovation in our beer and cider portfolio, improved efficiency and greater leverage of our position as Europe’s largest brewer helped drive top- and bottom-line growth.”

Stefan Orłowski, President Europe

Revenue

€10,227m

Revenue as % of total



Key brands



Consolidated beer volume

76.6mhl

Consolidated beer volume as % of total

40.7%

Heineken® volume in premium segment

10.2mhl

Operating profit (beia)

€1,196m

Operating profit (beia) as % of total

35.4%



# Risk Management

This section presents an overview of HEINEKEN’s approach to risk management: HEINEKEN’s internal control and risk management systems, risk profile, risk appetite and a description of the nature and extent of its exposure to risks.

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

## Risk profile

HEINEKEN is predominantly a single-product business, operating throughout the world in the alcohol industry. HEINEKEN is present in more than 70 countries, with a growing share of its revenues originated in emerging markets.

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

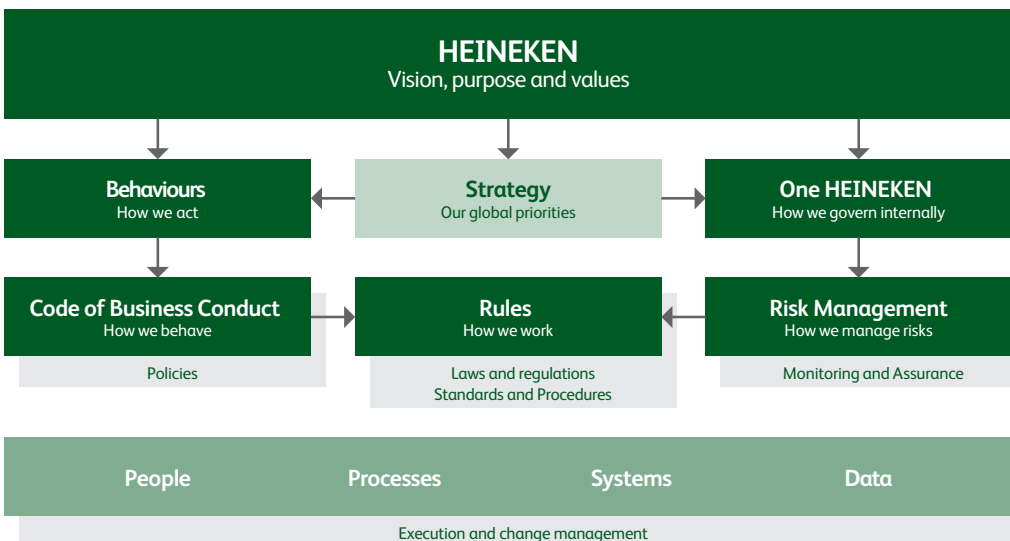
HEINEKEN has undertaken business activities with other market parties in the form of joint ventures and strategic partnerships. Where HEINEKEN does not have effective control, decisions taken by these entities may not be fully harmonised with HEINEKEN’s strategic objectives. Moreover, HEINEKEN may not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

## Risk appetite

The international spread of its business, a robust balance sheet and strong cash flow, as well as a commitment to prudent financial management, form the context based on which HEINEKEN determines its appetite to risk. A structured risk management process allows HEINEKEN to take risks in a managed and controlled manner. Key to determining the risk appetite is the nature of the risks:

- Strategic: Taking strategic risks is an inherent part of HEINEKEN’s entrepreneurial heritage. In its pursuit of balanced growth, HEINEKEN is open to certain risks linked to its presence in a wide array of developing countries.
- Operational: Depending on the type of the operational risk, HEINEKEN is cautious to averse. In particular, ensuring its employees’ and contractors’ safety, delivering the highest level of product quality and protecting its reputation have priority over any other business objective.
- Reporting: HEINEKEN is averse to any risks that could jeopardise the integrity of its reporting.
- Compliance: HEINEKEN is averse to the risk of non-compliance with applicable laws or regulations, as well as with its own Code of Business Conduct.

## HEINEKEN Business Framework



## Risk Management continued

### Risk Management and Internal Control

The HEINEKEN Governance, Risk and Compliance activities are an integral part of the HEINEKEN Business Framework. Based on the COSO reference model, this framework provides an overview of how HEINEKEN's vision, purpose and values lie at the core of the Company's strategic priorities, organisation structure and behaviours. Translating this into policies and processes, the Code of Business Conduct, Company Rules and Risk Management process enable the achievement of HEINEKEN's strategic priorities while protecting the Company's employees, assets and reputation.

### Risk identification and assessment

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

Ongoing identification and assessment of risks is an integral part of HEINEKEN's governance and business review. Implementation of adequate responses and progress of risk mitigating measures is monitored on a quarterly basis. In parallel, the risks reported by the operating companies are aggregated on a global level and serve as a basis to determine HEINEKEN's risk management priorities and coordinated risk response across geographies. Accountability for mitigating, monitoring and reporting on each of the most significant risks is assigned to functional directors. Internal policies and operational controls are periodically updated to reflect both these key risks and the extent to which the Company is willing and able to mitigate them.

### Internal control activities

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

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

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

### Assurance

HEINEKEN has a 'three lines of defence' structure in place:

- Operational management, as first line of defence, has the ownership, responsibility and accountability for assessing, controlling and mitigating risks.
- HEINEKEN's internal control function ('Process & Control Improvement'), as second line of defence, oversees compliance with HEINEKEN's financial reporting policies, drives continuous process improvement, facilitates risk assessments and ensures follow-up of identified risks or deficiencies. Additional control activities are performed by the Accounting & Reporting and Business Control functions.
- Acting as third line of defence, HEINEKEN's internal audit function ('Global Audit') is mandated to perform Group-wide reviews of key processes based on HEINEKEN's strategic priorities and most significant risk areas.

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

## Risk Management continued

### Main risks

The following risk overview highlights the main risks could hinder HEINEKEN in achieving its financial and strategic objectives or could represent a threat to the business. This overview does not include all risks and uncertainties that may ultimately affect the Company: some risks currently deemed immaterial, or unknown to the Company, could ultimately have an adverse impact on HEINEKEN's financial performance, reputation, business objectives, employees or assets. Timely discovery and accurate evaluation of such risks is at the core of HEINEKEN's risk management processes. The financial risks are dealt with separately in note 32 to the Financial Statements. The Statement of the Executive Board is included in the Corporate Governance Statement on page 34.

### Strategic risks

#### Risk description

##### Regulatory Changes related to Alcohol

Alcohol remains under scrutiny in many markets and prompts regulators to take further restrictive measures including restrictions and/or bans on advertising and marketing, sponsorship, points of sale, and increased taxes leading to lower revenues and profit.

Specific risks include:

- Increased restrictions on commercial freedom
- Increased taxes and duties
- Increased restrictions on availability

##### Economic and political environment

The economic and political uncertainties could impact our business and that of our customers. This may lead to lower volumes, pressure on selling prices and increased credit risk and suppliers' insolvency.

Specific risks include:

- Downtrading
- Increased taxes
- Insolvency of key customers or of critical suppliers
- Impairment of goodwill related to acquisitions
- Adverse exchange rate fluctuations
- Pension plan shortfalls due to developments in the financial markets

##### Customer relationships

Maintaining strong relationships with our customers is key for brand positioning and availability to consumers. Consolidation among our customers may affect our ability to obtain pricing and favourable trade terms, and negatively impact our operating margin.

Specific risks include:

- Limited ability to raise prices
- Increased cost of promotional activities
- Inability to secure appropriate shelf space

##### Changing consumer preferences

Consumers' preferences and behaviours are evolving, shaping an increasingly complex and fragmented beer category. This requires HEINEKEN to constantly adapt its product offering, innovate and invest to maintain the relevance and strength of its brands. Failure to do so would in the longer term affect our revenues and profit

Specific risks include:

- Inability to further build our brands due to lack of consumer insight
- Loss of brand equity and market share of HEINEKEN brands

#### Risk Management

- Placing of responsible consumption labels on HEINEKEN's products
- Continuous advocacy of responsible consumption of HEINEKEN products
- Co-operation with governments, NGOs and businesses to prevent abusive consumption
- Global commitments by alcohol producers to support reduction in abusive consumption
- Innovations in low alcohol and alcohol-free products

- Monitoring and mitigating actions related to customers' solvency
- Global Credit Policy
- Supplier selection process
- Developing contingency plans
- Taking prudent balance sheet measures
- Strengthening of short-term liquidity positions
- Training country general managers in Public Affairs

- Management of customer relationships at central level (multinational customers) as well as local level
- Development of joint business plans with distributors and key retailers
- Central commercial capabilities programme to enhance sales performance (Excellent Outlet Execution)

- Strengthened commercial organisation
- Central marketing academy
- Investments in consumer and market intelligence
- Strengthened innovation organisation and focus to anticipate and respond to industry changes
- Investments in protecting brands, including the registration of trademarks, anti-counterfeit measures and domain names



## Risk Management continued

### Risk description

#### Management capabilities

HEINEKEN relies on the skills of its people to lead its growth agenda and strategic change programmes. HEINEKEN may not be successful in attracting, developing and retaining talented staff with the required capabilities, which may jeopardize our capacity to execute our strategy and achieve the targeted returns.

Specific risks include:

- Shortage of skilled staff to fill current and future positions
- Lower than required quality of staff in key positions

#### Industry consolidation

Consolidation of the alcoholic beverage industry has accelerated in 2015 and may affect existing market dynamics in the future.

Specific risks include:

- Competitive disadvantage with suppliers
- Increased competition on commercial spent and customer acquisition strategies

### Risk Management

- Strengthening of the management talent pipeline
  - Deepening of appraisal and evaluation processes
  - Broad range of management development programmes and initiatives
  - Functional Resource Committees
  - Implementation of a new People Strategy, including supporting global tooling.
- 
- Improved cost efficiency by lifting end-to-end productivity
  - Execution of HEINEKEN's strategy to maintain and develop our competitive advantages
  - Permanent market intelligence ensuring timely identification of promising acquisition targets
  - Robust balance sheet providing access to liquidity when required
  - Proven business integration capabilities

## Operational risks

### Risk description

#### Safety, Health and Environment (SHE)

HEINEKEN is committed to providing a safe workplace for all employees and contractors. Despite the controls in place, incidents and accidents may happen in the brewery, the supply chain and in HEINEKEN's route-to-market.

Specific risks include:

- Physical injuries
- Fatalities to employees, contractors or members of the public.

### Risk Management

- Establishing 'Safety First' as a key business behaviour
- Global safety programme to strengthen global standards, organisation, processes and competencies
- Training and development focus on safety leadership and safety behaviours
- Global reporting and deployment of accidents, incidents and near-misses to drive continuous improvement
- Global compliance monitoring and gap-closing
- Establishing Health and Safety as a key pillar in Brewing a Better World

#### Supply chain continuity

Disruptions in the supply chain could lead to HEINEKEN's inability to deliver key products to key customers, revenue loss and brand damage. Changes in the availability or price of raw materials, commodities, energy and water may result in a shortage of those resources or increased costs.

Specific risks include:

- Failure of IT systems
- Factors beyond our control such as natural disasters, political instability, military conflicts, epidemic disease
- Limited availability of production materials or resources, including water, leading to business disruption

- Business continuity plans and back-up scenarios
- Global Procurement organisation, strategy and policies:
  - Supplier performance measurement system
  - Suppliers' solvency monitoring
  - Long-term commodity contracts
  - Dual suppliers policy for all primary production materials
- Ownership of several strategic malteries
- Increased focus on sustainable water sourcing and water protection
- Global insurance policies

## Risk Management continued

### Operational risks continued

#### Risk description

##### Product safety and integrity

HEINEKEN is committed to achieving the highest standards for integrity and safety of its products. Poor quality of any of its products may result in health hazards, reputational damage, lower volumes and financial liabilities.

Specific risks include:

- Accidental or malicious contamination
- Insufficient quality of products
- Cost of recalls

##### Information security

HEINEKEN's business relies heavily on its IT infrastructure. Failure of its IT system or a breach in the security infrastructure may lead to business disruption, loss of confidential information, financial and reputational damage.

Specific risks include:

- Disruption of processes outsourced to shared service centres
- Unauthorised access / Security breaches/ Cyber crime
- Reliability of key IT suppliers

##### Social media

Having a strong online presence and developing the opportunities offered by social media involves new challenges and risks. HEINEKEN may not be able to control information or respond in a timely manner to threats to the Company's reputation, which could materially affect its brand equity and income-generating capacity.

Specific risks include:

- Rapid and large-scale spread of damaging claims or comments about HEINEKEN among social media users
- Use of fake HEINEKEN accounts to spread misinformation about the Company or its products

##### Execution and change management

In the last years, HEINEKEN has engaged in several significant business improvement projects. The large number of operating companies and their varying level of integration represent a specific challenge to these projects. These strategic transformation programmes may not deliver the expected benefits or may incur significant cost or time overruns.

Specific risks include:

- Lower than expected benefits
- Ineffective or inefficient programme execution affecting supply chain, wholesale business, support functions, quality standards, business plans and synergies

#### Risk Management

- Global production standards and governance, product Quality Assurance
  - Recall and crisis procedures
  - Global production material standards and governance
  - Global and local supplier governance, including periodic suppliers review
  - Company-wide sustainability programme covering suppliers risk, production material risk and country risk
- 
- Strengthened information security policy
  - Implementation and testing of continuity measures with our outsourcing partners
  - Implementation of measures to secure confidentiality and integrity of data
  - Back-up of core operating data with separate contingency systems
  - Increased centralisation of IT systems allowing central enforcement of security measures
- 
- Effective use of social media and consumer and marketing intelligence
  - Monitoring of social media platforms by various departments (Marketing, Corporate Relations, Legal Affairs) and monitoring response systems including dedicated digital dashboard
- 
- Selection and prioritisation of business improvement projects
  - Involvement of top management in all major projects
  - Planning of projects and monitoring of third party providers, project costs and benefits
  - Consistent and effective project and programme portfolio governance organisation

## Risk Management continued

### Reporting risks

#### Risk description

Historically HEINEKEN has grown its footprint organically and through mergers and acquisitions, which contributed to a diverse landscape of processes and systems and a low level of centralisation. Deviations from the common accounting and reporting processes and related controls could impair the accuracy of the data used for Group reporting and external communication.

Specific risks include:

- Diverging accounting and reporting processes or controls
- Unauthorised access to financial data
- Improper segregation of duties

#### Risk Management

- Common accounting policies and standard chart of accounts
- HEINEKEN Risk and Control Matrix implemented across the operating companies and including controls at Group level
- Internal Controls on Financial Reporting (ICFR) testing, including planned remediation of deficiencies
- Internal Letters of Representation
- Monitoring of critical access and segregation of duties conflicts with Access Control Monitoring Tooling
- Training and global support towards balance sheet reconciliations and reporting.

### Compliance risks

#### Risk description

#### Non-compliance

Changes in the legal and regulatory environment tend to increase the risk of non-compliance to local and global laws and regulations. Failure to comply with applicable regulations could lead to fines, claims and brand damage.

Specific risks include:

- Non-compliance with the Company Rules and the Code of Business Conduct
- Non-compliance with competition law
- Non-compliance to local tax regulations
- Non-compliance with marketing and advertisement regulations, among others on under legal drinking age consumers

#### Risk Management

- Embedding of certain risk and control systems and processes aimed at compliance with all applicable laws and regulations
- Assessment of compliance with the Company Rules and the Code of Business Conduct
- Global functions (such as legal and tax) to maintain the standards and procedures and develop relevant training



# Financial Review

## Results from operating activities

In millions of EUR	2015	2014
Revenue	20,511	19,257
Other income	411	93
Raw materials, consumables and services	(12,931)	(12,053)
Personnel expenses	(3,322)	(3,080)
Amortisation, depreciation and impairments	(1,594)	(1,437)
Total expenses	(17,847)	(16,570)
Results from operating activities	3,075	2,780
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	172	148
EBIT	3,247	2,928

## Consolidation impact

The main consolidation changes impacting 2015 are:

- The disposal of the Mexican packaging business EMPAQUE completed on 18 February 2015.
- On 7 October 2015, HEINEKEN and Diageo plc ('Diageo') completed a transaction to bring increased focus to their respective beer businesses:
  - HEINEKEN acquired Diageo's 57.9 per cent stake in Jamaican listed Desnoes & Geddes ('D&G') taking its shareholding to 73.3 per cent.
  - HEINEKEN now has full ownership of GAPL Pte Ltd ('GAPL'), having acquired Diageo's shareholding, which was slightly lower than 50 per cent. GAPL owns 51 per cent of the issued share capital of Guinness Anchor Berhad, which is listed on the Malaysian Stock Exchange.
- On 15 October 2015, HEINEKEN completed the acquisition of a 53.43 per cent stake in Pivovarna Laško d.d. in Slovenia.
- On 1 December 2015, HEINEKEN completed the restructuring of the operations in South Africa and Namibia. In South Africa, HEINEKEN now holds a 75 per cent stake in DHN Drinks (Pty) Limited and a 75 per cent stake in Sedibeng Brewery (Pty) Limited.
- The acquisition of the indirect shareholding of Coca-Cola HBC in Zagorka AD, the Bulgarian brewer, which increased HEINEKEN's ownership to a controlling stake of 98.86 per cent. The transaction completed on 27 October 2014.

## Revenue

Revenue increased by 6.5 per cent to EUR20,511. Currency impact contributed 2.5 per cent (EUR489 million), largely driven by appreciation of the British pound (+11 per cent), US Dollar and Vietnamese dong (+16 per cent). The impact of consolidation changes was EUR85 million, adding 0.5 per cent. The organic revenue increase of 3.5 per cent comprised of total consolidated volume growth of 2.2 per cent, and a 1.3 per cent increase in revenue per hectolitre.

## Total expenses (beia)

Total expenses (beia) were EUR17,130 million, up by 2.9 per cent organically. On an organic basis, input costs increased by 4.7 per cent and by 2.4 per cent on a per hectolitre basis driven by mix and adverse foreign currency. Marketing and selling (beia) expenses increased organically by 6.3 per cent to EUR2,755 million, representing 13.4 per cent of revenues (2014: 12.7 per cent). Personnel expenses increased organically by 1.9 per cent to EUR3,322 million.

## Financial Review continued

The 2015 exceptional items included in EBIT contain the amortisation of acquisition-related intangibles for EUR321 million (2014: EUR291 million), the disposal gain for EMPAQUE of EUR379 million, restructuring expenses of EUR106 million (2014: EUR111 million) and the impairment of intangible assets and P, P & E of EUR78 million (2014: EUR21 million). Additional exceptional items included in EBIT are the write down of assets and recording of provisions in DRC and Rwanda for an amount of EUR79 million and the combined loss on the Previously Held Equity Interests of GAB, DHN and Sedibeng of EUR19 million.

### Operating profit (beia)

Operating profit (beia) was EUR3,381 million, up 6.9 per cent organically, with a EUR104 million benefit from favourable foreign currency and a EUR69 million decline from consolidation. Higher revenue and the benefit of realised cost savings was partly offset by higher marketing and selling expenses.

### Share of net profit of associates and joint ventures

Share of net profit of associates and joint ventures (beia) increased from EUR139 million to EUR177 million. On an organic basis, an increase of EUR38 million reflected a higher share of net profit mainly from the joint venture operations in South Africa.

### Results (beia)

In millions of EUR	2015	2014
<b>Results from operating activities</b>	<b>3,075</b>	<b>2,780</b>
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	172	148
<b>EBIT</b>	<b>3,247</b>	<b>2,928</b>
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	311	340
<b>EBIT (beia)</b>	<b>3,558</b>	<b>3,268</b>
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(177)	(139)
<b>Operating profit (beia)</b>	<b>3,381</b>	<b>3,129</b>
<b>Profit attributable to equity holders of the Company (net profit)</b>	<b>1,892</b>	<b>1,516</b>
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	311	340
Exceptional items included in finance costs	(18)	(1)
Exceptional items included in income tax expense	(124)	(52)
Exceptional items included in non-controlling interest	(13)	(45)
<b>Net profit (beia)</b>	<b>2,048</b>	<b>1,758</b>

## Financial Review continued

### EBIT (beia) and net profit (beia)

In millions of EUR	EBIT beia	Net profit beia
<b>2014</b>	<b>3,268</b>	<b>1,758</b>
Organic growth	255	277
Changes in consolidation	(82)	(57)
Effects of movement in exchange rates	117	70
<b>2015</b>	<b>3,558</b>	<b>2,048</b>

### EBIT to profit

In millions of EUR	2015	2014
<b>EBIT</b>	<b>3,247</b>	<b>2,928</b>
Net interest expenses	(352)	(409)
Other net finance income/(expenses)	(57)	(79)
<b>Profit before income tax</b>	<b>2,838</b>	<b>2,440</b>
Income tax expenses	(697)	(732)
<b>Profit</b>	<b>2,141</b>	<b>1,708</b>

### Net finance expenses (beia)

Net interest expenses (beia) decreased by EUR57 million to EUR352 million, reflecting a lower average effective interest rate on outstanding debts. The average interest rate in 2015 was 3.3 per cent compared with 3.7 per cent in 2014.

Other net finance expenses (beia) decreased by EUR4 million to EUR76 million.

### Income tax expense (beia)

The effective tax rate (beia) was 27.8 per cent (2014: 29.7 per cent). The decrease was mainly due to a number of one-off tax benefits as well as lower tax rates in some countries.

### Earnings per share diluted

Earnings per share – diluted increased to EUR3.30 (2014: EUR2.63). Earnings per share – diluted (beia) increased by 17 per cent from EUR3.05 to EUR3.57.

### EBIT to EBITDA (beia)

In millions of EUR	2015	2014
<b>EBIT</b>	<b>3,247</b>	<b>2,928</b>
Depreciation and impairments of property, plant and equipment	1,222	1,088
Amortisation and impairment of intangible assets	372	349
<b>EBITDA</b>	<b>4,841</b>	<b>4,365</b>
Exceptional items	(119)	5
<b>EBITDA (beia)</b>	<b>4,722</b>	<b>4,370</b>



## Financial Review continued

### Cash flow

In millions of EUR	2015	2014
Cash flow from operations before changes in working capital and provisions	4,280	4,279
Total change in working capital	371	27
Change in provisions and employee benefits	(165)	(166)
Cash flow from operations	4,486	4,140
Cash flow related to interest, dividend and income tax	(997)	(1,082)
Cash flow from operating activities	3,489	3,058
Cash flow (used in)/from operational investing activities	(1,797)	(1,484)
Free operating cash flow	1,692	1,574
Cash flow (used in)/from acquisitions and disposals	(267)	(189)
Cash flow (used in)/from financing activities	(1,173)	(2,453)
Net cash flow	252	(1,068)
Cash conversion ratio	73%	79%

### Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment amounted to EUR1,638 million in 2015 (2014: EUR1,494 million) representing 8.0 per cent of revenues. The increase in capital expenditure on the prior year included investing in capacity expansion in Ethiopia, Cambodia, East Timor, Ivory Coast, Mexico, Brazil and China.

Free operating cash flow amounted to EUR1,692 million (2014: EUR1,574 million), higher than last year primarily due a positive benefit from working capital, which more than offset the higher capital expenditure.

### Financial structure

In millions of EUR	2015	%	2014	%
Total equity	15,070	40	13,452	39
Deferred tax liabilities	1,858	5	1,503	4
Employee benefits	1,289	3	1,443	4
Provisions	474	1	563	2
Interest-bearing loans and borrowings	12,565	34	11,757	34
Other liabilities	6,458	17	6,112	17
Total equity and liabilities	37,714	100	34,830	100

### Total equity

as a percentage of total assets

2011	37.2
2012	35.6
2013	37.1
2014	38.6
2015	40.0

### Net debt/EBITDA (beia) ratio

2011	2.3
2012	3.1
2013	2.6
2014	2.5
2015	2.4

## Financial Review continued

### Financing and liquidity

Equity attributable to equity holders of the Company increased by EUR1,126 million to EUR13,535 million, mainly driven by net profit of EUR1,892 million being partly offset by dividends paid of EUR676 million.

Total gross debt amounts to EUR12,565 million (2014: EUR11,757 million). Net debt<sup>1</sup> increased to EUR11,510 million (2014: EUR10,910 million) as the cash outflow for dividends, share buyback, acquisitions and foreign currency impact on debt exceeded the strong FOCF and proceeds of the EMPAQUE divestment.

HEINEKEN remains focused on cash flow generation and disciplined working capital management, with a commitment to a long-term target net debt/EBITDA (beia) ratio of below 2.5. The net debt/EBITDA (beia) ratio was 2.4 on 31 December 2015 (2014: 2.5).

In 2015, HEINEKEN extended its EUR2,500 million revolving credit facility by one year and the facility matures now in 2020. The facility is committed by a group of 19 banks and has one further one-year extension option.

On 10 September 2015, HEINEKEN issued 6-year Notes for a principal amount of EUR500 million with a coupon of 1.25 per cent. In October HEINEKEN privately placed EUR540 million of 7-year USD Notes, 8-year and 10-year EUR Notes, with a weighted average yield of approximately 2.4 per cent. On 1 December 2015, HEINEKEN issued 9-year Notes for a principal amount of EUR460 million with a coupon of 1.5 per cent. All these Notes have been issued under HEINEKEN's Euro Medium Term Note Programme. The proceeds of the Notes were used for general corporate purposes.

In 2015, HEINEKEN has launched a EUR1,000 million Euro Commercial Paper programme to facilitate its cash management operations and to further diversify its funding sources. EUR237 million was in issue as per 31 December 2015.

Heineken N.V. was assigned solid investment grade credit ratings by Moody's Investor Service and Standard & Poor's in 2012. The ratings from both agencies, Baa1/P-2 and BBB+/A-2 respectively, have 'stable' outlooks as per the date of the 2015 Annual Report.

Following the completion of the divestment of EMPAQUE in February 2015, HEINEKEN announced that it would deploy up to EUR750 million of the proceeds for a share buyback program in 2015. HEINEKEN announced with its third quarter trading update on 28 October 2015 that it would discontinue the share buyback in light of the recently announced acquisitions. HEINEKEN purchased 5,229,279 shares for a total consideration of EUR365 million.

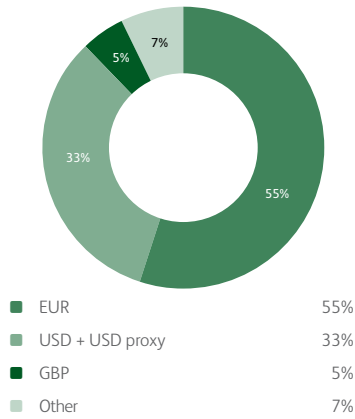
### Currency split of net debt

This currency breakdown includes the effect of derivatives, which are used to hedge intercompany lending denominated in currencies other than Euro. Of total net interest-bearing debt, 55 per cent is denominated in Euro and 33 per cent is US dollar-related. This is including the effect of cross-currency interest rate swaps on some of the non-Euro denominated debt. The fair value of these cross-currency interest rate swaps form part of net debt.

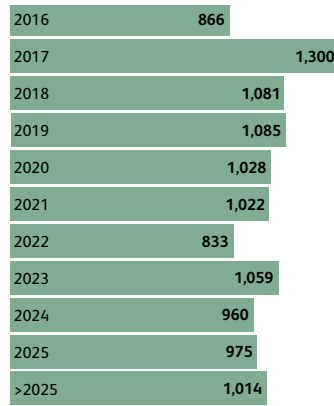
<sup>1</sup> HEINEKEN has amended its net debt definition to include derivative financial instruments designated as cash flow hedges if these hedges are considered to be inextricably linked to the underlying borrowings. The change in this definition has resulted in a reduction in net debt of EUR215 million at December 2015 and EUR166 million at 31 December 2014.

## Financial Review continued

### Currency split of net debt in millions of EUR



### Obligatory long-term debt repayments



### Profit appropriation

The Heineken N.V. dividend policy is to payout a ratio of 30 per cent to 40 per cent of full-year net profit (beia). For 2015, payment of a total cash dividend of EUR1.30 per share (2014: EUR1.10) will be proposed to the Annual General Meeting. This implies a 36 per cent payout ratio, in line with the payout ratio in 2014. If approved, a final dividend of EURO.86 per share will be paid on 4 May 2016, as an interim dividend of EURO.44 per share was paid on 12 August 2015. The payment will be subject to a 15 per cent Dutch withholding tax. The ex-final dividend date for Heineken N.V. shares will be 25 April 2016.



# Corporate Governance Statement

## Introduction

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

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

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

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

## Executive Board

### General

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

The Company has four operating regions: Europe, The Americas, Africa Middle East and Eastern Europe, and Asia Pacific. Each region is headed by a President. The two members of the Executive Board, the four Presidents and four Chief Officers jointly form the Executive Team (formerly known as the Executive Committee). The Executive Team is responsible for the implementation of key priorities and strategies across the organisation.

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

In 2015, the AGM approved a proposal to appoint Mrs. Laurence Debroux to the Executive Board, in succession of Mr. René Hooft Graafland. For 2016, no (re)appointments to the Executive Board are scheduled to be proposed to the AGM.

## Corporate Governance Statement continued

### Composition of the Executive Board

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

#### Jean-François (J.F.M.L.) van Boxmeer (1961)

Belgian nationality; male.

Initial appointment in 2001;

Reappointment: 2013\*;

four-year term ends in 2017;

Chairman/CEO (since 2005).

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

Other positions\*\*\*: Mondelēz International, USA; Henkel AG & Co., Germany;

The Dutch Opera (Chairman).

#### Laurence Debroux (1969)

French nationality; female.

Initial appointment in 2015;

four-year term ends in 2019;

CFO (since 2015).

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

Other positions\*\*\*: Natixis.

\* For the maximum period of four years.

\*\* Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:

- (i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds EUR17.5 million (as of 1 January 2016: EUR20 million);
- (ii) The net turnover exceeds EUR35 million (as of 1 January 2016: EUR40 million);
- (iii) The average number of employees is at least 250.

\*\*\* Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Executive Board.

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

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

Pursuant to the Act on Management and Supervision (the 'Act'), which came into force on 1 January 2013, executive boards of large Dutch public companies, such as Heineken N.V., are deemed to have a balanced composition if they consist of at least 30 per cent female and 30 per cent male members. Currently, the Executive Board is composed of one male and one female member, and is therefore deemed to be balanced within the meaning of the Act.

### Conflict of interest

Dealing with (apparent) conflicts of interest between the Company and members of its Executive Board is governed by the Articles of Association of the Company (the 'Articles of Association') and the Code. A member of the Executive Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a personal conflict of interest with the Company. Decisions to enter into transactions under which members have conflicts of interest that are of material significance to the Company and/or the relevant member(s) of the Executive Board require the approval of the Supervisory Board. Any such decisions shall be published in the Annual Report for the relevant year, along with a reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. In 2015, no transactions were reported under which a member of the Executive Board had a conflict of interest that was of material significance.

## Corporate Governance Statement continued

### Remuneration

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

### Risk Management and Control System for Financial Reporting

The risk management and control system for financial reporting includes clear accounting policies, a standard chart of accounts and annual Letters of Representation signed by regional, functional and local management. Common systems and embedded control frameworks support common accounting and regular financial reporting in standard forms. Internal controls over financial reporting are part of the assurance model, implemented and operated by management, monitored and assessed by the Process & Control Improvement function. A review by the internal audit function provides additional assurance on the financial reporting. The external auditor also reports on internal control issues through their management letters, and attend the regional and certain local assurance meetings.

### Supervisory Board

#### General

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

The supervision of the Executive Board by the Supervisory Board includes the achievement of the Company's objectives, the corporate strategy and the risks inherent in the business activities, the design and effectiveness of the internal risk and control system, the financial reporting process, compliance with primary and secondary legislation, the Company–shareholder relationship and corporate social responsibility issues that are relevant to the Company.

The Supervisory Board evaluates at least once a year the corporate strategy and main risks to the business, and the result of the assessment by the Executive Board of the design and effectiveness of the internal risk management and control system, as well as any significant changes thereto.

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

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

### Composition of the Supervisory Board

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

Information on these Supervisory Board members is provided below.

#### Hans (G.J.) Wijers (1951)

Dutch nationality; male.

Appointed in 2012\*; Chairman (as of 2013).

Profession: Company Director.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: AFC Ajax N.V. (Chairman)

Other positions\*\*\*: Royal Dutch Shell plc (Deputy Chairman);

GlaxoSmithKline plc; HAL Holding N.V.; Natuurmonumenten (Chairman);

Concertgebouw N.V. (Chairman).

#### José Antonio (J.A.) Fernández Carbajal (1954)

Mexican nationality; male.

Appointed in 2010; latest reappointment in 2014\*.

Vice-Chairman (as of 2010).

Profession: Executive Chairman Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: Heineken Holding N.V.

Other positions\*\*\*: Coca-Cola Femsa S.A.B. de C.V. (Chairman); Tecnológico de Monterrey (Chairman); Fundación Femsa (Chairman); participates on

Boards of Industrias Peñoles and Grupo Televisa.

## Corporate Governance Statement continued

**Maarten (M.) Das (1948)**

Dutch nationality; male.

Appointed in 1994; latest reappointment in 2013\*.

Delegated Member (1995).

Profession: Advocaat (Attorney at law).

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: Heineken Holding N.V. (Chairman) and Groene Energie Administratie B.V. (Chairman).

Other positions\*\*\*: L'Arche Green N.V. (Chairman); Stichting Administratiekantoor Prioires; LAC B.V.; Greenfee B.V. (Chairman).

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

British nationality; male.

Appointed in 1996; latest reappointment in 2015\*.

Profession: Banker, Vice-Chairman – Citigroup Investment Bank EMEA; Chairman – Citigroup Private Bank EMEA.

Executive Director of Heineken Holding N.V.

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

Other positions\*\*\*: L'Arche Green N.V.

**Annemiek (A.M.) Fentener van Vlissingen (1961)**

Dutch nationality; female.

Appointed in 2006; latest reappointment in 2014\*.

Profession: Company Director.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: SHV Holdings N.V. (Chairman);

University Medical Center Utrecht (UMC Utrecht).

Other positions\*\*\*: Lhoist, Belgium; EXOR S.p.A., Italy.

**Mary (M.E.) Minnick (1959)**

American nationality; female.

Appointed in 2008; latest reappointment in 2012\*.

Profession: Partner in Lion Capital LLP, UK.

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

**Christophe (V.C.O.B.J.) Navarre (1958)**

Belgian nationality; male.

Appointed in 2009; latest reappointment in 2013\*.

Profession: Chairman & CEO Moët Hennessy, LVMH Wines & Spirits Brands.

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

**Javier (J.G.) Astaburuaga Sanjinés (1959)**

Mexican nationality; male.

Appointed in 2010; latest reappointment in 2014\*.

Profession: Senior Vice President Corporate Development Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

**Hendrik (H.) Scheffers (1948)**

Dutch nationality; male.

Appointed in 2013\*.

Profession: Company Director.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: Aalberts Industries N.V. (Chairman);

Royal BAM Group N.V. (Vice-Chairman).

**Jean Marc (J.M.) Huët (1969)**

Dutch nationality; male.

Appointed in 2014\*.

Profession: Company Director

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: SHV Holdings N.V.

Other positions\*\*\*: Delta Topco Limited.

\* For the maximum period of four years.

\*\* Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:

- (i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds EUR17.5 million (as of 1 January 2016: EUR20 million);
- (ii) The net turnover exceeds EUR35 million (as of 1 January 2016: EUR40 million);
- (iii) The average number of employees is at least 250.

\*\*\* Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Supervisory Board.



## Corporate Governance Statement continued

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

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

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

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

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

### Profile

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

### Regulations of the Supervisory Board

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

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

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

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

## Corporate Governance Statement continued

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

### Induction and training

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

### Conflict of interest

The Articles of Association and the Regulations of the Supervisory Board prescribe how to deal with (apparent) conflicts of interest between the Company and members of the Supervisory Board. A member of the Supervisory Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a personal conflict of interest with the Company. Decisions to enter into transactions under which Supervisory Board members have conflicts of interest that are of material significance to the Company and/or the relevant member(s) of the Supervisory Board require the approval of the Supervisory Board. Any such decisions shall be published in the Annual Report for the relevant year, along with a reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. Note 35 of the 2015 Financial Statements sets out related party transactions in 2015.

### Remuneration

Supervisory Board members receive a fixed annual remuneration fee, as determined by the AGM. More information on the remuneration of Supervisory Board members can be found in note 35 to the 2015 Financial Statements.

### Resolutions subject to Supervisory Board approval

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

### Delegated Member

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

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

### Committees

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

## Corporate Governance Statement continued

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

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

### Preparatory Committee

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

### Audit Committee

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

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

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

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

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

### Remuneration Committee

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

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

### Selection & Appointment Committee

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

## Corporate Governance Statement continued

### Americas Committee

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

### General Meeting of Shareholders

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

### Convocation

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

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

### Right to include items on the agenda

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

The Code provides the following in best practice provision IV.4.4: "A shareholder shall exercise the right of putting an item on the agenda only after he consulted the executive board about this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example through the dismissal of one or more Executive or Supervisory Board members, the Executive Board shall be given the opportunity to stipulate a reasonable period in which to respond (the response time).

This shall also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Article 2:110 of the Dutch Civil Code. The shareholder shall respect the response time stipulated by the Executive Board within the meaning of best practice provision II.1.9."

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

### Record date

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

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

### Participation in person, by proxy or through electronic communication

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

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

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



## Corporate Governance Statement continued

### Attendance list

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

### Chairman of the AGM

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

### Voting

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

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

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

### Minutes

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

### Resolutions to be adopted by the AGM

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

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

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

## Corporate Governance Statement continued

### Article 10 of the EU Take-Over Directive Decree

#### Shares

The issued share capital of the Company amounts to EUR921,604,180.80, consisting of 576,002,613 shares of EUR1.60 each. Each share carries one vote. The shares are listed on Euronext Amsterdam.

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

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

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at the AGM. The record date for the AGM of 21 April 2016 is 28 days before the AGM, i.e. on 24 March 2016.

#### Substantial shareholdings

Pursuant to the Financial Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Netherlands Authority for the Financial Markets has been notified about the following substantial shareholdings regarding the Company on 1 January 2016:

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

Voting Trust (FEMSA) (indirectly 10.14 per cent; the direct 10.14 per cent shareholder is CB Equity LLP); as at 31 December 2015, Voting Trust (FEMSA)'s indirect shareholding in the Company (through CB Equity LLP) stands at 12.53 per cent.

Massachusetts Financial Services Company (a capital interest of 2.67 per cent (of which 1.73 per cent is held directly and 0.94 per cent is held indirectly) and a voting interest of 4.97 per cent (of which 2.04 per cent is held directly and 2.94 per cent is held indirectly).

#### Restrictions related to shares held by FEMSA

Upon completion (on 30 April 2010) of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), CB Equity LLP (belonging to the FEMSA group) received Heineken N.V. shares (and Heineken Holding N.V. shares).

Pursuant to the Corporate Governance Agreement of 30 April 2010 concluded between the Company, Heineken Holding N.V., L'Arche Green N.V., FEMSA and CB Equity LLP the following applies:

- Subject to certain exceptions, FEMSA, CB Equity LLP, and any member of the FEMSA group shall not increase its shareholding in Heineken Holding N.V. above 20 per cent and shall not increase its holding in the Heineken Group above a maximum of 20 per cent economic interest (such capped percentages referred to as the 'Voting Ownership Cap').
- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA group may not exercise any voting rights in respect of any shares beneficially owned by it, if and to the extent that such shares are in excess of the applicable Voting Ownership Cap.
- Unless FEMSA's economic interest in the Heineken Group were to fall below 14 per cent, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control, FEMSA is entitled to have two representatives on the Company's Supervisory Board, one of whom will be Vice-Chairman, who also serves as the FEMSA representative on the Board of Directors of Heineken Holding N.V.

#### Share plans

There is a share-based Long-Term Variable Award ('LTV') for both the Executive Board members and senior management. Eligibility for participation in the LTV by senior management is based on objective criteria.

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

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

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

## Corporate Governance Statement continued

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

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

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

### Change of control

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

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

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

### Compensation rights on termination of employment / service agreement

There are no agreements of the Company with Executive Board members that specifically entitle them to any compensation rights upon termination of their employment agreement (in respect of Mr. Van Boxmeer), or service agreement (in respect of Mrs. Debroux), as the case may be, after completion of a public offer for Heineken N.V. shares.

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

If the Company gives notice of termination of the service agreement of Mrs. Debroux for a reason which is not an urgent reason ('dringende reden') within the meaning of the law, or decides not to extend the service agreement upon its expiry, or if the AGM does not reappoint Mrs. Debroux as member of the Executive Board for a subsequent term, the Company shall pay Mrs. Debroux an amount equal to two years of management fee (in the event of termination during or upon expiry of Mrs. Debroux's first four-year term), or an amount equal to one year's management fee (in the event of termination during or upon expiry of any subsequent term), respectively.

### Appointment and dismissal of Supervisory and Executive Board members

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

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

## Corporate Governance Statement continued

### Amendment of the Articles of Association

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

### Acquisition of own shares

On 23 April 2015, the AGM authorised the Executive Board (for the statutory maximum period of 18 months) to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association (which require the approval of the Supervisory Board):

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

The authorisation may be used in connection with the LTV for the members of the Executive Board and the LTV for senior management, but may also serve other purposes, such as other acquisitions.

A new authorisation will be submitted for approval at the next AGM on 21 April 2016.

In 2015, the Executive Board launched a share buyback programme. During the period starting on 7 May 2015 and ending on 26 October 2015, the Company acquired 5,229,279 shares in its own share capital for a total consideration of €365 million.

### Issue of shares

On 23 April 2015, the AGM also authorised the Executive Board (for a period of 18 months) to issue shares or grant rights to subscribe for shares and to restrict or exclude shareholders' pre-emption rights, with due observance of the law and Articles of Association (which require the approval of the Supervisory Board). The authorisation is limited to 10 per cent of the Company's issued share capital, as per the date of issue. The authorisation may be used in connection with the LTV for the members of the Executive Board and the LTV for senior management, but may also serve other purposes, such as acquisitions. A new authorisation will be submitted for approval to the AGM at 21 April 2016.

### Compliance with the Code

On 10 December 2008, the current Code was introduced. The Code can be downloaded at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

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

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

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

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

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

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

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



## Corporate Governance Statement continued

### Statement of the Executive Board

In accordance with best practice provision II.1.5 of the Code, we are of the opinion that, in respect of financial reporting risks, the internal risk management and control system, as described in the Risk Management section of this Annual Report 2015:

- provides a reasonable level of assurance that the financial reporting in this Annual Report 2015 does not contain any errors of material importance; and
- has worked properly during the year 2015.

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

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

- the financial statements in this Annual Report 2015 give a true and fair view of our assets and liabilities, our financial position at 31 December 2015, and the results of our consolidated operations for the financial year 2015; and
- the Report of the Executive Board includes a fair review of the position at 31 December 2015 and the development and performance during the financial year 2015 of Heineken N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Heineken N.V. faces.

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

Executive Board

J.F.M.L. van Boxmeer  
L. Debroux

Amsterdam, 9 February 2016

# To the Shareholders

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

## Financial statements and profit appropriation

The Supervisory Board hereby submits to the shareholders the financial statements and the report of the Executive Board for the financial year 2015, as prepared by the Executive Board and approved by the Supervisory Board in its meeting of 9 February 2016. Deloitte Accountants B.V. audited the financial statements. Its report can be found on page 142 in the Other information section.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements and, as proposed by the Executive Board, appropriate EUR741 million for payment of dividend. The underlying principle of the dividend policy is that 30-40 per cent of net profit before exceptional items and amortisation of acquisition-related intangible assets (net profit beia) is placed at the disposal of shareholders for distribution as dividend. The proposed dividend amounts to EUR1.30 per share of EUR1.60 nominal value, of which EUR0.44 was paid as an interim dividend on 12 August 2015.

## Supervisory Board composition, independence and remuneration

### Composition

The Annual General Meeting (AGM) on 23 April 2015 reappointed Mr. M.R. de Carvalho as a member of the Supervisory Board for a period of four years.

The Supervisory Board has a diverse composition in terms of experience, gender, nationality and age. Two out of 10 members are women and five out of 10 members are non-Dutch. There are five nationalities (American, Belgian, British, Dutch and Mexican) and age ranges between 45 and 70. The Supervisory Board is of the opinion that a diversity of experience and skills is represented on its Board.

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

Mr. Hans Wijers and Mrs. Mary Minnick will resign by rotation from the Supervisory Board at the AGM on 21 April 2016. Mr. Wijers is eligible for reappointment for a period of four years. A non-binding nomination for his reappointment will be submitted to the AGM. The notes to the agenda contain further information on the proposed reappointment.

Mrs. Minnick will step down from the Supervisory Board after the AGM on 21 April 2016. Mrs. Minnick has been a member of the Supervisory Board since 2008, and was a member of the Remuneration Committee and Americas Committee. The Supervisory Board is grateful for her commitment over the past eight years and for the way she contributed to the Supervisory Board and the Committee meetings.

## To the Shareholders continued

### Independence

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

### Remuneration

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

### Meetings and activities of the Supervisory Board

During 2015, the Supervisory Board held eight meetings with the Executive Board. The agenda included subjects such as the Company's strategy, its financial position, the results of the Regions and operating companies, acquisitions, large investment proposals, the yearly budget, management changes and the internal risk management and control system. The external auditor attended the meeting in which the annual results were discussed. In 2015, specific attention was given to the following:

- The Supervisory Board had a two-day meeting with the Executive Board to discuss the Company's strategic priorities and main risks of the business. During this meeting, members of the Executive Team presented their respective strategic topics and risks per region or function, as the case may be.
- The Supervisory Board visited Krakow, Poland, where the Managing Directors of Grupa Żywiec, Heineken Rumania and Brau Union Österreich, and the Senior Director Global Finance Processes & Internal Control and Director HEINEKEN Global Shared Services presented developments. In addition, trade visits were made to on- and off-premises in the boroughs around Krakow.
- During the year, several representatives of senior management were invited to give presentations to the Supervisory Board.

- In 2015, the following subjects were presented in more detail:
  - Sustainability
  - Human Resources and succession planning.
- Regular Executive Sessions were held without the Executive Board being present. The purpose of these sessions was to evaluate the Supervisory Board meetings and, where relevant, further reflect on particular subjects discussed at the meetings. One Executive Session was dedicated to the evaluation of the Supervisory Board relating to the performance, working methods, procedures and functioning of the Supervisory Board, its committees and its members as well as the functioning of the Executive Board. These evaluations were conducted on the basis of responses to a questionnaire submitted by the members of the Supervisory Board to the Chairman. The questionnaire covered topics such as the composition and expertise of the Supervisory Board, access to information, frequency and quality of the meetings, quality and timeliness of the meeting materials, the nature of the topics discussed during meetings and the functioning of the Supervisory Board's committees. The Chairman was evaluated by the Vice-Chairman. The responses provided by the Supervisory Board members indicated that the Board continues to be a well-functioning team. Certain areas were identified that could be improved and it was decided that the Chairman would follow up on a number of specific items.

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

The Supervisory Board confirms that all Supervisory Board members have adequate time available to give sufficient attention to the concerns of the Company. In 2015, the attendance rate as a whole was 89 per cent. Nearly all Supervisory Board members were able to attend all eight meetings. Two members were frequently absent (an absence of twice or more is considered frequent). In case of absence, members are fully informed in advance, enabling them to provide input for the meeting, and they are also updated on the meeting outcomes.

## To the Shareholders continued

### Committees

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

#### Preparatory Committee

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

#### Audit Committee

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

The Executive Board attended all meetings, and so did the external auditor, the Executive Director Global Audit, the Chief Business Services Officer (up to 12 May 2015) and, the Director Global Accounting and Reporting (as of 30 July 2015).

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

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

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

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

Furthermore, the Committee in 2015 discussed recurring topics, such as:

- The effectiveness and the outcome of the internal control and risk management systems, as well as changes made and improvements planned to these systems.
- Functional updates in respect of Global Information Systems, Global Procurement, Financial Shared Services, Global Treasury and Tax, Pensions, Litigation and Risk Management.
- HEINEKEN's governance, risk and compliance (GRC) activities, including the HEINEKEN Company Rules and the HEINEKEN Code of Business Conduct.
- Post Audit Reviews of large investments.
- The outcome of the annual Letter of Representation process and the report from the Integrity Committee related to fraud reporting and Speak Up policy.

The Chairman of the Audit Committee informed the Supervisory Board of the discussions held in the Audit Committee in respect of these recurring topics.

#### Selection & Appointment Committee

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

In 2015, the following subjects were discussed:

- The composition and rotation schedule of the Supervisory Board
- Female representation on the Supervisory Board, including a list of potential female candidates.
- The composition of the Executive Team (which took effect as of 1 July 2015).



## To the Shareholders continued

### Remuneration Committee

Composition: Messrs. Das (Chairman), de Carvalho, Wijers and Mrs. Minnick. The Remuneration Committee met three times in 2015.

The Committee made recommendations to the Supervisory Board on target setting and payout levels for the STV pay and LTV awards to the Executive Board, as well as technical changes to the STV and LTV Plan Rules, all of which were endorsed by the Supervisory Board.

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

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

### Americas Committee

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

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

The Committee met twice in 2015 and paid attention to specific developments in the region, including financial results and strategic priorities, presented by the President Americas.

### Executive Board composition and remuneration

#### Composition

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

Mr. Jean-François van Boxmeer was initially appointed for an indefinite term in 2001 and was reappointed for a period of four years in 2013. Mrs. Laurence Debroux was appointed in 2015 for a period of four years.

Pursuant to the Act on Management and Supervision, the Supervisory Board shall pursue that on the Executive Board at least 30 per cent of the seats shall be held by men and at least 30 per cent by women. The current composition of the Executive Board meets this statutory requirement. HEINEKEN also strives to appoint a well-balanced mix of men and women to its senior management. We note that there may be various pragmatic reasons – such as the other relevant selection criteria and the availability of suitable candidates – that could play a complicating role in achieving a well-balanced mix of men and women to its senior management, at least in the short term.

### Remuneration

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

### Appreciation

The Supervisory Board wishes to express its gratitude to the members of the Executive Board and all HEINEKEN employees for their hard work and dedication in 2015.

Supervisory Board Heineken N.V.

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

Amsterdam, 9 February 2016

# Remuneration Report

The Executive Board's remuneration policy reflects our longstanding remuneration principles of supporting the business strategy, paying for performance, and paying competitively and fairly. The remuneration policy and underlying principles continue to support our business growth in the widely diverse markets in which we operate. In 2015, the Remuneration Committee reviewed the remuneration policy versus its implementation, and its outcome versus performance. With regard to policy, the Supervisory Board concluded that there were no reasons to recommend adjustments to the 2016 Annual General Meeting. In regard to implementation, the Supervisory Board decided to increase the Executive Board base salaries to the aspired policy levels, thereby bringing their target variable remuneration closer to the aspired policy levels as well. An important occurrence in 2015 was that following the 2015 AGM on 23 April 2015, Mrs. Laurence Debroux succeeded Mr. René Hooft Graafland as member of the Executive Board and CFO. To that end, a mutual agreement was reached with Mr. René Hooft Graafland on 3 November 2014 on his resignation from the Executive Board and his CFO position at the time of succession, and on the termination of his employment contract with the Company as of 1 May 2015.

## Introduction

This Remuneration Report includes three sections:

- **Part I** – Describes the prevailing Executive Board's remuneration policy, as it was adopted by the AGM in 2011, and as it has been applied in 2015 and will be applied in 2016.
- **Part II** – Provides details of the Executive Board's actual remuneration for performance ending in, or at year-end, 2015.
- **Part III** – Outlines the adjustments to the Executive Board target remuneration for 2016 within prevailing policy.

## Part I – Executive Board remuneration policy

### Remuneration principles

The Executive Board's remuneration policy is designed to meet four key principles:

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

## Remuneration Report continued

### Summary overview of remuneration elements

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

Remuneration element	Description	Strategic role
Base salary	<ul style="list-style-type: none"> <li>▪ Involves fixed cash compensation</li> <li>▪ Aims for the median of the labour market peer group</li> </ul>	<ul style="list-style-type: none"> <li>▪ Facilitates attraction and is the basis for competitive pay</li> <li>▪ Rewards performance of day-to-day activities</li> </ul>
Short-term variable pay	<ul style="list-style-type: none"> <li>▪ Is based on achievements of annual measures, of which a weighted 75 per cent relate to financial and operational measures for Heineken N.V. and 25 per cent to individual leadership measures</li> <li>▪ Aims, at target level, for the median of the labour market peer group</li> <li>▪ Is partly paid in cash, and partly in investment shares with a holding restriction of five calendar years:               <ul style="list-style-type: none"> <li>– the part paid in shares is between 25 and 50 per cent of the full gross pay, depending on the individual's choice</li> <li>– the part in cash is paid net of taxes (i.e. after deduction of withholding tax due on the full gross pay)</li> </ul> </li> <li>▪ Investment shares are matched on a 1:1 basis after the holding period</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drives and rewards annual HEINEKEN performance</li> <li>▪ Drives and rewards sound business decisions for the long-term health of HEINEKEN</li> <li>▪ Aligns Executive Board and shareholder interests</li> </ul>
Long-term variable award	<ul style="list-style-type: none"> <li>▪ Is based on achievements of three-year financial targets for Heineken N.V. as specified on page 54</li> <li>▪ Aims, at target level, for the median of the labour market peer group</li> <li>▪ Is awarded through the vesting of shares, net of taxes (i.e. after deduction of withholding tax due on the full gross award)</li> <li>▪ Vested shares are blocked for another two years, to arrive at a five-year holding restriction after the date of the conditional performance grant</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drives and rewards sound business decisions for the long-term health of HEINEKEN</li> <li>▪ Aligns Executive Board and shareholder interests</li> <li>▪ Supports Executive Board retention</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>▪ Defined Contribution Pension Plan and/or Capital Creation Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provides for employee welfare and retirement needs</li> </ul>

### Labour market peer group

A global labour market peer group was adopted by the AGM in 2011, and subsequently adjusted in 2012. The median target remuneration of this peer group is a reference point for the target remuneration of the CEO and CFO. Each year, the Remuneration Committee validates the peer group to ensure relevance, and recommends adjustments to the Supervisory Board if needed. For 2015, the peer group consisted of the following companies, which will basically apply to 2016 as well, with the understanding that Philips may need to be replaced after its separation from its Lighting business in 2016, and SABMiller may need to be replaced after its acquisition by Anheuser-Busch InBev:

- Anheuser-Busch InBev (BE)
- Carlsberg (DK)
- Coca-Cola (US)
- Colgate-Palmolive (US)
- Danone (FR)
- Diageo (UK)
- Henkel (DE)
- Kimberly-Clark (US)
- Mondelēz International (US)
- L'Oréal (FR)
- Pepsico (US)
- Pernod Ricard (FR)
- Philips (NL)
- SABMiller (UK)
- Unilever (NL)

## Remuneration Report continued

### Base salary

Base salaries are determined by reference to the median base salary levels of the aforementioned labour market peer group. Every year, peer group and base salary levels are reviewed, and the Remuneration Committee may propose adjustments to the Supervisory Board taking into account the external labour market peer group data and internal pay relativities. The annual base salaries for 2015 were EUR1,150,000 for the CEO, EUR610,000 for the CFO (Mrs. Laurence Debroux; as from 23 April following the 2015 AGM) and EUR650,000 for the former CFO (Mr. René Hooft Graafland; until the end of the 2015 AGM). For 2016 the Supervisory Board decided to increase the Executive Board base salaries to the aspired policy levels, viz. EUR1,200,000 for the CEO and EUR720,000 for the CFO, thereby bringing their target variable remuneration, which is defined as a percentage of base salary, closer to the aspired policy levels as well.

### Short-term variable pay

The short-term variable pay (STV) is designed to drive and reward the achievements of HEINEKEN's annual performance targets. Through its payout in both cash and investment shares it also drives and rewards sound business decisions for HEINEKEN's long-term health while aligning Executive Board and shareholder interests at the same time. The target STV opportunities for both 2015 and 2016 are 140 per cent of base salary for the CEO and 100 per cent of base salary for the CFO. These percentage opportunities are well aligned with the global labour market peer group medians.

The STV opportunities are for a weighted 75 per cent based on financial and operational measures for Heineken N.V., and for a weighted 25 per cent on individual leadership measures. At the beginning of each year, the Supervisory Board establishes the performance measures, their relative weights and corresponding targets based on HEINEKEN's business priorities for that year. The financial and operational measures and their relative weights are reported in the Remuneration Report upfront; the numerical performance targets themselves are not disclosed as they are considered to be commercially sensitive. In the first weeks of the following year, the Supervisory Board reviews the Company's and individual performance against the pre-set targets, and approves the STV payout levels based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the end of the performance period (cf. Part II). The STV payout for 2015 is, and for 2016 remains, subject to four performance measures with equal weights: Organic Revenue Growth, Organic Net Profit beia Growth, Free Operating Cash Flow and Individual Leadership measures.

For each performance measure, a threshold, target and maximum performance level is set with the following STV payout, as a percentage of target payout:

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

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

The CEO and CFO (and former CFO) are obliged to invest at least 25 per cent of their STV payout in Heineken N.V. shares (investment shares), to be delivered by the Company; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STV payout, at their discretion. These investment shares are then blocked and cannot be sold under any circumstance, including resignation, for five calendar years to link the value of the investment shares to long-term Company performance. Withholding tax on the investment shares and on the cash part of the STV payout is settled with the cash part at the time of payout. After the blocking period is completed after five calendar years, the Company will match the investment shares 1:1 in the first weeks of the following year, i.e. one matching share is granted for each investment share. As from then, there are no holding requirements on these investment shares anymore, and there are no holding requirements on the resulting matching shares that remain after withholding tax on these shares. According to plan rules, matching entitlements will be forfeited in a case of dismissal by the Company for an urgent reason within the meaning of the law ('dringende reden'), or in a case of dismissal for cause ('gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member. With this 'deferral-and-matching' proposition a significant share ownership by the Executive Board is ensured, creating an increased alignment with the interests of shareholders. The Supervisory Board has the power to revise the amount of the STV payout to an appropriate amount if the STV payout that would have been payable in accordance with the agreed payment schedule would be unacceptable according to standards of reasonableness and fairness. The Supervisory Board is entitled to claw back all or part of the STV payout (in cash, investment shares or matching shares) insofar as it has been made based on incorrect information about achieving the performance conditions.

## Remuneration Report continued

### Long-term variable award

The long-term variable award (LTV) is designed to drive and reward sound business decisions for HEINEKEN's long-term health, and to align the Executive Board with shareholder interests. The target LTV opportunities for both 2015 and 2016 are 150 per cent of base salary for the CEO and 125 per cent of base salary for the CFO.

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

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

These four performance measures have equal weights to minimise the risk that participants over-emphasise one performance measure to the detriment of others. At the beginning of each performance period, the Supervisory Board establishes the corresponding numerical targets for these performance measures based on HEINEKEN's business priorities. These targets are not disclosed upfront as they are considered to be commercially sensitive. In the first weeks after the end of the performance period, the Supervisory Board reviews the Company's performance against the pre-set targets, and approves the LTV vesting based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the performance period has been completed (cf. Part II).

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

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

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

The Supervisory Board has the power to revise the amount of performance shares that will vest to an appropriate number if the number of performance shares that would have vested under the agreed vesting schedule would be unacceptable according to standards of reasonableness and fairness. The Supervisory Board is entitled to claw back all or part of the shares transferred to the Executive Board members upon vesting (or the value thereof) insofar as vesting occurred based on incorrect information about achieving the performance conditions. The vested performance shares that remain after withholding tax are subject to an additional holding restriction of two years, to arrive at a five-year holding restriction after the date of the conditional performance grant.

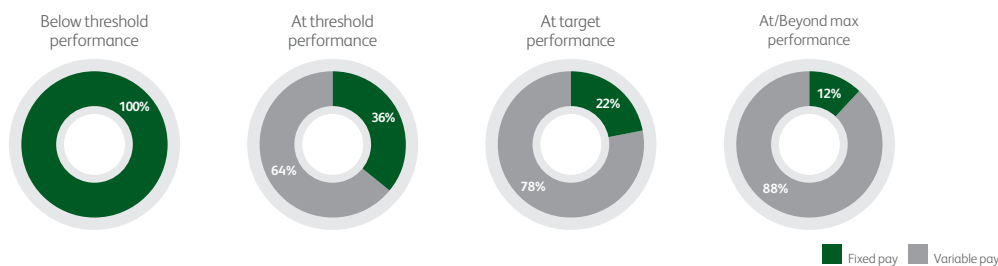


## Remuneration Report continued

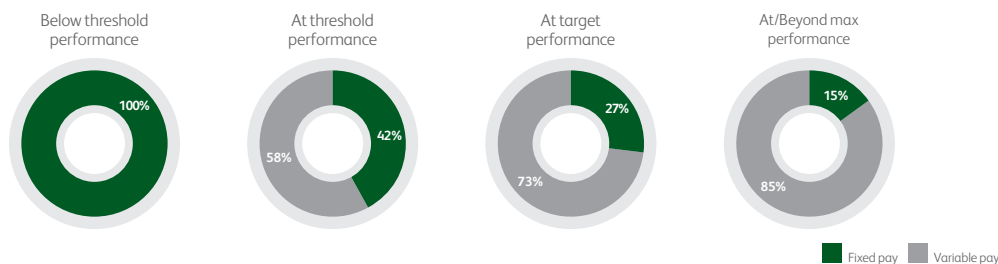
### Pay mix

The mix between fixed pay and variable pay for various levels of performance is illustrated below. In these charts, fixed pay refers to base salary only, excluding pensions and other emoluments, and variable pay consists of the aforementioned short-term variable pay and long-term variable award opportunities, including the 'deferral-and-matching' proposition. Share price movements during performance and holding periods are hereby not included since these are unknown in the context of target remuneration.

#### CEO target pay mix 2015 - 2016



#### CFO target pay mix 2015 - 2016



### Pensions

The members of the Executive Board participate in a Capital Creation Plan. In such a plan the Executive Board member receives employer contributions, for pension capital accrual, as taxable income. As of 2015, Dutch fiscal legislation introduced a cap of EUR100,000 on the pensionable salary for tax-qualified pension plans, implying that beyond this salary level pensions can no longer be accrued in a tax-qualified way. As a consequence, the pension plans for new top executives under Dutch employment contract below Executive Board have been changed into a taxable capital creation employer contribution of 18% of base salary, minus the maximum tax-exempt employer contribution that can still be invested into a tax-qualified defined-contribution scheme (which contribution the employer provides as well). As of 2015, the same arrangement applies to new members of the Executive Board as well, hence to our current CFO, with the understanding that as a non-Dutch national she receives the full 18% contribution in the form of taxable income. For the CEO the same capital creation arrangement as for 2014 remained in force, since the existing top executives below the Executive Board were compensated on an individual basis for the aforementioned fiscal salary cap on pensions as from 2015, thereby making a change in the CEO's capital creation scheme irrelevant.

### Loans

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

## Remuneration Report continued

### Part II – The Executive Board's actual remuneration for performance ending in, or at year-end, 2015

The following table provides an overview of the Executive Board's actual remuneration that became unconditional in, or at year-end, 2015.

For disclosures in line with IFRS reporting requirements, which are 'accrual-based' over earning/performance periods and partly depend on estimations/assumptions, see note 35 'Related parties' on page 127. The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration disclosed in this section.

	Base salary in EUR <sup>1</sup>	2015 Short-term variable pay in EUR <sup>2</sup>	2013-2015 Long-term variable award		Matching entitlements		Pension cost in EUR	Extraordinary Share Grants		
			No. of performance shares vesting <sup>3</sup>	Value of performance shares vesting in EUR <sup>4</sup>	No. of matching entitle- ments vesting <sup>5</sup>	Value of matching entitlements vesting in EUR <sup>6</sup>		No. of extraordinary shares vesting <sup>7</sup>	Value of extraordinary shares vesting in EUR <sup>8</sup>	Other emoluments in EUR <sup>9</sup>
Van Boxmeer	1,150,000	2,930,200	58,447	4,603,870	16,125	1,270,166	723,454	27,317	1,995,780	21,210
Debroux	421,151	832,650	–	–	–	–	82,316	1,000	73,640	134,146
Hooft Graafland	201,233	394,333	27,530	2,168,538	t.b.d.	182,123	32,721	–	–	2,006,937

<sup>1</sup> The base salaries of Mrs. Laurence Debroux and Mr. René Hooft Graafland are the actual base salaries paid for the period in 2015 in which they were a member of the Executive Board. Although formally these periods are demarcated by the end of the AGM on 23 April 2015, a succession date of 24 April 2015 has been adopted in the calculation of these pro-rated salary payments.

<sup>2</sup> The short-term variable pay relates to the performance year 2015, and becomes payable in 2016. According to Plan Rules and Agreements, for Mrs. Laurence Debroux and Mr. René Hooft Graafland the short-term variable pay has been pro-rated by the number of months, rounded up to full months, in which they were a member of the Executive Board, i.e. nine months for Mrs. Laurence Debroux and four months for Mr. René Hooft Graafland. In line with policy, between 25 per cent and 50 per cent of the short-term variable pay, at the participant's discretion, is paid out in investment shares. For the 2015 payout the investment in shares is 50 per cent for all three participants.

<sup>3</sup> The long-term variable award relates to the performance period 2013-2015 and vests shortly after 10 February 2016, the publication date of these financial statements.

<sup>4</sup> The value of performance shares vesting is based on the share price as of 31 December 2015 of EUR78.77.

<sup>5</sup> For Mr. Jean-François van Boxmeer the matching entitlements relate to the investment shares that were acquired in 2011 for performance over 2010 and that were held until year-end 2015. These matching entitlements vest, as common shares, immediately following year-end 2015 and are thus the first batch of such shares for him that vest after the launch of the 'deferral-and-matching' proposition following the AGM in 2011. For Mr. René Hooft Graafland the matching entitlements relate to the investment shares that are acquired in 2016 for performance over 2015, since given his resignation for other reasons than for cause these matching entitlements vest, as share entitlements, immediately following year-end 2015. The number of investment shares and matching share entitlements is determined, as per policy, by dividing the part of the STV payout that is invested in shares, i.e. 50 per cent, by the closing share price of the date of publication of these financial statements, i.e. 10 February 2016. These entitlements will be converted into common shares following year-end 2020, and will thus remain non-dividend bearing until that date. The matching shares that given his agreed resignation vested already in 2014, as share entitlements, were disclosed in Part II of last year's Remuneration Report.

<sup>6</sup> The value of matching shares vesting for Mr. Jean-François van Boxmeer is based on the share price as of 31 December 2015 of EUR78.77. The value of matching share entitlements vesting for Mr. René Hooft Graafland equals the part of the STV payout that he chose to invest in investment shares, i.e. 50 per cent, discounted for the fact that the resulting entitlements will not be dividend bearing until year-end 2020.

<sup>7</sup> On 26 April 2013, by approval of the AGM, Mr. Jean-François van Boxmeer received a Retention Share Award of 27,317 share entitlements, with a vesting date of 26 April 2015, conditionally on Executive Board membership at that date. These shares have vested per the latter date, and are blocked until 26 April 2018. Mrs. Laurence Debroux received an extraordinary grant of 2,000 share entitlements upon her appointment as member of the Executive Board in April 2015, as compensation for forfeited variable remuneration by her previous employer; 50 per cent of this grant vested immediately, which is thus included in the table above; the other 50 per cent will vest next year, conditionally on Executive Board membership at that date.

<sup>8</sup> The value of the Retention Share Award vesting for Mr. Jean-François van Boxmeer is based on the closing share price of EUR73.06 of 24 April 2015, i.e. the final closing price prior to the vesting date of 26 April 2015. The value of the Extraordinary Share Award vesting for Mrs. Laurence Debroux is based on the closing share price of EUR73.64 of 23 April 2015, i.e. the final closing price prior to the grant and vesting date of 24 April 2015.

<sup>9</sup> The amount for Mr. Jean-François van Boxmeer involves his car benefit-in-kind. The amount for Mrs. Laurence Debroux involves housing allowance (grossed-up), a one-time commission for relocation support (grossed-up), schooling cost and car benefit-in-kind. As per the agreement of 3 November 2014, and announced in last year's Remuneration Report, Mr. René Hooft Graafland received a severance payment of EUR2,000,000 gross in May 2015, following the termination of his employment contract as of 1 May 2015; the remaining amount involves his car benefit-in-kind.

## Remuneration Report continued

### Resignation of Mr. René Hooft Graafland as member of the Executive Board and CFO in 2015 and appointment of Mrs. Laurence Debroux as member of the Executive Board and CFO after the 2015 AGM

As mentioned in last year's Remuneration Report, an agreement was reached on 3 November 2014 between Mr. René Hooft Graafland and the Supervisory Board, on his resignation from the Executive Board following the 2015 AGM on 23 April 2015, and on the termination of his employment contract as of 1 May 2015. In financial terms the agreement respects existing contractual obligations and includes that:

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

At the same AGM the Supervisory Board nominated Mrs. Laurence Debroux for appointment to the Executive Board, to hold the position of CFO. The AGM supported the appointment.

### 2015 Short-term variable pay

The STV pay for 2015 was subject to four performance measures: Organic Revenue Growth, Organic Net Profit beia Growth, Free Operating Cash Flow and individual leadership measures, all with a weight of 25 per cent. The Supervisory Board determined the results against the pre-set targets on these measures as follows:

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

The resulting STV payout for 2015 is equal to 182 per cent of payout at target level for all three participants. In line with policy, between 25 per cent and 50 per cent of the STV pay, at the participant's discretion, is paid out in investment shares, i.e. 50 per cent by all three participants, against the closing share price of 10 February 2016, the publication date of these financial statements. Revision and clawback provision apply to this award, including the related matching share entitlement. The table below provides an overview, for the incumbent Executive Board members at year-end, of the investment shares at year-end that were awarded as part of STV payouts in the past, but that remain blocked and await 1:1 matching by the Company, provided the conditions thereto are met. Only when the holding period of the investment shares has been completed, will the matching share entitlements be converted into shares and transferred to the recipient.

	STV payout for	% of STV payout invested in shares	Award date	No. of investment shares awarded <sup>1</sup>	Value of investment shares as of the award date in EUR	End of blocking period	Value of investment shares as of 31.12.2015 in EUR <sup>2</sup>
Van Boxmeer	2015	50%	10.02.2016	t.b.d.	1,465,100	31.12.2020	n.a.
	2014	25%	11.02.2015	10,427	692,249	31.12.2019	821,335
	2013	50%	12.02.2014	11,910	563,462	31.12.2018	938,151
	2012	50%	13.02.2013	12,391	680,638	31.12.2017	976,039
	2011	50%	15.02.2012	23,272	882,009	31.12.2016	1,833,135
Debroux	2015	50%	10.02.2016	t.b.d.	416,325	31.12.2020	n.a.

<sup>1</sup> The number of investment shares awarded in relation to the STV payout for 2011 and beyond is determined by dividing the part of the STV payout that is invested in shares by the closing share price of the date of publication of the financial statements for that year.

<sup>2</sup> The share price as of 31 December 2015 is EUR78.77.

## Remuneration Report continued

### 2013-2015 Long-term variable award

After 2015, the conditional performance shares granted in 2013 are subject to vesting. The vesting of the LTV award for performance period 2013-2015 is subject to Heineken N.V. performance on four financial measures with equal weights. The Supervisory Board determined the results against the pre-set targets (as recalibrated early 2014) as follows:

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

As a result, the vesting of the LTV grant for performance period 2013-2015 will be equal to 171 per cent of the vesting at target level for both the CEO and the former CFO. The resulting share awards are defined in gross terms (i.e. before deduction of withholding tax due); the net number of shares awarded (i.e. after withholding tax due) remains blocked for an additional period of two years until 13 February 2018, also in case of resignation during that period, and also for the former CFO. Revision and clawback provisions apply to this award. The table below provides an overview, for the incumbent Executive Board members at year-end, of outstanding LTV awards (awards granted but not yet vested, or awards vested but still blocked) as of 31 December 2015:

	Grant date	No. of shares conditionally granted at target level <sup>1</sup>	Value of shares conditionally granted as of the grant date in EUR	Vesting date <sup>2</sup>	No. of shares vesting on the vesting date <sup>3</sup> (before tax)	No. of shares vesting on the vesting date <sup>4</sup> (after tax)	End of blocking period	Value of unvested or blocked shares as of 31.12.2015 <sup>5</sup> in EUR
Van Boxmeer	2015	29,263	1,942,771	02.2018	t.b.d.	t.b.d.	02.2020	1,167,056
	2014	35,147	1,662,805	02.2017	t.b.d.	t.b.d.	02.2019	1,401,712
	2013	34,179	1,877,452	02.2016	58,447	29,593	02.2018	2,331,041
	2012	44,031	1,668,775	02.2015	57,681	29,205	02.2017	2,300,478
	2011	42,927	1,617,489	02.2014	16,098	8,150	02.2016	641,976
Debroux	2015	11,857	787,186	02.2018	t.b.d.	t.b.d.	02.2020	618,345

<sup>1</sup> Determined according to plan rules, using the closing share price of 31 December of the year preceding the grant date.

<sup>2</sup> The vesting date is shortly after the publication of the financial statements after completion of the performance period.

<sup>3</sup> Vested shares are disclosed in gross terms (i.e. before deduction of withholding tax due).

<sup>4</sup> Vested shares are disclosed in net terms (i.e. after deduction of withholding tax due).

<sup>5</sup> The value for the grants in 2011, 2012 and 2013 is based on the actual number of shares vesting on the vesting date after tax withholding, i.e. after applying the relevant income tax rate, whereas the value for the grants in 2014 and 2015 is based on the number of shares conditionally granted at target level (since the number of shares vesting is yet unknown) after applying the relevant income tax rate. The share price as of 31 December 2015 is EUR78.77.

### Extraordinary share awards and Retention share award

The table below provides an overview, for the incumbent Executive Board members at year-end, of the outstanding Extraordinary share awards and the Retention share award as of 31 December 2015. The Retention share award to Mr. Jean-François van Boxmeer vested in April 2015; a further three-year holding period will apply to this share award. The Extraordinary share award to Mr. Jean-François van Boxmeer vested at grant in 2013; to this share award a five-year holding period applies as from grant.

The Extraordinary share awards to Mrs. Laurence Debroux have been granted upon her appointment by the 2015 AGM as member of the Executive Board, in the role of CFO, as compensation for unvested and forfeited awards at her previous employer. Half of the share grant, i.e. 1,000 shares, vested immediately at grant date, whereas the other half will vest subject to her continued Executive Board membership one year later. Both share grants will be blocked for five years until 24 April 2020.

## Remuneration Report continued

	Award	Grant date	No. of shares granted <sup>1</sup>	Value of shares conditionally granted as of the grant date in EUR	Vesting date	No. of shares vesting on the vesting date <sup>2</sup>	End of blocking period	Value of unvested or blocked shares as of 31.12.2015 <sup>3</sup> in EUR
Van Boxmeer	Extraordinary share award	26.04.2013	45,893	2,520,000	26.04.2013	24,373	26.04.2018	1,919,861
	Retention share award	26.04.2013	27,317	1,500,000	26.04.2015	27,317	26.04.2018	2,151,760
Debroux	Extraordinary share award	24.04.2015	1,000	73,640	24.04.2015	681	24.04.2020	53,642
	Extraordinary share award	24.04.2015	1,000	73,640	24.04.2016	675	24.04.2020	53,170

<sup>1</sup> The 'Number of shares granted' refers to the grant in gross terms (i.e. before tax withholding).

<sup>2</sup> As the table reveals, income tax is withheld from the Extraordinary share awards themselves; the Retention share award to Mr. Jean-François van Boxmeer has vested 'gross', i.e. withholding tax has been withheld and paid from other sources than the share award itself.

<sup>3</sup> The value of the share awards is based on the 'Number of shares vesting on the vesting date'.

### Part III – Adjustments to the Executive Board target remuneration for 2016 within prevailing policy

The Supervisory Board reviewed the remuneration policy versus its implementation, and concluded that there were no reasons to recommend policy adjustments to the 2016 Annual General Meeting. In regard of implementation, the Supervisory Board decided to increase the Executive Board base salaries to the aspired policy levels, thereby bringing their target variable remuneration closer to the aspired policy levels as well.

For the CEO the base salary has been increased from EUR1,150,000 for 2015 to EUR1,200,000 for 2016, and for the CFO from EUR610,000 for 2015 to EUR720,000 for 2016. The short- and long-term variable pay opportunities, as percentage of base salary, have remained unchanged. Hence, since only base salaries changed, the pay mix as depicted on page 55 remains unchanged.

Supervisory Board Heineken N.V.

Amsterdam, 9 February 2016



## Financial statements

**Consolidated Income Statement**

	Note	2015	2014
<b>For the year ended 31 December</b>			
In millions of EUR			
Revenue	5	20,511	19,257
Other income	8	411	93
Raw materials, consumables and services	9	(12,931)	(12,053)
Personnel expenses	10	(3,322)	(3,080)
Amortisation, depreciation and impairments	11	(1,594)	(1,437)
<b>Total expenses</b>		<b>(17,847)</b>	<b>(16,570)</b>
<b>Results from operating activities</b>		<b>3,075</b>	<b>2,780</b>
Interest income	12	60	48
Interest expenses	12	(412)	(457)
Other net finance income/(expenses)	12	(57)	(79)
<b>Net finance expenses</b>		<b>(409)</b>	<b>(488)</b>
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	172	148
<b>Profit before income tax</b>		<b>2,838</b>	<b>2,440</b>
Income tax expense	13	(697)	(732)
<b>Profit</b>		<b>2,141</b>	<b>1,708</b>
Attributable to:			
Equity holders of the Company (net profit)		1,892	1,516
Non-controlling interests		249	192
<b>Profit</b>		<b>2,141</b>	<b>1,708</b>
Weighted average number of shares – basic	23	572,292,454	574,945,645
Weighted average number of shares – diluted	23	572,944,188	576,002,613
Basic earnings per share (EUR)	23	3.31	2.64
Diluted earnings per share (EUR)	23	3.30	2.63

# Consolidated Statement of Comprehensive Income

	Note	2015	2014
<b>For the year ended 31 December</b>			
In millions of EUR			
<b>Profit</b>		<b>2,141</b>	<b>1,708</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gains and losses	24	95	(344)
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Currency translation differences	24	(43)	697
Recycling of currency translation differences to profit or loss	24	129	–
Effective portion of net investment hedges	24	15	(5)
Effective portion of changes in fair value of cash flow hedges	24	23	(99)
Effective portion of cash flow hedges transferred to profit or loss	24	24	(3)
Net change in fair value available-for-sale investments	24	43	(1)
Recycling of fair value of available-for-sale investments to profit or loss	24	(16)	–
Share of other comprehensive income of associates/joint ventures	24	7	(7)
<b>Other comprehensive income, net of tax</b>	24	<b>277</b>	<b>238</b>
<b>Total comprehensive income</b>		<b>2,418</b>	<b>1,946</b>
<b>Attributable to:</b>			
Equity holders of the Company		2,150	1,686
Non-controlling interests		268	260
<b>Total comprehensive income</b>		<b>2,418</b>	<b>1,946</b>

# Consolidated Statement of Financial Position

	Note	2015	2014
<b>As at 31 December</b>			
In millions of EUR			
<b>Assets</b>			
Property, plant and equipment	14	9,552	8,718
Intangible assets	15	18,183	16,341
Investments in associates and joint ventures	16	1,985	2,033
Other investments and receivables	17	856	737
Advances to customers		266	254
Deferred tax assets	18	958	661
<b>Total non-current assets</b>		<b>31,800</b>	<b>28,744</b>
Inventories	19	1,702	1,634
Other investments	17	16	13
Trade and other receivables	20	2,873	2,743
Prepayments		343	317
Income tax receivables		33	23
Cash and cash equivalents	21	824	668
Assets classified as held for sale	7	123	688
<b>Total current assets</b>		<b>5,914</b>	<b>6,086</b>
<b>Total assets</b>		<b>37,714</b>	<b>34,830</b>
<b>Equity</b>			
Share capital	22	922	922
Share premium	22	2,701	2,701
Reserves		(655)	(427)
Retained earnings		10,567	9,213
<b>Equity attributable to equity holders of the Company</b>		<b>13,535</b>	<b>12,409</b>
Non-controlling interests	22	1,535	1,043
<b>Total equity</b>		<b>15,070</b>	<b>13,452</b>
<b>Liabilities</b>			
Loans and borrowings	25	10,658	9,499
Tax liabilities		3	3
Employee benefits	28	1,289	1,443
Provisions	30	320	398
Deferred tax liabilities	18	1,858	1,503
<b>Total non-current liabilities</b>		<b>14,128</b>	<b>12,846</b>
Bank overdrafts and commercial papers	21	542	595
Loans and borrowings	25	1,397	1,671
Trade and other payables	31	6,013	5,533
Tax liabilities		379	390
Provisions	30	154	165
Liabilities classified as held for sale	7	31	178
<b>Total current liabilities</b>		<b>8,516</b>	<b>8,532</b>
<b>Total liabilities</b>		<b>22,644</b>	<b>21,378</b>
<b>Total equity and liabilities</b>		<b>37,714</b>	<b>34,830</b>

# Consolidated Statement of Cash Flows

	Note	2015	2014
<b>For the year ended 31 December</b>			
In millions of EUR			
<b>Operating activities</b>			
Profit		2,141	1,708
Adjustments for:			
Amortisation, depreciation and impairments	11	1,594	1,437
Net interest expenses	12	352	409
Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates	8	(411)	(93)
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		(182)	(158)
Income tax expenses	13	697	732
Other non-cash items		89	244
<b>Cash flow from operations before changes in working capital and provisions</b>		<b>4,280</b>	<b>4,279</b>
Change in inventories		27	(104)
Change in trade and other receivables		(59)	(325)
Change in trade and other payables		403	456
<b>Total change in working capital</b>		<b>371</b>	<b>27</b>
Change in provisions and employee benefits		(165)	(166)
<b>Cash flow from operations</b>		<b>4,486</b>	<b>4,140</b>
Interest paid		(446)	(522)
Interest received		87	60
Dividends received		159	125
Income taxes paid		(797)	(745)
<b>Cash flow related to interest, dividend and income tax</b>		<b>(997)</b>	<b>(1,082)</b>
<b>Cash flow from operating activities</b>		<b>3,489</b>	<b>3,058</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		83	144
Purchase of property, plant and equipment		(1,638)	(1,494)
Purchase of intangible assets		(92)	(57)
Loans issued to customers and other investments		(195)	(117)
Repayment on loans to customers		45	40
<b>Cash flow (used in)/from operational investing activities</b>		<b>(1,797)</b>	<b>(1,484)</b>
<b>Free operating cash flow</b>		<b>1,692</b>	<b>1,574</b>
Acquisition of subsidiaries, net of cash acquired	6	(757)	(159)
Acquisition of/additions to associates, joint ventures and other investments		(543)	(7)
Disposal of subsidiaries, net of cash disposed of	6/7	979	(27)
Disposal of associates, joint ventures and other investments		54	4
<b>Cash flow (used in)/from acquisitions and disposals</b>		<b>(267)</b>	<b>(189)</b>
<b>Cash flow (used in)/from investing activities</b>		<b>(2,064)</b>	<b>(1,673)</b>

## Consolidated Statement of Cash Flows continued

	Note	2015	2014
<b>For the year ended 31 December</b>			
In millions of EUR			
<b>Financing activities</b>			
Proceeds from loans and borrowings		1,888	858
Repayment of loans and borrowings		(1,753)	(2,443)
Dividends paid		(909)	(723)
Purchase own shares and shares issued		(377)	(9)
Acquisition of non-controlling interests		(21)	(137)
Other		(1)	1
<b>Cash flow (used in)/from financing activities</b>		<b>(1,173)</b>	<b>(2,453)</b>
<b>Net cash flow</b>			
Cash and cash equivalents as at 1 January		73	1,112
Effect of movements in exchange rates		(43)	29
<b>Cash and cash equivalents as at 31 December</b>	21	<b>282</b>	<b>73</b>



# Consolidated Statement of Changes in Equity

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

## Consolidated Statement in Changes of Equity continued

In millions of EUR	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
<b>Balance as at 1 January 2015</b>		<b>922</b>	<b>2,701</b>	<b>(1,097)</b>	<b>(99)</b>	<b>96</b>	<b>743</b>	<b>(70)</b>	<b>9,213</b>	<b>12,409</b>	<b>1,043</b>	<b>13,452</b>
Profit		–	–	–	–	–	186	–	1,706	1,892	249	2,141
Other comprehensive income	24	–	–	80	52	26	–	–	100	258	19	277
<b>Total comprehensive income</b>		<b>–</b>	<b>–</b>	<b>80</b>	<b>52</b>	<b>26</b>	<b>186</b>	<b>–</b>	<b>1,806</b>	<b>2,150</b>	<b>268</b>	<b>2,418</b>
Transfer to retained earnings		–	–	–	–	–	(210)	–	210	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	(676)	(676)	(248)	(924)
Purchase/reissuance own/non-controlling shares	22	–	–	–	–	–	–	(384)	–	(384)	10	(374)
Own shares delivered		–	–	–	–	–	–	22	(22)	–	–	–
Share-based payments		–	–	–	–	–	–	–	32	32	–	32
Acquisition of non-controlling interests without a change in control	6	–	–	–	–	–	–	–	4	4	(2)	2
Changes in consolidation		–	–	–	–	–	–	–	–	–	464	464
<b>Balance as at 31 December 2015</b>		<b>922</b>	<b>2,701</b>	<b>(1,017)</b>	<b>(47)</b>	<b>122</b>	<b>719</b>	<b>(432)</b>	<b>10,567</b>	<b>13,535</b>	<b>1,535</b>	<b>15,070</b>

# Notes to the Consolidated Financial Statements

## 1. Reporting entity

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 21, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates. The Company is registered in the Trade Register of Amsterdam No. 33011433.

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

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

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2015 have been adopted by the EU. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB.

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 9 February 2016 and will be submitted for adoption to the Annual General Meeting of Shareholders on 21 April 2016.

### (b) Basis of measurement

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

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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

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

Note 15 Intangible assets

Note 16 Investments in associates and joint ventures

Note 17 Other investments and receivables

Note 18 Deferred tax assets and liabilities

Note 28 Employee benefits

Note 30 Provisions

Note 32 Financial risk management and financial instruments

Note 34 Contingencies

## Notes to the Consolidated Financial Statements continued

### 2. Basis of preparation continued

#### (e) Changes in accounting policies

HEINEKEN has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These changes had no significant impact on the disclosures or amounts recognised in HEINEKEN's consolidated financial statements.

### 3. Significant accounting policies

#### General

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

#### (a) Basis of consolidation

##### (i) Business combinations

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

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

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

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

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

##### (ii) Acquisitions of non-controlling interests

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

##### (iii) Subsidiaries

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

## Notes to the Consolidated Financial Statements continued

### (iv) Loss of control

Upon the loss of control, HEINEKEN derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. If HEINEKEN retains any interest in the previous subsidiary, such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

### (v) Interests in equity-accounted investees

HEINEKEN's investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in associates are those entities in which HEINEKEN has significant influence, but no control or joint control, over the financial and operating policies. Joint ventures are the arrangements in which HEINEKEN has joint control, whereby HEINEKEN has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

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

### (vi) Transactions eliminated on consolidation

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



## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss arising on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale (equity) investments and foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment, which are recognised in other comprehensive income.

##### (ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is not a wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When HEINEKEN disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When HEINEKEN disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

## Notes to the Consolidated Financial Statements continued

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

In EUR	Year-end 2015	Year-end 2014	Average 2015	Average 2014
BRL	0.2319	0.3105	0.2705	0.3202
GBP	1.3625	1.2839	1.3772	1.2403
MXN	0.0530	0.0560	0.0568	0.0566
NGN	0.0046	0.0049	0.0047	0.0048
PLN	0.2357	0.2340	0.2390	0.2389
RUB	0.0124	0.0138	0.0147	0.0196
SGD	0.6486	0.6227	0.6556	0.5943
USD	0.9185	0.8237	0.9011	0.7527
VND in 1,000	0.0409	0.0387	0.0411	0.0355

### (iii) Hedge of net investments in foreign operations

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and regardless of whether the net investment is held directly or through an intermediate parent. These differences are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

### (c) Non-derivative financial instruments

#### (i) General

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends either to settle on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are presented in the statement of financial position as a net amount. The right of set-off is available today and not contingent on a future event and it is also legally enforceable for all counterparties in a normal course of business, as well as in the event of default, insolvency or bankruptcy.

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

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

#### (ii) Held-to-maturity investments

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

## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### (iii) Available-for-sale investments

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

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

#### (iv) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. 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 applies hedge accounting in order to minimise the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

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

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

##### (ii) Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued. The cumulative unrealised gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity is recognised in profit or loss immediately. When a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above-mentioned policy when the transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss.

##### (iii) Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item 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.

## Notes to the Consolidated Financial Statements continued

### (iv) Separable embedded derivatives

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

### (e) Share capital

#### (i) Ordinary shares

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

#### (ii) Repurchase of share capital (treasury shares)

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

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

#### (iii) Dividends

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

### (f) Property, plant and equipment

#### (i) Owned assets

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

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

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

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

## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### (ii) Leased assets

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

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

#### (iii) Subsequent expenditure

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

#### (iv) Depreciation

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

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

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

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

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

#### (v) Gains and losses on sale

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

### (g) Intangible assets

#### (i) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

## Notes to the Consolidated Financial Statements continued

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

### (ii) Brands

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

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

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

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

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

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

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

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

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

Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

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

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and HEINEKEN intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss when incurred.

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

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



## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### (v) Subsequent expenditure

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

#### (vi) Amortisation

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

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

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

#### (vii) Gains and losses on sale

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

### (h) Inventories

#### (i) General

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

#### (ii) Finished products and work in progress

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

#### (iii) Other inventories and spare parts

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

### (i) Impairment

#### (i) Financial assets

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

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

## Notes to the Consolidated Financial Statements continued

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

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

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

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

### (ii) Non-financial assets

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### (j) Assets or disposal groups classified as held for sale

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

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

#### (k) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan (pension plan) under which HEINEKEN pays fixed contributions into a separate entity. HEINEKEN has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employee renders the service are discounted to their present value.

##### (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan (pension plan) that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

HEINEKEN's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any defined benefit plan assets is deducted. The discount rate is the yield at balance sheet date on AA-rated bonds that have maturity dates approximating to the terms of HEINEKEN's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to HEINEKEN, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in HEINEKEN. An economic benefit is available to HEINEKEN if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are changed, the expense or benefit is recognised immediately in profit or loss.

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses and other net finance income and expenses in profit or loss.

## Notes to the Consolidated Financial Statements continued

### (iii) Other long-term employee benefits

HEINEKEN's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at balance sheet date on high-quality credit-rated bonds that have maturity dates approximating to the terms of HEINEKEN's obligations. The obligation is calculated using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

### (iv) Termination benefits

Termination benefits are payable when employment is terminated by HEINEKEN before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised as an expense when HEINEKEN is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if HEINEKEN has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

### (v) Share-based payment plan (LTV)

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

The grant date fair value, adjusted for expected dividends, of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for both the Executive Board and senior management members are spread evenly over the performance period, during which vesting conditions are applicable subject to continued services. The total amount to be expensed is determined taking into consideration the expected forfeitures.

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

### (vi) Matching share entitlement

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

### (vii) Short-term employee benefits

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

## (I) Provisions

### (i) General

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

## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### (ii) Restructuring

A provision for restructuring is recognised when HEINEKEN has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

#### (iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by HEINEKEN from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract and taking into consideration any reasonably obtainable sub-leases. Before a provision is established, HEINEKEN recognises any impairment loss on the assets associated with that contract.

#### (iv) Other

The other provisions, not being provisions for restructuring or onerous contracts, consist mainly of surety and guarantees, litigation and claims and environmental provisions.

#### (m) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Loans and borrowings for which HEINEKEN has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date are classified as non-current liabilities.

#### (n) Revenue

##### (i) Products sold

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue as the sales are recognised.

##### (ii) Other revenue

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

##### (o) Other income

Other income includes gains from sale of P, P & E, intangible assets and (interests in) subsidiaries, joint ventures and associates, net of sales tax. They are recognised in profit or loss when risks and rewards have been transferred to the buyer.

#### (p) Expenses

##### (i) Operating lease payments

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

## Notes to the Consolidated Financial Statements continued

### (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

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes). 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. This presentation adequately reflects the Company's global tax return.

#### (ii) Deferred tax

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

Deferred tax is not recognised for:

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



## Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

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

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

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

Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

#### (iii) Uncertain tax positions

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

#### (t) Discontinued operations

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

#### (u) Earnings per share

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

#### (v) Cash flow statement

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

## Notes to the Consolidated Financial Statements continued

### (w) Operating segments

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

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

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

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

### (x) Recently issued IFRS

#### New relevant standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, which HEINEKEN has not applied in preparing these consolidated financial statements.

IFRS 9, published in July 2014, replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted. HEINEKEN is assessing the potential impact of IFRS 9 on its consolidated financial statements.

IFRS 15, published in May 2014, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective on or after 1 January 2018, with early adoption permitted. HEINEKEN is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16, published in January 2016, establishes a revised framework for determining whether a lease is recognised on the (Consolidated) Statement of Financial Position. It replaces existing guidance on leases, including IAS 17. IFRS 16 is effective on or after 1 January 2019, with early adoption permitted. HEINEKEN will assess the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

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

- Applying the concept of materiality in practise (amendments to IAS 1 Disclosure Initiative)
- Regulatory Deferral Accounts (IFRS 14)
- Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)
- Bearer Plants (amendments to IAS 16 and IAS 41)
- Classification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)
- Equity method in separate financial statements (amendments to IAS 27)
- Sale or Contribution of Assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)
- Applying the consolidation exemption (amendments to IFRS 10, IFRS 11 and IAS 28)
- Annual Improvements to IFRSs 2012-2014 Cycle

## Notes to the Consolidated Financial Statements continued

### 4. Determination of fair values

#### General

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

#### Fair value as a result of business combinations

##### (i) Property, plant and equipment

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

##### (ii) Intangible assets

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

##### (iii) Inventories

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

##### (iv) Trade and other receivables

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

#### Fair value from normal business

##### (i) Investments in equity and debt securities

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

##### (ii) Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on current price for the residual maturity of the contract using observable interest yield curves, basis spread and foreign exchange rates.

Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

##### (iii) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

## Notes to the Consolidated Financial Statements continued

### 5. Operating segments

HEINEKEN distinguishes the following five reportable segments:

- Africa, Middle East & Eastern Europe
- Americas
- Asia Pacific
- Europe
- Head Office and Other/eliminations

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

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

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

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

## Notes to the Consolidated Financial Statements continued

### 5. Operating segments continued

#### Information about reportable segments

In millions of EUR	Note	Europe		Americas	
		2015	2014 <sup>3</sup>	2015	2014
<b>Revenue</b>					
Third party revenue <sup>1</sup>		9,510	9,077	5,154	4,626
Interregional revenue		717	684	5	5
<b>Total revenue</b>		<b>10,227</b>	<b>9,761</b>	<b>5,159</b>	<b>4,631</b>
Other income	8	34	76	6	7
<b>Results from operating activities</b>		<b>1,039</b>	<b>1,054</b>	<b>807</b>	<b>660</b>
Net finance expenses	12				
Share of profit of associates and joint ventures and impairments thereof	16	16	33	74	60
Income tax expense	13				
<b>Profit</b>					
Attributable to:					
Equity holders of the Company (net profit)					
Non-controlling interests					
<b>EBIT reconciliation</b>					
EBIT <sup>2</sup>		1,055	1,087	881	720
Eia <sup>2</sup>		159	42	97	121
<b>EBIT (beia)<sup>2</sup></b>	27	<b>1,214</b>	<b>1,129</b>	<b>978</b>	<b>841</b>
Current segment assets		3,155	3,257	1,802	1,668
Non-current segment assets		10,605	10,070	5,877	5,382
Investments in associates and joint ventures		190	301	1,098	792
<b>Total segment assets</b>		<b>13,950</b>	<b>13,628</b>	<b>8,777</b>	<b>7,842</b>
Unallocated assets					
<b>Total assets</b>					
Segment liabilities		4,956	5,431	1,342	1,195
Unallocated liabilities					
Total equity					
<b>Total equity and liabilities</b>					
Purchase of P, P & E	14	548	504	369	291
Acquisition of goodwill	15	51	100	132	–
Purchases of intangible assets	15	22	13	14	13
Depreciation of P, P & E	14	(517)	(490)	(226)	(219)
(Impairment) and reversal of impairment of P, P & E	14	(23)	(3)	–	–
Amortisation intangible assets	15	(69)	(57)	(96)	(92)
(Impairment) and reversal of impairment of intangible assets	15	(4)	–	–	–

<sup>1</sup> Includes other revenue of EUR386 million in 2015 and EUR377 million in 2014.

<sup>2</sup> For definition, see 'Glossary'. Note that these are non-GAAP measures and therefore unaudited.

<sup>3</sup> 2014 numbers have been revised to reflect the new regional segmentation.

## Notes to the Consolidated Financial Statements continued

Africa, Middle East & Eastern Europe		Asia Pacific		Head Office & Other/eliminations		Consolidated	
2015	2014 <sup>3</sup>	2015	2014	2015	2014 <sup>3</sup>	2015	2014
3,260	3,186	2,480	2,087	107	281	20,511	19,257
3	3	3	1	(728)	(693)	–	–
<b>3,263</b>	<b>3,189</b>	<b>2,483</b>	<b>2,088</b>	<b>(621)</b>	<b>(412)</b>	<b>20,511</b>	<b>19,257</b>
51	10	(62)	–	382	–	411	93
<b>487</b>	<b>620</b>	<b>417</b>	<b>407</b>	<b>325</b>	<b>39</b>	<b>3,075</b>	<b>2,780</b>
						(409)	(488)
52	28	30	29	–	(2)	172	148
						(697)	(732)
						<b>2,141</b>	<b>1,708</b>
						1,892	1,516
						249	192
						<b>2,141</b>	<b>1,708</b>
539	648	447	436	325	37	3,247	2,928
92	51	288	146	(325)	(20)	311	340
<b>631</b>	<b>699</b>	<b>735</b>	<b>582</b>	<b>–</b>	<b>17</b>	<b>3,558</b>	<b>3,268</b>
1,412	1,264	1,042	752	(1,513)	(868)	5,898	6,073
3,186	2,872	8,107	6,881	1,080	845	28,855	26,050
217	253	417	621	63	66	1,985	2,033
<b>4,815</b>	<b>4,389</b>	<b>9,566</b>	<b>8,254</b>	<b>(370)</b>	<b>43</b>	<b>36,738</b>	<b>34,156</b>
						976	674
						<b>37,714</b>	<b>34,830</b>
1,294	1,107	748	600	506	421	8,846	8,754
						13,798	12,624
						15,070	13,452
						<b>37,714</b>	<b>34,830</b>
432	467	284	243	7	14	1,640	1,519
44	–	392	–	–	–	619	100
4	2	2	1	51	28	93	57
(286)	(261)	(110)	(83)	(12)	(27)	(1,151)	(1,080)
(33)	(3)	(15)	(2)	–	–	(71)	(8)
(16)	(9)	(169)	(148)	(18)	(25)	(368)	(331)
–	(18)	–	–	–	–	(4)	(18)



## Notes to the Consolidated Financial Statements continued

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

#### Accounting for the acquisition of Lasko (Slovenia)

The acquisition of 53.43 per cent of the share capital of Pivovarna Lasko ('Lasko'), the leading Slovenian brewer for EUR119.5 million completed on 15 October 2015.

#### Restructuring of South African and Namibian operations

On 1 December 2015, HEINEKEN along with Diageo plc and The Ohlthaver & List ('O&L') group of companies, the majority shareholder of Namibia Breweries Limited ('NBL') restructured their respective joint venture operations in South Africa and Namibia as follows:

- HEINEKEN, Diageo and NBL closed their distribution joint venture, Brandhouse Beverages (Pty) Ltd.
- HEINEKEN's shareholding in DHN Drinks (Pty) Limited ('DHN') increased to 75 per cent and as a result HEINEKEN obtained control over the South African entities DHN and Sedibeng Brewery (Pty) Limited ('Sedibeng').
- HEINEKEN also acquired an additional 15 per cent stake in NBL from Diageo. NBL is continued to be accounted for as an associate.

HEINEKEN paid a total net cash consideration of ZAR1.9 billion (EUR138 million) to Diageo.

Prior to the restructuring, HEINEKEN had a 75 per cent stake in Sedibeng and a 42.25 per cent stake in DHN. Both were accounted for as joint ventures because HEINEKEN had joint control over the entire South African structure. In accordance with IFRS, the Previously Held Equity Interest (PHEI) in the acquired businesses is accounted for at fair value at the date of acquisition and amounts to EUR29 million for DHN and EUR137 million for Sedibeng. The fair value compared to HEINEKEN's carrying amount and the release of cumulative amounts recorded in OCI result in a non-cash exceptional gain of EUR48 million in DHN and a non-cash exceptional loss of EUR5 million in Sedibeng, recognised in Other Income.

#### Accounting for the acquisition of Desnoes & Geddes (Jamaica) and GAPL Pte Ltd

On 7 October 2015, HEINEKEN announced that HEINEKEN and Diageo plc ('Diageo') have completed a transaction to bring increased focus to their respective beer businesses and certain licensing arrangements in Jamaica, Malaysia, Singapore and Ghana. The transaction comprises:

- HEINEKEN obtained control of Desnoes & Geddes ('D&G') by acquiring Diageo's 57.9 per cent shareholding in this company, taking its shareholding to 73.3 per cent.
- HEINEKEN now has full ownership of GAPL Pte Ltd ('GAPL'), having acquired Diageo's shareholding, which was slightly lower than 50 per cent. GAPL owns 51 per cent of the issued share capital of Guinness Anchor Berhad ('GAB'), which is listed on the Malaysian Stock Exchange. GAPL is also the licensee for Guinness and ABC Stout distribution for the Singapore market.
- HEINEKEN has sold its 20 per cent ownership stake in Guinness Ghana Breweries Limited ('GGBL') to Diageo through the sale of the holding entity of the shares, Heineken Ghanaian Holdings B.V. ('HGH').
- HEINEKEN and Diageo have agreed to enter into licensing agreements for each other's brands currently in the respective portfolios in Jamaica and Ghana.

The total net cash consideration payable by HEINEKEN to Diageo for the Transaction was USD780.5 million (EUR707 million).

Prior to the acquisition, HEINEKEN owned a 15.4 per cent stake in D&G and a slightly higher than 50 per cent stake in GAPL. Prior to the acquisition, D&G was accounted for as an available for sale investment and GAPL was accounted for as a joint venture. The PHEI in the acquired businesses is accounted for at fair value at the date of acquisition and amounts to EUR26 million for D&G and EUR331 million for GAPL. The fair value of the PHEI of D&G has been determined using Level 1 inputs (the quoted market price) of D&G shares as of the acquisition date. The fair value compared to HEINEKEN's carrying amount and the release of cumulative amounts recorded in OCI result in a non-cash exceptional gain of EUR18 million in D&G, recognised in Other net finance income and expense and a non-cash exceptional loss of EUR61 million in GAPL, recognised in Other Income.

## Notes to the Consolidated Financial Statements continued

The following table summarises the major classes of consideration transferred and the recognised provisional amounts of assets acquired and liabilities assumed at the acquisition date.

In millions of EUR	Lasko	South Africa	D&G and GAPL
Cash and cash equivalents	2	16	42
Property, plant and equipment	103	257	114
Intangible assets	180	2	930
Inventories	19	55	33
Other assets	90	186	94
<b>Assets acquired</b>	<b>394</b>	<b>516</b>	<b>1,213</b>
Contingent liabilities	–	–	5
Short term liabilities	216	94	74
Long term liabilities	51	191	251
<b>Liabilities assumed</b>	<b>267</b>	<b>285</b>	<b>330</b>
<b>Total net identifiable assets</b>	<b>127</b>	<b>231</b>	<b>883</b>
In millions of EUR			
Consideration transferred	120	52	707
Fair value of previously held equity interest in the acquiree	–	165	356
Non-controlling interests	58	58	344
Net identifiable assets acquired	(127)	(231)	(883)
<b>Goodwill on acquisition (provisional)</b>	<b>51</b>	<b>44</b>	<b>524</b>

Acquisition-related costs of EUR7 million have been recognised in the income statement for the period ended 31 December 2015.

The goodwill in each of the transactions is attributable to earnings beyond the period over which intangible assets are amortised, workforce, expected synergies and future customers. None of the goodwill amounts recognised are expected to be deductible for tax purposes. The goodwill related to D&G and GAPL has been allocated to the group of CGU's Americas (EUR132 million) and Asia Pacific (EUR392 million).

Non-controlling interests are measured based on their proportional interest in the recognised assets and liabilities of the acquired entities.

In accordance with IFRS 3, the amounts recorded for the transactions are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The amounts are provisional mainly because of the timing of the acquisitions in the fourth quarter of 2015.

The amount of revenue and profit or loss for the acquired companies after obtaining control amounts to EUR177 million and EUR20 million respectively. Would the acquisitions have taken place on 1 January 2015, revenue and profit for HEINEKEN would have been EUR21,179 million and EUR2,184 million respectively.

Mandatory General Offers ('MGO') were announced for Lasko and D&G non-controlling interest holders on 16 October 2015 and 17 November 2015 respectively. The subscription periods ended 15 January 2016 for Lasko and 21 January 2016 for D&G. Please refer to subsequent events note for further information on the acquired shares as part of the MGOs.

### Disposals

#### Disposal of EMPAQUE

The disposal of the Mexican packaging business EMPAQUE completed on 18 February 2015 for the value of USD1.225 billion (EUR956 million). A post-tax EUR379 million book gain on the disposal was recorded in Other Income.

#### Disposal of Ghana

As part of the transaction with Diageo to acquire their interest in D&G and GAPL, HEINEKEN sold its 20 per cent ownership in Heineken Ghanaian Holdings B.V. on 7 October 2015. The disposal resulted in a non-cash exceptional gain of EUR7 million recognised in Other income.

## Notes to the Consolidated Financial Statements continued

### 7. Assets or disposal groups classified as held for sale

The assets and liabilities below are classified as held for sale following the commitment of HEINEKEN to a plan to sell these assets and liabilities. Efforts to sell the other assets and liabilities classified as held for sale have commenced and are expected to be completed during 2016.

#### Assets and liabilities classified as held for sale

In millions of EUR	2015	2014
Current assets	53	96
Property, plant and equipment	67	236
Intangible assets	–	332
Other non-current assets	3	24
<b>Assets classified as held for sale</b>	<b>123</b>	<b>688</b>
Current liabilities	(31)	(103)
Non-current liabilities	–	(75)
<b>Liabilities classified as held for sale</b>	<b>(31)</b>	<b>(178)</b>

On 23 July 2015, Grupa Żywiec signed with Orbico Group a conditional agreement upon which Orbico Group will acquire 80 per cent of the shares in Dtribev Sp. z o.o (Grupa Żywiec's sales and distribution company serving the traditional trade and horeca market). The enterprise value for an 80 per cent stake amounted to PLN96 million (EUR23 million), and is subject to customary price adjustments. The assets and liabilities of Dtribev were classified as assets held for sale as at 31 December 2015. Closing of the transaction occurred on 1 February 2016.

In 2014, the assets and liabilities held for sale mainly related to HEINEKEN's packaging business EMPAQUE in Mexico. The sale was completed on 18 February 2015.

### 8. Other income

In millions of EUR	2015	2014
Gain on sale of property, plant and equipment	37	41
Gain on sale of subsidiaries, joint ventures and associates	374	52
	<b>411</b>	<b>93</b>

Included in other income are the results of previously held equity interests in GAB and South African operations and the disposal gains in relation to EMPAQUE and Ghana (refer to note 6).

### 9. Raw materials, consumables and services

In millions of EUR	2015	2014
Raw materials	1,616	1,782
Non-returnable packaging	3,049	2,551
Goods for resale	1,775	1,495
Inventory movements	(141)	(15)
Marketing and selling expenses	2,755	2,447
Transport expenses	1,139	1,050
Energy and water	517	548
Repair and maintenance	485	458
Other expenses	1,736	1,737
	<b>12,931</b>	<b>12,053</b>

## Notes to the Consolidated Financial Statements continued

Other expenses mainly include rentals of EUR301 million (2014: EUR291 million), consultant expenses of EUR142 million (2014: EUR179 million), telecom and office automation of EUR206 million (2014: EUR199 million), distribution expenses of EUR135 million (2014: EUR122 million), travel expenses of EUR151 million (2014: EUR143 million) and other taxes of EUR144 million (2014: EUR124 million).

### 10. Personnel expenses

In millions of EUR	Note	2015	2014
Wages and salaries		2,178	2,107
Compulsory social security contributions		346	337
Contributions to defined contribution plans		47	42
Expenses/(income) related to defined benefit plans	28	78	(31)
Expenses related to other long-term employee benefits		3	8
Equity-settled share-based payment plan	29	33	48
Other personnel expenses		637	569
		<b>3,322</b>	<b>3,080</b>

In other personnel expenses, restructuring costs are included for an amount of EUR90 million (2014: EUR101 million). In 2015, these costs are primarily related to the restructuring of operations in the Netherlands, Poland and Portugal.

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

	2015	2014*
The Netherlands	3,791	3,897
Other Europe	25,161	24,739
Americas	20,985	22,610
Africa, Middle East and Eastern Europe	15,102	16,212
Asia Pacific	8,728	8,678
	<b>73,767</b>	<b>76,136</b>

\* 2014 numbers have been revised to reflect the new regional segmentation.

### 11. Amortisation, depreciation and impairments

In millions of EUR	Note	2015	2014
Property, plant and equipment	14	1,222	1,088
Intangible assets	15	372	349
		<b>1,594</b>	<b>1,437</b>

## Notes to the Consolidated Financial Statements continued

### 12. Net finance income and expense

#### Recognised in profit or loss

In millions of EUR	2015	2014
<b>Interest income</b>	<b>60</b>	<b>48</b>
<b>Interest expenses</b>	<b>(412)</b>	<b>(457)</b>
Dividend income from available-for-sale investments	10	10
Gain/(loss) on disposal of available-for-sale investments	18	–
Net change in fair value of derivatives	143	173
Net foreign exchange gain/(loss)	(179)	(205)
Unwinding discount on provisions	(3)	(5)
Interest on the net defined benefit obligation	(44)	(49)
Other	(2)	(3)
<b>Other net finance income/(expenses)</b>	<b>(57)</b>	<b>(79)</b>
<b>Net finance income/(expenses)</b>	<b>(409)</b>	<b>(488)</b>

### 13. Income tax expense

#### Recognised in profit or loss

In millions of EUR	2015	2014
<b>Current tax expense</b>		
Current year	799	666
Under/(over) provided in prior years	(3)	(9)
	<b>796</b>	<b>657</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(72)	21
Previously unrecognised deductible temporary differences	(3)	(5)
Changes in tax rate	20	10
Utilisation/(benefit) of tax losses recognised	(11)	32
Under/(over) provided in prior years	(33)	17
	<b>(99)</b>	<b>75</b>
<b>Total income tax expense in profit or loss</b>	<b>697</b>	<b>732</b>

#### Reconciliation of the effective tax rate

In millions of EUR	2015	2014
Profit before income tax	2,838	2,440
Share of net profit of associates and joint ventures and impairments thereof	(172)	(148)
<b>Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)</b>	<b>2,666</b>	<b>2,292</b>

## Notes to the Consolidated Financial Statements continued

	%	2015	%	2014
Income tax using the Company's domestic tax rate	25.0	667	25.0	573
Effect of tax rates in foreign jurisdictions	2.1	57	3.8	87
Effect of non-deductible expenses	4.2	111	2.7	61
Effect of tax incentives and exempt income	(7.7)	(205)	(4.0)	(93)
Recognition of previously unrecognised temporary differences	(0.1)	(3)	(0.2)	(5)
Utilisation or recognition of previously unrecognised tax losses	(0.2)	(4)	(0.1)	(3)
Unrecognised current year tax losses	0.8	21	0.7	17
Effect of changes in tax rate	0.8	20	0.4	10
Withholding taxes	1.9	50	2.6	60
Under/(over) provided in prior years	(1.3)	(36)	0.3	8
Other reconciling items	0.7	19	0.7	17
	<b>26.2</b>	<b>697</b>	<b>31.9</b>	<b>732</b>

The effective tax rate 2015 includes the gain on sale of EMPAQUE, which was tax exempt, while the effective tax rate 2014 included one-off tax items with an overall negative tax impact. The line 'effect of non-deductible expenses' includes the impact of impairments for which no tax benefit could be recognised (refer to note 14).

### Income tax recognised in other comprehensive income

In millions of EUR	Note	2015	2014
Changes in fair value reserve		(3)	3
Changes in hedging reserve		14	11
Changes in translation reserve		77	108
Changes as a result of actuarial gains and losses		(33)	96
	24	<b>55</b>	<b>218</b>

## 14. Property, plant and equipment

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
<b>Cost</b>						
Balance as at 1 January 2014		4,934	6,905	4,616	705	17,160
Changes in consolidation		9	2	1	–	12
Purchases		83	279	471	686	1,519
Transfer of completed projects under construction		91	383	149	(623)	–
Transfer (to)/from assets classified as held for sale		(72)	(175)	7	(4)	(244)
Disposals		(93)	(90)	(234)	(1)	(418)
Effect of movements in exchange rates		37	1	41	30	109
Balance as at 31 December 2014		4,989	7,305	5,051	793	18,138
Balance as at 1 January 2015		4,989	7,305	5,051	793	18,138
Changes in consolidation		256	280	132	22	690
Purchases		84	99	428	1,029	1,640
Transfer of completed projects under construction		240	607	206	(1,053)	–
Transfer (to)/from assets classified as held for sale		(50)	(1)	(8)	–	(59)
Disposals		(54)	(126)	(354)	(3)	(537)
Effect of movements in exchange rates		15	(54)	(47)	–	(86)
Balance as at 31 December 2015		5,480	8,110	5,408	788	19,786



## Notes to the Consolidated Financial Statements continued

### 14. Property, plant and equipment continued

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
<b>Depreciation and impairment losses</b>						
Balance as at 1 January 2014		(1,789)	(3,827)	(3,090)	–	(8,706)
Changes in consolidation		4	11	3	–	18
Depreciation charge for the year	11	(154)	(415)	(511)	–	(1,080)
Impairment losses	11	(5)	(3)	–	–	(8)
Transfer to/(from) assets classified as held for sale		2	42	(8)	–	36
Disposals		30	79	210	–	319
Effect of movements in exchange rates		6	14	(19)	–	1
<b>Balance as at 31 December 2014</b>		<b>(1,906)</b>	<b>(4,099)</b>	<b>(3,415)</b>	<b>–</b>	<b>(9,420)</b>
<b>Balance as at 1 January 2015</b>		<b>(1,906)</b>	<b>(4,099)</b>	<b>(3,415)</b>	<b>–</b>	<b>(9,420)</b>
Changes in consolidation		(35)	(51)	(61)	–	(147)
Depreciation charge for the year	11	(157)	(424)	(570)	–	(1,151)
Impairment losses	11	(18)	(36)	(17)	–	(71)
Transfer to/(from) assets classified as held for sale		14	–	5	–	19
Disposals		29	136	332	–	497
Effect of movements in exchange rates		(15)	22	32	–	39
<b>Balance as at 31 December 2015</b>		<b>(2,088)</b>	<b>(4,452)</b>	<b>(3,694)</b>	<b>–</b>	<b>(10,234)</b>
<b>Carrying amount</b>						
As at 1 January 2014		3,145	3,078	1,526	705	8,454
As at 31 December 2014		3,083	3,206	1,636	793	8,718
As at 1 January 2015		3,083	3,206	1,636	793	8,718
As at 31 December 2015		3,392	3,658	1,714	788	9,552

#### Impairment losses

In 2015, a total impairment loss of EUR71 million (2014: EUR8 million) was charged to profit or loss.

Due to difficult market circumstances, impairments of property, plant & equipment were recorded in Belgium (EUR26 million), Laos (EUR15 million) and Tunisia (EUR33 million). These impairments have been recorded on the line 'Amortisation, depreciation and impairments' in the Income Statement. In determining the recoverable amount of these assets the applied discount rates are 9.4 per cent for Belgium, based on a fair value less cost to sell valuation, and 16.5 per cent for Laos and 12.2 per cent for Tunisia, based on value in use valuations. In the fair value less cost to sell valuation external beer market development and inflation assumptions were used in line with the goodwill impairment testing process.

#### Financial lease assets

HEINEKEN leases P, P & E under a number of finance lease agreements. At 31 December 2015, the net carrying amount of leased P, P & E was EUR15 million (2014: EUR15 million).

#### Security to authorities

Certain P, P & E amounting to EUR80 million (2014: EUR91 million) has been pledged to the authorities in a number of countries as security for the payment of taxes, particularly import and excise duties on beers, non-alcoholic beverages and spirits. This mainly relates to the Netherlands and Brazil.

## Notes to the Consolidated Financial Statements continued

### 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 2015, borrowing costs amounting to EUR3 million have been capitalised (2014: EUR5 million).

### 15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
<b>Cost</b>							
Balance as at 1 January 2014		10,407	3,851	2,110	680	506	17,554
Changes in consolidation and other transfers		98	15	17	30	(47)	113
Purchased/internally developed		–	–	1	–	56	57
Disposals		–	(2)	–	–	(2)	(4)
Transfers to assets held for sale		(259)	–	(85)	–	–	(344)
Effect of movements in exchange rates		557	208	131	63	1	960
Balance as at 31 December 2014		10,803	4,072	2,174	773	514	18,336
Balance as at 1 January 2015		10,803	4,072	2,174	773	514	18,336
Changes in consolidation and other transfers		611	475	333	296	18	1,733
Purchased/internally developed		–	–	–	–	93	93
Disposals		–	–	–	–	(18)	(18)
Transfers to assets held for sale		–	–	–	–	–	–
Effect of movements in exchange rates		317	30	20	32	(2)	397
Balance as at 31 December 2015		11,731	4,577	2,527	1,101	605	20,541
<b>Amortisation and impairment losses</b>							
Balance as at 1 January 2014		(391)	(359)	(511)	(71)	(288)	(1,620)
Changes in consolidation		–	–	–	–	1	1
Amortisation charge for the year	11	–	(98)	(147)	(43)	(43)	(331)
Impairment losses	11	(16)	(2)	–	–	–	(18)
Disposals		–	2	–	–	(1)	1
Transfers to assets held for sale		–	–	21	–	(1)	20
Effect of movements in exchange rates		–	(5)	(13)	(29)	(1)	(48)
Balance as at 31 December 2014		(407)	(462)	(650)	(143)	(333)	(1,995)
Balance as at 1 January 2015		(407)	(462)	(650)	(143)	(333)	(1,995)
Changes in consolidation		–	–	–	(1)	(1)	(2)
Amortisation charge for the year	11	–	(108)	(165)	(44)	(51)	(368)
Impairment losses	11	–	(3)	–	–	(1)	(4)
Disposals		–	–	–	–	15	15
Transfers to assets held for sale		–	–	–	–	–	–
Effect of movements in exchange rates		–	2	7	(14)	1	(4)
Balance as at 31 December 2015		(407)	(571)	(808)	(202)	(370)	(2,358)
<b>Carrying amount</b>							
As at 1 January 2014		10,016	3,492	1,599	609	218	15,934
As at 31 December 2014		10,396	3,610	1,524	630	181	16,341
As at 1 January 2015		10,396	3,610	1,524	630	181	16,341
As at 31 December 2015		11,324	4,006	1,719	899	235	18,183

## Notes to the Consolidated Financial Statements continued

### 15. Intangible assets continued

#### Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in various acquisitions such as Fosters, Strongbow, Dos Equis, Tiger and Bintang. The main customer-related and contract-based intangibles relate to customer relationships with retailers in Mexico and Asia Pacific (constituted either by way of a contractual agreement or by way of non-contractual relations) and reacquired rights.

#### Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill in respect of Europe, the Americas (excluding Brazil) and Asia Pacific is allocated and monitored on a regional basis. For Brazil and subsidiaries within Africa, Middle East and Eastern Europe and Head Office, goodwill is allocated and monitored on an individual country basis.

The carrying amounts of goodwill allocated to each (group of) CGU(s) are as follows:

In millions of EUR	2015	2014*
Europe	5,060	4,876
The Americas (excluding Brazil)	2,124	1,862
Brazil	62	83
Africa, Middle East and Eastern Europe (aggregated)	508	491
Asia Pacific	3,090	2,604
Head Office	480	480
	<b>11,324</b>	<b>10,396</b>

\* 2014 numbers have been revised to reflect the new regional segmentation.

Throughout the year, goodwill increased mainly due to acquisitions and net foreign currency differences.

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

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

- Cash flows were projected based on actual operating results and the three-year business plan. Cash flows for a further seven-year period were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this forecast period is justified due to the long-term nature of the beer business and past experiences.
- The beer price growth per year after the first three-year period is assumed to be at specific per country expected annual long-term inflation, based on external sources.
- Cash flows after the first 10-year period were extrapolated using a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

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

In per cent	Pre-tax WACC	Expected annual long-term inflation 2019-2025	Expected volume growth rates 2019-2025
Europe	9.4	1.8	0.6
The Americas (excluding Brazil)	13.5	3.1	2.0
Brazil	14.1	4.8	2.0
Africa, Middle East and Eastern Europe	12.4 – 24.7	3.0 – 8.9	1.7 – 8.5
Asia Pacific	14.1	4.5	3.3
Head Office	9.4	1.8	0.6

## Notes to the Consolidated Financial Statements continued

### Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

### 16. Investments in associates and joint ventures

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

#### Acquisition of 50 per cent stake in Lagunitas (US)

The acquisition of a 50 per cent shareholding in the Lagunitas Brewing Company was completed on 15 October 2015 and is accounted for as a joint venture using the equity method.

#### Summarised financial information for equity accounted joint ventures and associates

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

In millions of EUR	Joint ventures		Associates	
	2015	2014	2015	2014
<b>Carrying amount of interests</b>	<b>1,852</b>	<b>1,964</b>	<b>133</b>	<b>69</b>
Share of:				
Profit or loss from continuing operations	151	135	21	13
Other comprehensive income	7	(7)	–	–
	<b>158</b>	<b>128</b>	<b>21</b>	<b>13</b>

### 17. Other investments and receivables

In millions of EUR	Note	2015	2014
<b>Non-current other investments and receivables</b>			
Available-for-sale investments	32	287	253
Non-current derivatives	32	210	97
Loans to customers	32	69	68
Loans to joint ventures and associates	32	22	65
Long-term prepayments		115	84
Held-to-maturity investments	32	1	3
Indemnification receivable	32	4	9
Other receivables	32	148	158
		<b>856</b>	<b>737</b>
<b>Current other investments</b>			
Investments held for trading	32	16	13
		<b>16</b>	<b>13</b>

Effective interest rates on loans to customers range from 0.5 – 12 per cent.

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.

HEINEKEN has interests in several entities where it has less than significant influence. These are classified as available-for-sale investments and valued based on their share price when publicly listed. For investments that are not listed fair values are established using multiples. Debt securities (which are interest-bearing) with a carrying amount of EUR15 million (2014: EUR14 million) are included in available-for-sale investments.

## Notes to the Consolidated Financial Statements continued

### 17. Other investments and receivables continued

#### Sensitivity analysis – equity price risk

As at 31 December 2015, an amount of EUR98 million (2014: EUR99 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. An increase or decrease of 1 per cent in the share price at the reporting date would not result in a material impact on HEINEKEN's financial position.

### 18. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

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

In millions of EUR	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	54	80	(607)	(607)	(553)	(527)
Intangible assets	78	83	(1,507)	(1,340)	(1,429)	(1,257)
Investments	129	131	(5)	(8)	124	123
Inventories	28	20	(2)	(1)	26	19
Loans and borrowings	11	1	(23)	(10)	(12)	(9)
Employee benefits	334	366	(3)	(1)	331	365
Provisions	93	112	(42)	(20)	51	92
Other items	332	288	(134)	(113)	198	175
Tax losses carry forward	364	177	–	–	364	177
<b>Tax assets/(liabilities)</b>	<b>1,423</b>	<b>1,258</b>	<b>(2,323)</b>	<b>(2,100)</b>	<b>(900)</b>	<b>(842)</b>
Set-off of tax	(465)	(597)	465	597	–	–
<b>Net tax assets/(liabilities)</b>	<b>958</b>	<b>661</b>	<b>(1,858)</b>	<b>(1,503)</b>	<b>(900)</b>	<b>(842)</b>

Of the total net deferred tax assets of EUR958 million as at 31 December 2015 (2014: EUR661 million), EUR363 million (2014: EUR196 million) is recognised in respect of subsidiaries in various countries where there have been tax losses in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise these deferred tax assets.

#### Tax losses carry forward

HEINEKEN has tax losses carry forward for an amount of EUR2,363 million as at 31 December 2015 (2014: EUR1,493 million), which expire in the following years:

In millions of EUR	2015	2014
2015	–	30
2016	24	40
2017	26	14
2018	57	33
2019	16	51
2020	11	–
After 2020 respectively 2019 but not unlimited	513	277
Unlimited	1,716	1,048
	<b>2,363</b>	<b>1,493</b>
Recognised as deferred tax assets gross	(1,564)	(786)
<b>Unrecognised</b>	<b>799</b>	<b>707</b>

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses. The increase in available tax losses, compared to 2014, is driven by acquisitions in 2015.

## Notes to the Consolidated Financial Statements continued

### Movement in deferred tax balances during the year

In millions of EUR	Balance 1 January 2015	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2015
Property, plant and equipment	(527)	(54)	23	6	–	(1)	(553)
Intangible assets	(1,257)	(261)	(3)	91	–	1	(1,429)
Investments	123	7	(7)	2	1	(2)	124
Inventories	19	(4)	–	10	–	1	26
Loans and borrowings	(9)	–	(13)	1	6	3	(12)
Employee benefits	365	–	4	(7)	(33)	2	331
Provisions	92	2	1	(25)	–	(19)	51
Other items	175	(12)	93	10	1	(69)	198
Tax losses carry forward	177	125	(14)	11	–	65	364
<b>Net tax assets/(liabilities)</b>	<b>(842)</b>	<b>(197)</b>	<b>84</b>	<b>99</b>	<b>(25)</b>	<b>(19)</b>	<b>(900)</b>

In millions of EUR	Balance 1 January 2014	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2014
Property, plant and equipment	(536)	–	9	(22)	–	22	(527)
Intangible assets	(1,234)	(2)	(79)	40	–	18	(1,257)
Investments	119	–	1	1	–	2	123
Inventories	19	–	–	–	–	–	19
Loans and borrowings	1	–	(11)	(1)	–	2	(9)
Employee benefits	315	–	7	(36)	96	(17)	365
Provisions	101	–	2	(4)	–	(7)	92
Other items	59	–	98	(21)	14	25	175
Tax losses carry forward	220	(2)	(5)	(32)	–	(4)	177
<b>Net tax assets/(liabilities)</b>	<b>(936)</b>	<b>(4)</b>	<b>22</b>	<b>(75)</b>	<b>110</b>	<b>41</b>	<b>(842)</b>

### 19. Inventories

In millions of EUR	2015	2014
Raw materials	247	297
Work in progress	223	181
Finished products	479	398
Goods for resale	197	240
Non-returnable packaging	195	166
Other inventories and spare parts	361	352
	<b>1,702</b>	<b>1,634</b>

During 2015 inventories were written down by EUR23 million to net realisable value (2014: nil).



## Notes to the Consolidated Financial Statements continued

### 20. Trade and other receivables

In millions of EUR	Note	2015	2014
Trade receivables		2,169	2,017
Other receivables		625	580
Trade receivables due from associates and joint ventures		27	24
Derivatives		52	122
	32	<b>2,873</b>	<b>2,743</b>

A net impairment loss of EUR61 million (2014: EUR19 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

### 21. Cash and cash equivalents

In millions of EUR	Note	2015	2014
Cash and cash equivalents	32	824	668
Bank overdrafts and commercial papers	25	(542)	(595)
Cash and cash equivalents in the statement of cash flows		<b>282</b>	<b>73</b>

HEINEKEN has a global cash pooling programme in place and reports net amounts in the statement of financial position. Cash and bank overdrafts subject to offset-arrangements under this programme have been netted for EUR1,962 million (2014: EUR1,910 million).

### 22. Capital and reserves

#### Share capital

As at 31 December 2015, the issued share capital comprised 576,002,613 ordinary shares (2014: 576,002,613). The ordinary shares have a par value of EUR1.60. All issued shares are fully paid. The share capital as at 31 December 2015 amounted to EUR922 million (2014: EUR922 million).

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

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

During 2015, HEINEKEN purchased 5,229,279 shares for a total consideration of EUR365 million following the completion of the divestment of EMPAQUE in February 2015. These shares have not been cancelled. As announced in the Q3 trading update, the share buy back plan was discontinued in light of the acquisitions mentioned in note 6.

#### Share premium

As at 31 December 2015, the share premium amounted to EUR2,701 million (2014: EUR2,701 million).

#### Translation reserve

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

#### Hedging reserve

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

## Notes to the Consolidated Financial Statements continued

### Fair value reserve

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

### Other legal reserves

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

### Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by HEINEKEN. As at 31 December 2015, HEINEKEN held 6,318,958 of the Company's shares (2014: 1,395,435).

### LTV

During the period from 1 January to 31 December 2015, HEINEKEN acquired 270,000 shares for an amount of EUR19 million for delivery against LTV and other share-based payment plans.

### Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of EUR	2015	2014
Final dividend previous year EUR0.74, respectively EUR0.53 per qualifying ordinary share	425	305
Interim dividend current year EUR0.44, respectively EUR0.36 per qualifying ordinary share	251	207
<b>Total dividend declared and paid</b>	<b>676</b>	<b>512</b>

As announced at the AGM of 21 April 2015, HEINEKEN widened the payout ratio for its annual dividend from 30-35 per cent to 30-40 per cent of net profit (beia). For 2015, a payment of a total cash dividend of EUR1.30 per share (2014: EUR1.10) will be proposed at the AGM. If approved, a final dividend of EUR0.86 per share will be paid on 4 May 2016, as an interim dividend of EUR0.44 per share was paid on 12 August 2015. The payment will be subject to 15 per cent Dutch withholding tax.

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

In millions of EUR	2015	2014
Per qualifying ordinary share EUR1.30 (2014: EUR1.10)	741	632

### Non-controlling interests

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total non-controlling interest as at 31 December 2015 amounted to EUR1,535 million (2014: EUR1,043 million). Refer to note 36 for the disclosure of material NCIs.

## Notes to the Consolidated Financial Statements continued

### 23. Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share for the period ended 31 December 2015 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,892 million (2014: EUR1,516 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2015 of 572,292,454 (2014: 574,945,645). Basic earnings per share for the year amounted to EUR3.31 (2014: EUR2.64).

#### Diluted earnings per share

The calculation of diluted earnings per share for the period ended 31 December 2015 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,892 million (2014: EUR1,516 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the dilutive effect of share based payment plan obligations of 572,944,188 (2014: 576,002,613). Diluted earnings per share for the year amounted to EUR3.30 (2014: EUR2.63).

#### Weighted average number of shares – basic and diluted

	2015	2014
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	(3,710,159)	(1,056,968)
Weighted average number of basic shares for the year	572,292,454	574,945,645
Dilutive effect of share based payment plan obligations	651,734	1,056,968
Weighted average number of diluted shares for the year	572,944,188	576,002,613

### 24. Income tax on other comprehensive income

In millions of EUR	2015			2014		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
<b>Other comprehensive income</b>						
Actuarial gains and losses	128	(33)	95	(440)	96	(344)
Currency translation differences	(120)	77	(43)	590	107	697
Recycling of currency translation differences to profit or loss	129	–	129	–	–	–
Effective portion of net investment hedges	15	–	15	(6)	1	(5)
Effective portion of changes in fair value of cash flow hedges	(3)	26	23	(108)	9	(99)
Effective portion of cash flow hedges transferred to profit or loss	36	(12)	24	(5)	2	(3)
Net change in fair value available-for-sale investments	46	(3)	43	(4)	3	(1)
Recycling of fair value of available-for-sale investments to profit or loss	(16)	–	(16)	–	–	–
Share of other comprehensive income of associates/joint ventures	7	–	7	(7)	–	(7)
	<b>222</b>	<b>55</b>	<b>277</b>	<b>20</b>	<b>218</b>	<b>238</b>

## Notes to the Consolidated Financial Statements continued

### 25. Loans and borrowings

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

#### Non-current liabilities

In millions of EUR	Note	2015	2014
Unsecured bond issues		9,269	7,802
Unsecured bank loans		126	481
Secured bank loans		38	45
Finance lease liabilities	26	10	10
Other non-current interest-bearing liabilities		1,183	1,153
<b>Non-current interest-bearing liabilities</b>		<b>10,626</b>	<b>9,491</b>
Non-current derivatives		32	8
<b>Non-current liabilities</b>		<b>10,658</b>	<b>9,499</b>

#### Current interest-bearing liabilities

In millions of EUR	Note	2015	2014
Current portion of unsecured bonds issued		400	967
Current portion of unsecured bank loans		354	3
Current portion of secured bank loans		8	11
Current portion of finance lease liabilities	26	5	5
Current portion of other non-current interest-bearing liabilities		35	121
<b>Total current portion of non-current interest-bearing liabilities</b>		<b>802</b>	<b>1,107</b>
Deposits from third parties (mainly employee loans)		595	564
		<b>1,397</b>	<b>1,671</b>
Bank overdrafts and commercial papers	21	542	595
<b>Current interest-bearing liabilities</b>		<b>1,939</b>	<b>2,266</b>

## Notes to the Consolidated Financial Statements continued

### 25. Loans and borrowings continued

#### Net interest-bearing debt position

In millions of EUR	Note	2015	2014 <sup>1</sup>
Non-current interest-bearing liabilities		10,626	9,491
Current portion of non-current interest-bearing liabilities		802	1,107
Deposits from third parties (mainly employee loans)		595	564
		<b>12,023</b>	<b>11,162</b>
Bank overdrafts and commercial papers	21	542	595
Market value of cross-currency interest rate swaps	32	(215)	(166)
		<b>12,350</b>	<b>11,591</b>
Cash, cash equivalents and current other investments	17/21	(840)	(681)
<b>Net interest-bearing debt position</b>		<b>11,510</b>	<b>10,910</b>

<sup>1</sup> Restated to reflect the revised net debt definition.

HEINEKEN has amended its net debt definition to include derivative financial instruments designated as cash flow hedges if these hedges are considered to be inextricably linked to the underlying borrowings because they are used to mitigate the foreign currency exchange risk arising from foreign currency borrowings. The change in this definition has resulted in a reduction in net debt of EUR215 million at 31 December 2015 (2014: EUR166 million).

#### Non-current liabilities

In millions of EUR	Unsecured bond issues	Unsecured bank loans	Secured bank loans	Finance lease liabilities	Other non-current interest- bearing liabilities	Non- current derivatives	Non- current non- interest- bearing liabilities	Total
Balance as at 1 January 2015	7,802	481	45	10	1,153	8	–	9,499
Consolidation changes	–	133	–	2	–	–	–	135
Effect of movements in exchange rates	3	(26)	–	–	(1)	(2)	(3)	(29)
Transfers to current liabilities	(390)	(364)	(4)	(3)	(55)	(81)	(3)	(900)
Charge to/(from) equity in relation to derivatives	(69)	–	–	–	100	24	–	55
Proceeds	1,510	180	1	1	9	827	2	2,530
Repayments	(10)	(278)	–	(1)	(45)	(684)	(6)	(1,024)
Other	423	–	(4)	1	22	(60)	10	392
<b>Balance as at 31 December 2015</b>	<b>9,269</b>	<b>126</b>	<b>38</b>	<b>10</b>	<b>1,183</b>	<b>32</b>	<b>–</b>	<b>10,658</b>

## Notes to the Consolidated Financial Statements continued

### Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2015	Face value 2015	Carrying amount 2014	Face value 2014
Unsecured bond	issue under EMTN programme	GBP	7.3	2015	–	–	508	508
Unsecured bond	issue under EMTN programme	SGD	2.7	2015	–	–	47	47
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	400	400	399	400
Unsecured bond	issue under EMTN programme	SGD	1.5	2017	64	65	61	62
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	100	100	99	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	62	62	59	59
Unsecured bond	issue under EMTN programme	USD	1.3	2019	183	184	164	165
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	845	850	844	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	997	1,000	996	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	497	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.3	2021	497	500	–	–
Unsecured bond	issue under EMTN programme	USD	3.3	2022	183	184	–	–
Unsecured bond	issue under EMTN programme	EUR	1.7	2023	140	140	–	–
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.5	2024	454	460	–	–
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	742	750	741	750
Unsecured bond	issue under EMTN programme	EUR	2.0	2025	224	225	–	–
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	199	200
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	179	180	179	180
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	91	100	91	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under APB MTN programme	SGD	3.0–4.0	2020–2022	25	25	24	24
Unsecured bond	issue under 144A/RegS	USD	0.8	2015	–	–	411	412
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,146	1,148	1,026	1,030



## Notes to the Consolidated Financial Statements continued

### 25. Loans and borrowings continued

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2015	Face value 2015	Carrying amount 2014	Face value 2014
Unsecured bond	issue under 144A/ RegS	USD	3.4	2022	685	689	614	618
Unsecured bond	issue under 144A/ RegS	USD	2.8	2023	915	919	819	824
Unsecured bond	issue under 144A/ RegS	USD	4.0	2042	450	459	402	412
Unsecured bond	n.a.	EUR	3.5 – 4.5	2020	19	19	17	17
Unsecured bank loans	bank facilities	EUR	4.8	2016	207	207	207	207
Unsecured bank loans	bank facilities	NGN	15 – 17	2016	14	16	121	121
Unsecured bank loans	German Schuldschein notes	EUR	1.8 – 6.2	2016	111	111	110	111
Unsecured bank loans	bank facilities	MYR	3.5 – 4.5	– 2017	19	19	–	–
		USD,		2017				
Unsecured bank loans	bank facilities	RWF	4.5 – 13.5	– 2020	17	17	–	–
Unsecured bank loans	bank facilities	ZAR	8.0	2018	71	71	–	–
Unsecured bank loans	bank facilities	PGK	4.7	2019	38	38	35	35
Unsecured bank loans	various	various	various	various	3	3	11	11
Secured bank loans	bank facilities	GBP	1.8	2016	6	6	8	8
Secured bank loans	bank facilities	HTG	8.5	2020	13	14	16	16
Secured bank loans	bank facilities	ETB	10.0	2021	22	22	20	20
Secured bank loans	various	various	various	various	5	5	12	12
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	–	–	43	43
Other interest-bearing liabilities	2011 US private placement	GBP	7.3	2016	34	34	32	32
Other interest-bearing liabilities	2008 US private placement	USD	2.8	2017	83	83	74	74
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	44	44	41	41
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	665	666	597	597
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	357	358	321	321
Other interest-bearing liabilities	facilities from JVs	EUR	various	various	17	17	150	150
Other interest-bearing liabilities	various	various	various	various	18	18	16	16
Deposits from third parties	n.a.	various	various	various	595	595	564	564
Finance lease liabilities	n.a.	various	various	various	15	15	15	15
					<b>12,023</b>	<b>12,093</b>	<b>11,162</b>	<b>11,227</b>

## Notes to the Consolidated Financial Statements continued

### Financing headroom<sup>1</sup>

As at 31 December 2015, no amounts were drawn on the existing revolving credit facility of EUR2,500 million. This revolving credit facility was extended by one year and matures now in 2020. The committed financing headroom at Group level was EUR2,333 million as at 31 December 2015 and consisted of an undrawn revolving credit facility and centrally available cash, minus commercial paper in issue at Group level.

### Incurrence covenant<sup>1</sup>

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt (excluding the market value of cross-currency interest rate swaps) by EBITDA (beia) (both based on proportional consolidation of joint ventures and including acquisitions made in 2015 on a pro-forma basis). As at 31 December 2015 this ratio was 2.4 (2014: 2.4). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt financed acquisitions.

<sup>1</sup> Non-GAAP measures: unaudited

## 26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2015	Interest 2015	Present value of minimum lease payments 2015	Future minimum lease payments 2014	Interest 2014	Present value of minimum lease payments 2014
Less than one year	5	–	5	5	–	5
Between one and five years	9	–	9	8	–	8
More than five years	1	–	1	2	–	2
	<b>15</b>	<b>–</b>	<b>15</b>	<b>15</b>	<b>–</b>	<b>15</b>

## 27. Non-GAAP measures

In the internal management reports, HEINEKEN measures its performance primarily based on EBIT and EBIT beia (before exceptional items and amortisation of acquisition-related intangible assets). Both are non-GAAP measures not calculated in accordance with IFRS. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Beia adjustments are also applied on operating profit and net profit metrics.

The table below presents the relationship between IFRS measures, being results from operating activities and net profit, and HEINEKEN non-GAAP measures, being EBIT, EBIT (beia), operating profit (beia) and net profit (beia).

In millions of EUR	2015 <sup>1</sup>	2014 <sup>1</sup>
<b>Results from operating activities</b>	<b>3,075</b>	<b>2,780</b>
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	172	148
<b>EBIT</b>	<b>3,247</b>	<b>2,928</b>
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	311	340
<b>EBIT (beia)</b>	<b>3,558</b>	<b>3,268</b>
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(177)	(139)
<b>Operating profit (beia)</b>	<b>3,381</b>	<b>3,129</b>
<b>Profit attributable to equity holders of the Company (net profit)</b>	<b>1,892</b>	<b>1,516</b>
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	311	340
Exceptional items included in finance costs	(18)	(1)
Exceptional items included in income tax expense	(124)	(52)
Exceptional items included in non-controlling interest	(13)	(45)
<b>Net profit (beia)</b>	<b>2,048</b>	<b>1,758</b>

<sup>1</sup> Unaudited.

## Notes to the Consolidated Financial Statements continued

### 27. Non-GAAP measures continued

The 2015 exceptional items included in EBIT contain the amortisation of acquisition-related intangibles for EUR321 million (2014: EUR291 million), the disposal gain for EMPAQUE of EUR379 million, restructuring expenses of EUR106 million (2014: EUR111 million) and the impairment of intangible assets and P, P & E of EUR78 million (2014: EUR21 million). Additional exceptional items included in EBIT are the write down of assets and recording of provisions in DRC and Rwanda for an amount of EUR79 million and the combined loss on the Previously Held Equity Interests of GAB, DHN and Sedibeng of EUR19 million.

The revaluation of the existing stake in D&G of EUR18 million resulted in an exceptional item in finance costs. The exceptional items in income tax expense include the tax impact on amortisation of acquisition-related intangible assets of EUR75 million (2014: EUR72 million) and the tax impact on other exceptional items included in EBIT and finance costs of EUR58 million (2014: EUR6 million). These items are partly offset by exceptional income tax items with a negative impact amounting to EUR9 million (2014: EUR26 million negative impact).

EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

### 28. Employee benefits

In millions of EUR	2015	2014
Present value of unfunded defined benefit obligations	329	358
Present value of funded defined benefit obligations	8,544	8,551
<b>Total present value of defined benefit obligations</b>	<b>8,873</b>	<b>8,909</b>
Fair value of defined benefit plan assets	(7,661)	(7,547)
<b>Present value of net obligations</b>	<b>1,212</b>	<b>1,362</b>
Asset ceiling items	4	2
<b>Recognised liability for defined benefit obligations</b>	<b>1,216</b>	<b>1,364</b>
Other long-term employee benefits	73	79
	<b>1,289</b>	<b>1,443</b>

HEINEKEN makes contributions to defined benefit plans that provide pension benefits for employees upon retirement in a number of countries. The defined benefit plans in the Netherlands and the UK combined cover 88.4 per cent of the total defined benefit plan assets (2014: 88.6 per cent), 83.9 per cent of the present value of the defined benefit obligations (2014: 83.0 per cent) and 55.2 per cent of the present value of net obligations (2014: 52.1 per cent) as at 31 December 2015.

HEINEKEN provides employees in the Netherlands with an average pay pension plan based on earnings up to the legal tax limit. Indexation of accrued benefits is conditional on the funded status of the pension fund. HEINEKEN pays contributions to the fund up to a maximum level agreed with the Board of the pension fund and has no obligation to make additional contributions in case of a funding deficit. In 2015, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level is expected to be paid in 2016.

HEINEKEN's UK plan (Scottish & Newcastle pension plan 'SNPP') was closed to future accrual in 2010 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2013, HEINEKEN has agreed a 10-year funding plan including base Company contributions of GBP21 million per year, with a further Company contribution of between GBP15 million and GBP40 million per year, contingent on the funding level of the pension fund. As at 31 December 2015, the IAS 19 present value of the net obligations of SNPP represents a GBP369 million (EUR502 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. The next triennial review will take place in 2016.

Other countries where HEINEKEN offers a defined benefit plan to (former) employees include: Austria (closed in 2007 to new entrants), Belgium, Greece (closed in 2014 to new entrants), Ireland (closed in 2012 to all future accrual), Jamaica, Mexico (plan changed to hybrid defined contribution for majority of employees in 2014), Nigeria (closed to new entrants in 2007), Portugal, Spain (closed to management in 2010) and Switzerland.

The vast majority of benefit payments are from pension funds that are held in trusts (or equivalent); however, there is a small portion where HEINEKEN meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by Trustee Boards composed of HEINEKEN representatives and independent and/or member representation, in accordance with local regulations and practice in each country. The relationship and division of responsibility between HEINEKEN and the Trustee Board (or equivalent) including investment decisions and contribution schedules are carried out in accordance with the plan's regulations.

## Notes to the Consolidated Financial Statements continued

In other countries, retirement benefits are provided to employees via defined contribution plans.

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

### Movement in net defined benefit obligation

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

In millions of EUR	Note	Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
		2015	2014	2015	2014	2015	2014
<b>Balance as at 1 January</b>		<b>8,909</b>	<b>7,674</b>	<b>(7,547)</b>	<b>(6,553)</b>	<b>1,362</b>	<b>1,121</b>
<b>Included in profit or loss</b>							
Current service cost		83	75	–	–	83	75
Past service cost/(credit)		(9)	(103)	–	–	(9)	(103)
Administration expense		–	–	6	4	6	4
Effect of any settlement		(2)	(7)	–	–	(2)	(7)
<b>Expense recognised in personnel expenses</b>	10	<b>72</b>	<b>(35)</b>	<b>6</b>	<b>4</b>	<b>78</b>	<b>(31)</b>
Interest expense/(income)	12	258	326	(214)	(277)	44	49
		<b>330</b>	<b>291</b>	<b>(208)</b>	<b>(273)</b>	<b>122</b>	<b>18</b>
<b>Included in OCI</b>							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from:							
Demographic assumptions		(62)	12	–	–	(62)	12
Financial assumptions		(191)	1,185	–	–	(191)	1,185
Experience adjustments		(41)	(112)	–	–	(41)	(112)
Return on plan assets excluding interest income		–	–	166	(645)	166	(645)
Effect of movements in exchange rates		259	257	(236)	(225)	23	32
		<b>(35)</b>	<b>1,342</b>	<b>(70)</b>	<b>(870)</b>	<b>(105)</b>	<b>472</b>
<b>Other</b>							
Changes in consolidation and reclassification		13	(86)	–	32	13	(54)
Contributions paid:							
By the employer		–	–	(180)	(195)	(180)	(195)
By the plan participants		26	26	(26)	(26)	–	–
Benefits paid		(370)	(338)	370	338	–	–
		<b>(331)</b>	<b>(398)</b>	<b>164</b>	<b>149</b>	<b>(167)</b>	<b>(249)</b>
<b>Balance as at 31 December</b>		<b>8,873</b>	<b>8,909</b>	<b>(7,661)</b>	<b>(7,547)</b>	<b>1,212</b>	<b>1,362</b>

## Notes to the Consolidated Financial Statements continued

### 28. Employee benefits continued

#### Defined benefit plan assets

In millions of EUR	2015			2014*		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments:						
Europe	746	–	746	766	–	766
Northern America	511	–	511	716	–	716
Japan	212	–	212	207	–	207
Asia other	153	–	153	234	–	234
Other	249	1	250	253	1	254
	<b>1,871</b>	<b>1</b>	<b>1,872</b>	<b>2,176</b>	<b>1</b>	<b>2,177</b>
Debt instruments:						
Corporate bonds – investment grade	2,791	1,355	4,146	2,551	1,253	3,804
Corporate bonds – non-investment grade	131	178	309	133	146	279
	<b>2,922</b>	<b>1,533</b>	<b>4,455</b>	<b>2,684</b>	<b>1,399</b>	<b>4,083</b>
Derivatives	16	(1,229)	(1,213)	5	(924)	(919)
Properties and real estate	253	267	520	281	212	493
Cash and cash equivalents	195	47	242	206	15	221
Investment funds	1,219	292	1,511	923	309	1,232
Other plan assets	4	270	274	199	61	260
	<b>1,687</b>	<b>(353)</b>	<b>1,334</b>	<b>1,614</b>	<b>(327)</b>	<b>1,287</b>
<b>Balance as at 31 December</b>	<b>6,480</b>	<b>1,181</b>	<b>7,661</b>	<b>6,474</b>	<b>1,073</b>	<b>7,547</b>

\* Revised.

The HEINEKEN pension funds monitor the mix of debt and equity securities in their investment portfolios based on market expectations. Material investments within the portfolio are managed on an individual basis. Through its defined benefit pension plans, HEINEKEN is exposed to a number of risks, the most significant which are detailed below:

#### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. Both the Netherlands and the UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term, while providing volatility and risk in the short term.

In the Netherlands, an Asset-Liability Matching (ALM) study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 38 per cent equity securities, 40 per cent bonds, 7 per cent property and real estate and 15 per cent other investments. The objective is to hedge currency risk on the US dollar, Japanese yen and British pound for 50 per cent of the equity exposure in the strategic investment mix.

In the UK, an Asset-Liability Matching study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 29 per cent equity securities (including synthetic exposure from derivatives), 35 per cent bonds (including synthetic exposure from derivatives), 5 per cent property and real estate and 31 per cent other investments. The objective is to hedge currency risk on developed non-GBP equity market exposures for 70 per cent, with US dollar currency risk on other investments hedged 100 per cent in the strategic investment mix.

#### Interest rate risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

In the Netherlands, interest rate risk is partly managed through fixed income investments. These investments match the liabilities for 22.7 per cent (2014: 20.1 per cent). In the UK, interest rate risk is partly managed through the use of a mixture of fixed income investments and interest rate swap instruments. These investments and instruments match the liabilities for 24.7 per cent (2014: 24.7 per cent).

## Notes to the Consolidated Financial Statements continued

### Inflation risk

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

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation 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. In 2015, the Trustee of SNPP implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for current pensioners.

### Principal actuarial assumptions as at the balance sheet date

Based on the significance of the Dutch and UK pension plans compared with the other plans, the table below only includes the major actuarial assumptions for those two plans as at 31 December:

In per cent	The Netherlands		UK*	
	2015	2014	2015	2014
Discount rate as at 31 December	2.3	1.8	3.9	3.6
Future salary increases	2.0	2.0	–	–
Future pension increases	0.9	0.3	3.0	2.9

\* The UK plan closed for future accrual, leading to certain assumptions being equal to zero.

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

In per cent	Europe		Americas		Africa, Middle East & Eastern Europe	
	2015	2014	2015	2014	2015	2014
Discount rate as at 31 December	0.8–2.3	1.0–1.9	7.0	7.3	12.0	15.0
Future salary increases	0.0–3.5	0.0–3.5	4.5	4.5	7.5	8.4
Future pension increases	0.0–1.2	0.0–1.8	3.5	3.5	3.0	3.2
Medical cost trend rate	0.0–4.5	0.0–4.5	5.1	5.1	4.5	6.8

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2014', fully generational. Correction factors from Towers Watson are applied on these rates. For the UK, the rates are obtained from the Continuous Mortality Investigation 2011 projection model.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

HEINEKEN expects the 2016 contributions to be paid for the defined benefit plans to be in line with 2015.

## Notes to the Consolidated Financial Statements continued

### 28. Employee benefits continued

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Effect in millions of EUR	31 December 2015		31 December 2014	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(677)	771	(721)	825
Future salary growth (0.25% movement)	21	(20)	45	(44)
Future pension growth (0.25% movement)	300	(292)	301	(265)
Medical cost trend rate (0.5% movement)	6	(5)	5	(5)
Life expectancy (1 year)	287	(290)	285	(287)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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

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

The performance conditions for LTV 2013-2015, LTV 2014-2016 and LTV 2015-2017 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Revenue Growth (Organic Gross Profit beia growth up to LTV 2013-2015), Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow. Essentially, the performance targets are also the same for the Executive Board and senior management, although for LTV 2013-2015 the performance conditions for the Executive Board have been set at a higher target level as a result of the recalibration that took place at the end of 2013.

At target performance, 100 per cent of the awarded share rights vest. 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, Brazil and Singapore, 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
2013-2015	1 January 2013	31 December 2015
2014-2016	1 January 2014	31 December 2016
2015-2017	1 January 2015	31 December 2017

The vesting date for the Executive Board is shortly after the publication of the annual results of 2015, 2016 and 2017 respectively and for senior management on 1 April 2016, 2017 and 2018 respectively.

As HEINEKEN will withhold the tax related to vesting on behalf of the individual employees, the number of Heineken N.V. shares to be received will be a net number. The share rights are not dividend-bearing during the performance period. The fair value has been adjusted for expected dividends by applying a discount based on the dividend policy and historical dividend payouts, during the vesting period.



## Notes to the Consolidated Financial Statements continued

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

Grant date/employees entitled	Number*	Based on share price
Share rights granted to Executive Board in 2013	50,278	50.47
Share rights granted to senior management in 2013	560,863	50.47
Share rights granted to Executive Board in 2014	51,702	49.08
Share rights granted to senior management in 2014	597,744	49.08
Share rights granted to Executive Board in 2015	<b>54,903</b>	<b>58.95</b>
Share rights granted to senior management in 2015	<b>534,298</b>	<b>58.95</b>

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

Under the LTV 2012-2014, a total of 87,438 (gross) shares vested for the Executive Board and 796,904 (gross) shares vested for senior management.

Based on the performance conditions, it is expected that approximately 765,841 shares of the LTV 2013-2015 will vest in 2016 for senior management and the Executive Board.

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

	Weighted average share price 2015	Number of share rights 2015	Weighted average share price 2014	Number of share rights 2014
Outstanding as at 1 January	<b>44.42</b>	<b>2,401,418</b>	42.41	1,257,106
Granted during the year	58.95	589,201	49.08	649,446
Forfeited during the year	50.95	(235,289)	44.80	(112,593)
Vested during the year	35.89	(891,409)	36.69	(216,229)
Performance adjustment	–	(9,139)	–	823,688
Outstanding as at 31 December	<b>52.26</b>	<b>1,854,782</b>	44.42	2,401,418

Under the extraordinary share plans for senior management 16,000 shares were granted and 40,425 (gross) shares vested. These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2015 are EUR1.0 million (2014: EUR1.2 million).

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

### Personnel expenses

In millions of EUR	Note	2015	2014
Share rights granted in 2012		1	20
Share rights granted in 2013		12	17
Share rights granted in 2014		10	11
Share rights granted in 2015		10	–
Total expense recognised in personnel expenses	10	<b>33</b>	<b>48</b>

## Notes to the Consolidated Financial Statements continued

### 30. Provisions

In millions of EUR	Restructuring	Onerous contracts	Claims and litigation	Other	Total
Balance as at 1 January 2015	162	54	179	168	563
Changes in consolidation	–	2	6	16	24
Provisions made during the year	83	16	17	48	164
Provisions used during the year	(100)	–	(14)	(24)	(138)
Provisions reversed during the year	(18)	(21)	(44)	(48)	(131)
Effect of movements in exchange rates	2	3	(28)	6	(17)
Unwinding of discounts	3	–	6	–	9
Balance as at 31 December 2015	132	54	122	166	474
Non-current	68	45	113	94	320
Current	64	9	9	72	154

#### Restructuring

The provision for restructuring of EUR132 million mainly relates to restructuring programmes in Spain and the Netherlands.

#### Claims and litigation

The provision for claims and litigation of EUR122 million mainly relates to the litigation inherited from the acquisition of the beer operations of FEMSA in 2010 (refer to note 34).

#### Other provisions

Included are, among others, surety and guarantees provided of EUR39 million (2014: EUR26 million) and provisions for other taxes of EUR42 million (2014: EUR32 million).

### 31. Trade and other payables

In millions of EUR	Note	2015	2014
Trade payables		2,797	2,339
Accruals and deferred income		1,270	1,211
Taxation and social security contributions		806	802
Returnable packaging deposits		606	580
Interest		131	132
Derivatives		89	104
Dividends		46	45
Other payables		268	320
	32	6,013	5,533

## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

#### Risk management framework

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

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

#### Credit risk

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

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

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

## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments continued

#### Loans to customers

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

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

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

#### Trade and other receivables

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

In monitoring customer credit risk customers are, on a country basis, grouped according to their credit characteristics, including whether they are an individual or legal entity, which type of distribution channel they represent, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Customers that are graded as high risk are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of management.

HEINEKEN has multiple distribution models to deliver goods to end customers. Deliveries are done in some countries via own wholesalers, in other markets directly and in some others via third parties. As such distribution models are country-specific and diverse across HEINEKEN, the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

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

## Notes to the Consolidated Financial Statements continued

### Advances to customers

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

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

### Investments

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

### Guarantees

HEINEKEN's policy is to avoid issuing guarantees where possible unless this leads to substantial benefits for HEINEKEN. In cases where HEINEKEN does provide guarantees, such as to banks for loans (to third parties), HEINEKEN aims to receive security from the third party.

Heineken N.V. has issued a joint and several liability statement to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands. Refer to Note 44 of the Company financial statements.

### Exposure to credit risk

The carrying amount of financial assets and guarantees to banks for loans represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of EUR	Note	2015	2014
Cash and cash equivalents	21	824	668
Trade and other receivables, excluding derivatives	20	2,821	2,621
Current derivatives	20	52	122
Investments held for trading	17	16	13
Available-for-sale investments	17	287	253
Non-current derivatives and investments FVTPL	17	210	97
Loans to customers	17	69	68
Loans to joint ventures and associates	17	22	65
Held-to-maturity investments	17	1	3
Other non-current receivables	17	152	167
Guarantees to banks for loans (to third parties)	34	473	354
		<b>4,927</b>	<b>4,431</b>

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

In millions of EUR	2015	2014
Europe	1,424	1,433
Americas	542	470
Africa, Middle East & Eastern Europe	449	357
Asia Pacific	308	223
Head Office and Other/eliminations	98	138
	<b>2,821</b>	<b>2,621</b>

## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments continued

#### Impairment losses

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

In millions of EUR	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	2,475	(54)	2,296	(49)
Past due 0 – 30 days	207	(13)	185	(11)
Past due 31 – 120 days	233	(64)	197	(61)
More than 120 days	347	(310)	347	(283)
	<b>3,262</b>	<b>(441)</b>	<b>3,025</b>	<b>(404)</b>

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

In millions of EUR	2015	2014
Balance as at 1 January	404	418
Changes in consolidation	7	2
Impairment loss recognised	103	85
Allowance used	(29)	(38)
Allowance released	(42)	(66)
Effect of movements in exchange rates	(2)	3
Balance as at 31 December	441	404

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

In millions of EUR	2015	2014
Balance as at 1 January	135	150
Changes in consolidation	1	–
Impairment loss recognised	–	10
Allowance used	–	(21)
Allowance released	(14)	(6)
Effect of movements in exchange rates	(1)	2
Balance as at 31 December	121	135

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

The income statement impact of EUR14 million gain (2014: EUR4 million expense) in respect of loans to customers and EUR61 million expense (2014: EUR19 million expense) in respect of trade and other receivables (excluding current derivatives) were included in expenses for raw materials, consumables and services.

The allowance accounts in respect of trade and other receivables and held-to-maturity investments are used to record impairment losses, unless HEINEKEN is satisfied that no recovery of the amount owing is possible; at that point, the amount considered irrecoverable is written off against the financial asset.

#### Liquidity risk

Liquidity risk is the risk that HEINEKEN will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. HEINEKEN's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to HEINEKEN's reputation.

## Notes to the Consolidated Financial Statements continued

HEINEKEN has a clear focus on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Financing strategies, including the diversification of funding sources are under continuous evaluation (information about borrowing facilities is presented in Note 25). In addition, HEINEKEN seeks to align the maturity profile of its long-term debts with its forecasted cash flow generation. Strong cost and cash management and controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

### Contractual maturities

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

In millions of EUR	2015					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>						
Interest-bearing liabilities	(12,565)	(14,750)	(2,014)	(1,742)	(5,193)	(5,801)
Trade and other payables (excluding interest payable, dividends and derivatives and including non-current part)	(5,744)	(5,744)	(5,658)	(62)	(12)	(12)
<b>Derivative financial assets and (liabilities)</b>						
Interest rate swaps used for hedge accounting (net)	214	265	20	15	230	–
Forward exchange contracts used for hedge accounting (net)	(2)	(16)	(12)	(4)	–	–
Commodity derivatives used for hedge accounting (net)	(70)	(70)	(42)	(20)	(8)	–
Derivatives not used for hedge accounting (net)	(1)	(1)	(1)	–	–	–
	<b>(18,168)</b>	<b>(20,316)</b>	<b>(7,707)</b>	<b>(1,813)</b>	<b>(4,983)</b>	<b>(5,813)</b>

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



## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments continued

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

#### Market risk

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

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

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

#### Foreign currency risk

HEINEKEN is exposed to foreign currency risk on (future) sales, (future) purchases, borrowings and dividends that are denominated in a currency other than the respective functional currencies of HEINEKEN entities. The main currencies that give rise to this risk are the US dollar, Mexican Peso, Nigerian Naira, Vietnamese Dong and Euro.

In managing foreign currency risk, HEINEKEN aims to ensure the availability of these foreign currencies and to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates and the availability of foreign currencies, especially in emerging markets, will have an impact on profit.

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

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

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on a subsidiary level. The resulting exposure at Group level is hedged by means of foreign currency denominated external debts and by forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British pounds, US dollars, Swiss francs, South African Rand and Polish zloty. In some cases, HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

The principal amounts of HEINEKEN's US dollar, British pound, Nigerian naira, Singapore dollar bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies or have functional currencies that are closely correlated. Corresponding interest on these borrowings is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN. This provides an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of the Company and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

## Notes to the Consolidated Financial Statements continued

### Exposure to foreign currency risk

HEINEKEN's transactional exposure to the US dollar and Euro was as follows based on notional amounts. The Euro column relates to transactional exposure to the Euro within subsidiaries which are reporting in other currencies. Included in the amounts are intra-HEINEKEN cash flows. HEINEKEN's transactional exposure to the British pound was excluded from the sensitivity analysis as the net exposure is not material.

In millions	2015		2014	
	EUR	USD	EUR	USD
<b>Financial assets</b>				
Trade and other receivables	27	61	14	44
Cash and cash equivalents	79	101	98	93
Intragroup assets	18	4,873	14	4,727
<b>Financial liabilities</b>				
Interest-bearing liabilities	(25)	(5,441)	(17)	(5,464)
Non-interest-bearing liabilities	–	–	(1)	(1)
Trade and other payables	(145)	(129)	(135)	(93)
Intragroup liabilities	(910)	(644)	(728)	(706)
<b>Gross balance sheet exposure</b>	<b>(956)</b>	<b>(1,179)</b>	<b>(755)</b>	<b>(1,400)</b>
Estimated forecast sales next year	168	1,353	186	1,373
Estimated forecast purchases next year	(1,765)	(1,534)	(1,739)	(1,562)
<b>Gross exposure</b>	<b>(2,553)</b>	<b>(1,360)</b>	<b>(2,308)</b>	<b>(1,589)</b>
Net notional amount forward exchange contracts	406	748	99	950
<b>Net exposure</b>	<b>(2,147)</b>	<b>(612)</b>	<b>(2,209)</b>	<b>(639)</b>
<b>Sensitivity analysis</b>				
Equity	(46)	(33)	(35)	(31)
Profit or loss	(8)	(6)	(6)	(2)

### Sensitivity analysis

A 10 per cent strengthening of the US dollar against the Euro or, in case of the Euro, a strengthening of the Euro against all other currencies as at 31 December would have affected the value of financial assets and liabilities (related to transactional exposure) recorded on the balance sheet and would have therefore decreased (increased) equity and profit by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

### Interest rate risk

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

HEINEKEN opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Currently, HEINEKEN's interest rate position is more weighted towards fixed than floating. Interest rate instruments that can be used are interest rate swaps, forward rate agreements, caps and floors.

Swap maturity follows the maturity of the related loans and borrowings which have swap rates for the fixed leg ranging from 3.8 to 7.3 per cent (2014: from 3.8 to 7.3 per cent).

## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments continued

#### Interest rate risk – profile

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

In millions of EUR	2015	2014
<b>Fixed rate instruments</b>		
Financial assets	93	99
Financial liabilities	(11,057)	(10,225)
Net interest rate swaps	(42)	56
	<b>(11,006)</b>	<b>(10,070)</b>
<b>Variable rate instruments</b>		
Financial assets	1,023	917
Financial liabilities	(1,508)	(1,532)
Net interest rate swaps	42	(56)
	<b>(443)</b>	<b>(671)</b>

#### Cash flow sensitivity analysis for variable rate instruments

HEINEKEN applies cash flow hedge accounting on certain floating rate financial liabilities and designates derivatives as hedging instruments. A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. This analysis is performed on the same basis as for 2014.

In millions of EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2015</b>				
Variable rate instruments	(4)	4	(4)	4
Net interest rate swaps	–	–	–	–
<b>Cash flow sensitivity (net)</b>	<b>(4)</b>	<b>4</b>	<b>(4)</b>	<b>4</b>
<b>31 December 2014</b>				
Variable rate instruments	(5)	5	(5)	5
Net interest rate swaps	–	–	–	–
<b>Cash flow sensitivity (net)</b>	<b>(5)</b>	<b>5</b>	<b>(5)</b>	<b>5</b>

## Notes to the Consolidated Financial Statements continued

### Commodity price risk

Commodity price risk is the risk that changes in commodity prices will affect HEINEKEN's income. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, while optimising the return on risk. The main commodity exposure relates to the purchase of cans, glass bottles, malt and utilities. Commodity price risk is in principle addressed by negotiating fixed prices in supplier contracts with various contract durations. So far, commodity hedging with financial counterparties by HEINEKEN has been limited to aluminium hedging and to a limited extent gas and grains hedging, which are done in accordance with risk policies. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements. As at 31 December 2015, the market value of commodity swaps was EUR70 million negative (2014: EUR10 million negative).

### Sensitivity analysis for aluminium hedges

The table below shows an estimated pre-tax impact of 10 per cent change in the market price of aluminium.

In millions of EUR	Equity	
	10 per cent increase	10 per cent decrease
<b>31 December 2015</b>		
Aluminium hedges	40	(40)

### Cash flow hedges

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

In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	2015
						More than 5 years
<b>Interest rate swaps</b>						
Assets	–	–	–	–	–	–
Liabilities	(1)	(2)	(2)	–	–	–
<b>Cross-currency interest rate swaps</b>						
Assets	215	1,220	90	53	1,077	–
Liabilities	–	(953)	(68)	(38)	(847)	–
<b>Forward exchange contracts</b>						
Assets	37	1,437	1,289	148	–	–
Liabilities	(39)	(1,453)	(1,301)	(152)	–	–
<b>Commodity derivatives</b>						
Assets	1	1	1	–	–	–
Liabilities	(71)	(70)	(42)	(20)	(8)	–
	<b>142</b>	<b>180</b>	<b>(33)</b>	<b>(9)</b>	<b>222</b>	<b>–</b>

## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments continued

In millions of EUR	2014					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Interest rate swaps</b>						
Assets	–	–	–	–	–	–
Liabilities	(3)	(4)	(2)	(2)	–	–
<b>Cross-currency interest rate swaps</b>						
Assets	166	1,701	605	82	1,014	–
Liabilities	–	(1,459)	(507)	(68)	(884)	–
<b>Forward exchange contracts</b>						
Assets	24	1,541	1,394	147	–	–
Liabilities	(88)	(1,607)	(1,454)	(153)	–	–
<b>Commodity derivatives</b>						
Assets	5	9	6	2	1	–
Liabilities	(15)	(19)	(13)	(5)	(1)	–
	<b>89</b>	<b>162</b>	<b>29</b>	<b>3</b>	<b>130</b>	<b>–</b>

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

HEINEKEN has entered into several cross-currency interest rate swaps which have been designated as cash flow hedges to hedge the foreign exchange rate risk on the principal amount and future interest payments of its US dollar and GBP borrowings. HEINEKEN has also entered into a few interest rate swaps which have been designated as cash flow hedges to hedge the value of future interest cash flows payable on floating interest borrowings. The borrowings are designated as the hedged item as part of the cash flow hedge. The borrowings and the interest rate and cross-currency interest rate swaps have the same critical terms.

#### Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering into local currency denominated borrowings, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings are designated as a net investment hedge. The fair value of these borrowings at 31 December 2015 was EUR536 million (2014: EUR520 million), and no ineffectiveness was recognised in profit and loss in 2015 (2014: nil).

#### Capital management

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

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves explained in note 22. Shares are purchased to meet the requirements of the share-based payment awards, as further explained in note 29. In 2015, HEINEKEN also purchased shares following the completion of the divestment of EMPAQUE in February 2015, as further explained in note 22.

#### Fair values

For bank loans and finance lease liabilities the carrying amount is a reasonable approximation of fair value. The fair value of the unsecured bond issues as at 31 December 2015 was EUR10,025 million (2014: EUR9,296 million) and the carrying amount was EUR9,669 million (2014: EUR8,769 million). The fair value of the other interest bearing liabilities as at 31 December 2015 was EUR1,870 million (2014: EUR1,829) and the carrying amount was EUR1,759 million (2014: EUR1,829 million).

#### Basis for determining fair values

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

## Notes to the Consolidated Financial Statements continued

### Fair value hierarchy

The tables below present the financial instruments accounted for at fair value and amortised cost by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

31 December 2015	Level 1	Level 2	Level 3
Available-for-sale investments	98	105	84
Non-current derivative assets	–	210	–
Current derivative assets	–	52	–
Investments held for trading	16	–	–
	<b>114</b>	<b>367</b>	<b>84</b>
Non-current derivative liabilities	–	(32)	–
Loans and borrowings	(10,025)	(1,870)	–
Current derivative liabilities	–	(89)	–
	<b>(10,025)</b>	<b>(1,991)</b>	<b>–</b>
31 December 2014	Level 1	Level 2	Level 3
Available-for-sale investments	99	86	68
Non-current derivative assets	–	97	–
Current derivative assets	–	122	–
Investments held for trading	13	–	–
	<b>112</b>	<b>305</b>	<b>68</b>
Non-current derivative liabilities	–	(8)	–
Loans and borrowings	(9,296)	(1,829)	–
Current derivative liabilities	–	(104)	–
	<b>(9,296)</b>	<b>(1,941)</b>	<b>–</b>

There were no transfers between level 1 and level 2 of the fair value hierarchy during the period ended 31 December 2015.

### 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.

## Notes to the Consolidated Financial Statements continued

### 32. Financial risk management and financial instruments continued

#### Level 3

Details of the determination of level 3 fair value measurements as at 31 December 2015 are set out below:

In millions of EUR	2015	2014
<b>Available-for-sale investments based on level 3</b>		
Balance as at 1 January	68	59
Fair value adjustments recognised in other comprehensive income	16	10
Disposals	–	(1)
Transfers	–	–
<b>Balance as at 31 December</b>	<b>84</b>	<b>68</b>

The fair values for the level 3 available-for-sale investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

### 33. Off-balance sheet commitments

In millions of EUR	Total 2015	Less than 1 year	1-5 years	More than 5 years	Total 2014
Operational lease commitments	1,114	150	415	549	993
Property, plant and equipment ordered	293	282	11	–	158
Raw materials purchase contracts	8,507	1,987	4,794	1,726	3,400
Marketing and merchandising commitments	370	156	213	1	402
Other off-balance sheet obligations	2,004	629	778	597	1,606
<b>Off-balance sheet obligations</b>	<b>12,288</b>	<b>3,204</b>	<b>6,211</b>	<b>2,873</b>	<b>6,559</b>
<b>Undrawn committed bank facilities</b>	<b>2,930</b>	<b>398</b>	<b>2,523</b>	<b>9</b>	<b>2,871</b>

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

Raw material contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed based upon predefined price formulas. These contracts mainly relate to malt, bottles and cans. The significant increase of raw materials purchase commitments relates to purchase contracts with EMPAQUE which has become a third party supplier after the disposal in 2015.

During the year ended 31 December 2015, EUR301 million (2014: EUR291 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 and service contracts.

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

### 34. Contingencies

#### Brazil

As part of the acquisition of the beer operations of FEMSA in 2010, HEINEKEN inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiaries Cervejarias Kaiser Brasil and Cervejarias Kaiser Nordeste (jointly, Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common to the current economic and legal environment of Brazil. The proceedings have partly been provided for (refer to note 30). The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2015 is EUR450 million. Such contingencies were classified by legal counsel as less than probable of being settled against Heineken Brasil, but more than remote. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies. A part of the aforementioned contingencies (EUR238 million) is tax-related and qualifies for indemnification by FEMSA (refer to note 17).



## Notes to the Consolidated Financial Statements continued

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR416 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

### Guarantees

In millions of EUR	Total 2015	Less than 1 year	1–5 years	More than 5 years	Total 2014
Guarantees to banks for loans (to third parties)	473	285	178	10	354
Other guarantees	564	224	280	60	592
<b>Guarantees</b>	<b>1,037</b>	<b>509</b>	<b>458</b>	<b>70</b>	<b>946</b>

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

### 35. Related parties

#### Identification of related parties

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

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

#### Key management remuneration

In millions of EUR	2015	2014
Executive Board	13.9	15.4
Supervisory Board	0.9	1.0
<b>Total</b>	<b>14.8</b>	<b>16.4</b>

#### Executive Board

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay (STV) and a Long-Term Variable award (LTV). The STV is based on financial and operational measures (75 per cent) and on individual leadership measures (25 per cent) as set by the Supervisory Board. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years, HEINEKEN will match the blocked shares 1:1, which is referred to as the matching share entitlement. For the LTV award we refer to note 29. The separate Remuneration Report is stated on pages 51 – 59.

As at 31 December 2015, Mr. Jean-François van Boxmeer held 179,838 Company shares and Mrs. Laurence Debroux held 681 Company shares (2014: Mr. Jean-François van Boxmeer 117,889).

## Notes to the Consolidated Financial Statements continued

### 35. Related parties continued

In thousands of EUR	2015				2014		
	J.F.M.L. van Boxmeer	L. Debroux <sup>1</sup>	D.R. Hooft Graafland <sup>2</sup>	Total	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total
Fixed salary	1,150	421	201	1,772	1,150	650	1,800
Short-Term Variable pay	2,930	833	394	4,157	2,769	1,118	3,887
Matching share entitlement	1,353	385	182	1,920	640	517	1,157
Long-Term Variable award	2,706	158	1,825	4,689	2,972	1,690	4,662
Extraordinary share award/Retention bonus	236	124	–	360	750	–	750
Pension contributions	723	82	33	838	709	387	1,096
Other emoluments	21	134	7	162	21	21	42
Termination benefit	–	–	–	–	–	2,000	2,000
<b>Total<sup>3</sup></b>	<b>9,119</b>	<b>2,137</b>	<b>2,642</b>	<b>13,898</b>	<b>9,011</b>	<b>6,383</b>	<b>15,394</b>

<sup>1</sup> Appointed on 23 April 2015

<sup>2</sup> Resigned on 23 April 2015

<sup>3</sup> In 2015, an estimated tax penalty of EUR2.8 million (2014: EUR1.5 million) to the Dutch tax authorities was recognised in relation to the remuneration of Mr. René Hooft Graafland. This tax was an expense to the employer and therefore not included in the table above.

The matching share entitlements for each year are based on the performance in that year. The CEO, and the two CFOs have all chosen to invest 50 per cent of their STV for 2015 into Heineken N.V. shares (investment shares); in 2014 the CEO invested 25 per cent and the CFO invested 50 per cent. From an accounting perspective the corresponding matching shares vest immediately and as such a fair value of EUR1.9 million was recognised in the 2015 income statement. The matching share entitlements are not dividend-bearing during the five calendar year holding period of the investment shares. Therefore, the fair value of the matching share entitlements has been adjusted for missed expected dividends by applying a discount based on the dividend policy and historical dividend payouts during the vesting period.

The Supervisory Board granted a retention share award to the CEO in 2013 to the value of EUR1.5 million (27,317 share entitlements gross). The share award vested two years after the grant date and was converted into Heineken N.V. shares. A three-year holding restriction applies to these shares as from the vesting date. In 2015, an expense of EUR236,000 is recognised for the retention award.

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

Mr. René Hooft Graafland has resigned from the Executive Board following the Annual General Meeting on 23 April 2015 and his employment contract ended 1 May 2015. A severance payment of EUR2 million has been made upon contract ending and has been recognised in the 2014 income statement. This resignation is considered a retirement under the LTV plan rules, which implies that unvested LTV awards as of 1 May 2015 will continue to vest at their regular vesting dates, insofar and to the extent that predetermined performance conditions are met.

As a result, the expenses for the LTV awards 2013-2015, 2014-2016 and 2015-2017 have been accelerated from their usual rate of one-third per year to a rate which ensures full expensing on 1 May 2015 rather than on 31 December 2015, 2016 and 2017. The impact of this acceleration in expensing for Mr. René Hooft Graafland is approximately EUR0.5 million (2014: EUR0.2 million).

## Notes to the Consolidated Financial Statements continued

### Supervisory Board

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

In thousands of EUR	2015	2014
G.J. Wijers	160	163
J.A. Fernández Carbajal	105	105
M. Das	85	88
M.R. de Carvalho	104	141
J.M. de Jong <sup>1</sup>	–	25
A.M. Fentener van Vlissingen	85	91
M.E. Minnick	80	83
V.C.O.B.J. Navarre	70	73
J.G. Astaburuaga Sanjinés	96	95
H. Scheffers	80	81
J.M. Huët <sup>2</sup>	75	58
	<b>940</b>	<b>1,003</b>

<sup>1</sup> Stepped down as at 24 April 2014.

<sup>2</sup> Appointed as at 24 April 2014.

Mr. Michel de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2015 (2014: 100,008 shares). As at 31 December 2015 and 2014, the Supervisory Board members did not hold any of the Company's bonds or option rights. Mr. Michel de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2015 (2014: 100,008 ordinary shares).

### Other related party transactions

In millions of EUR	Transaction value		Balance outstanding as at 31 December	
	2015	2014	2015	2014
<b>Sale of products, services and royalties</b>				
To associates and joint ventures	82	75	30	21
To FEMSA	817	857	137	136
	<b>899</b>	<b>932</b>	<b>167</b>	<b>157</b>
<b>Raw materials, consumables and services</b>				
Goods for resale – joint ventures	–	–	–	–
Other expenses – joint ventures	–	–	–	–
Other expenses FEMSA	197	201	36	46
	<b>197</b>	<b>201</b>	<b>36</b>	<b>46</b>

### Heineken Holding N.V.

In 2015, an amount of EUR1,047,479 (2014: EUR744,285) was paid to Heineken Holding N.V. for management services for HEINEKEN.

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

## Notes to the Consolidated Financial Statements continued

### 35. Related parties continued

#### FEMSA

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

### 36. HEINEKEN entities

#### Control of HEINEKEN

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

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

Pursuant to the provisions of Article 17 (1) of the Republic of Ireland Companies (Amendment) Act 1986, the Company issued irrevocable guarantees in respect of the financial year from 1 January 2015 up to and including 31 December 2015 regarding 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, The West Cork Bottling Company Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

#### Significant subsidiaries

Set out below are HEINEKEN's significant subsidiaries at 31 December 2015. The subsidiaries as listed below are held by the Company and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The country of incorporation or registration is also their principal place of business. The disclosed significant subsidiaries represent the largest subsidiaries and represent an approximate total revenue of EUR14 billion and total asset value of EUR19 billion and are structural contributors to the business.

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

	Country of incorporation	Percentage of ownership	
		2015	2014
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	54.3	54.3
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	65.2	65.2
LLC Heineken Breweries	Russia	100.0	100.0
Vietnam Brewery Ltd.	Vietnam	60.0	60.0

## Notes to the Consolidated Financial Statements continued

### Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for Nigerian Breweries Plc. which has a non-controlling interest material to HEINEKEN. The financial information is based on HEINEKEN accounting policies and differs from local financial reporting, mainly as a result of the Consolidated Breweries acquisition in 2014. The NCI on Nigerian Breweries Plc is dispersed, no shareholder has an interest above 13 per cent.

In millions of EUR	2015	2014
<b>Summarised Balance Sheet</b>		
Current		
Assets	266	274
Liabilities	(629)	(554)
<b>Total current net assets</b>	<b>(363)</b>	<b>(280)</b>
Non-current		
Assets	1,120	943
Liabilities	(194)	(303)
<b>Total non-current net assets</b>	<b>926</b>	<b>640</b>

In millions of EUR	2015	2014
<b>Summarised Income Statement</b>		
Revenue	1,359	1,281
Profit before income tax	262	297
Income tax	(82)	(97)
<b>Net profit from continuing operations</b>	<b>180</b>	<b>200</b>
Net profit from discontinuing operations	–	–
Other comprehensive income/(loss)	(45)	1
<b>Total comprehensive income</b>	<b>135</b>	<b>201</b>
<b>Total comprehensive income attributable to NCI</b>	<b>62</b>	<b>92</b>
Dividend paid to NCI	67	82

In millions of EUR	2015	2014
<b>Summarised Cash Flow</b>		
Cash flow from operating activities	432	405
Interest paid	(30)	(13)
Income tax paid	(101)	(115)
<b>Net cash generated from operating activities</b>	<b>301</b>	<b>277</b>
Net cash used in investing activities	(156)	(162)
Net cash used in financing activities	(229)	(145)
<b>Net change in cash and cash equivalents</b>	<b>(84)</b>	<b>(30)</b>
Exchange difference	1	3

### 37. Subsequent events

#### Sale of Distribev SP. z.o.o

On 1 February 2016, Grupa Żywiec closed the sale of 80 per cent of Distribev Sp. z o.o, Grupa Żywiec's sales and distribution company serving the traditional trade and horeca market, to Orbico Group.

#### Acquisition of non-controlling interest Pivovarna Lasko

After conclusion of the mandatory public takeover offer on 15 January 2016 and subsequent acquisitions of stakes from minority interest holders, HEINEKEN increased its shareholding in Lasko by 44.1 per cent to 97.5 per cent.

#### Acquisition of non-controlling interest Desnoes & Geddes

After conclusion of the mandatory public takeover offer on 21 January 2016, HEINEKEN increased its shareholding in D&G by 22.4 per cent to 95.8 per cent.

# Heineken N.V. Balance Sheet

## Before appropriation of profit As at 31 December

In millions of EUR	Note	2015	2014
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Investments in participating interests	38	24,522	22,618
Other investments		210	97
Deferred tax assets		72	40
<b>Total financial fixed assets</b>		<b>24,804</b>	<b>22,755</b>
Trade and other receivables		19	69
Cash and cash equivalents		5	1
<b>Total current assets</b>		<b>24</b>	<b>70</b>
<b>Total assets</b>		<b>24,828</b>	<b>22,825</b>
<b>Shareholders' equity</b>			
Issued capital		922	922
Share premium		2,701	2,701
Translation reserve		(1,017)	(1,097)
Hedging reserve		(47)	(99)
Fair value reserve		122	96
Other legal reserves		719	743
Reserve for own shares		(432)	(70)
Retained earnings		8,675	7,697
Net profit		1,892	1,516
<b>Total shareholders' equity</b>	39	<b>13,535</b>	<b>12,409</b>
<b>Liabilities</b>			
Loans and borrowings	40	10,369	8,933
<b>Total non-current liabilities</b>		<b>10,369</b>	<b>8,933</b>
Loans and borrowings (current part)	40	782	1,349
Trade and other payables		136	121
Tax payable		6	13
<b>Total current liabilities</b>		<b>924</b>	<b>1,483</b>
<b>Total liabilities</b>		<b>11,293</b>	<b>10,416</b>
<b>Total shareholders' equity and liabilities</b>		<b>24,828</b>	<b>22,825</b>

# Heineken N.V. Income Statement

## For the year ended 31 December

In millions of EUR	Note	2015	2014
Share of profit of participating interests, after income tax		2,392	2,215
Other profit after income tax		(500)	(699)
<b>Net profit</b>	39	<b>1,892</b>	<b>1,516</b>

# Notes to the Heineken N.V. Financial Statements

## Reporting entity

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

## Basis of preparation

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

## Significant accounting policies

### Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

### Shareholders' equity

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

### Profit of participating interests

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

## 38. Investments in participating interests

In millions of EUR	Participating interests	Loans to participating interests	Total
<b>Balance as at 1 January 2014</b>	<b>13,662</b>	<b>7,949</b>	<b>21,611</b>
Profit of participating interests	2,215	–	2,215
Dividend payments by participating interests	(494)	494	–
Effect of movements in exchange rates	627	–	627
Changes in hedging and fair value adjustments	(99)	–	(99)
Actuarial gains/(losses)	(352)	–	(352)
Acquisition of non-controlling interests without a change in control	(181)	–	(181)
Investments/(repayments)	(176)	(1,027)	(1,203)
Other movements	–	–	–
<b>Balance as at 31 December 2014</b>	<b>15,202</b>	<b>7,416</b>	<b>22,618</b>
<b>Balance as at 1 January 2015</b>	<b>15,202</b>	<b>7,416</b>	<b>22,618</b>
Profit of participating interests	2,392	–	2,392
Dividend payments by participating interests	(736)	736	–
Effect of movements in exchange rates	79	–	79
Changes in hedging and fair value adjustments	70	–	70
Actuarial gains/(losses)	100	–	100
Acquisition of non-controlling interests without a change in control	4	–	4
Investments/(repayments)	45	(786)	(741)
Other movements	–	–	–
<b>Balance as at 31 December 2015</b>	<b>17,156</b>	<b>7,366</b>	<b>24,522</b>



## Notes to the Heineken N.V. Financial Statements continued

### 39. Shareholders' equity

In millions of EUR	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve
<b>Balance as at 1 January 2014</b>	<b>922</b>	<b>2,701</b>	<b>(1,721)</b>	<b>2</b>	<b>97</b>
Profit	–	–	–	–	–
Other comprehensive income	–	–	624	(101)	(1)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>624</b>	<b>(101)</b>	<b>(1)</b>
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance of own shares	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
<b>Balance as at 31 December 2014</b>	<b>922</b>	<b>2,701</b>	<b>(1,097)</b>	<b>(99)</b>	<b>96</b>
<b>Balance as at 1 January 2015</b>	<b>922</b>	<b>2,701</b>	<b>(1,097)</b>	<b>(99)</b>	<b>96</b>
Profit	–	–	–	–	–
Other comprehensive income	–	–	80	52	26
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>80</b>	<b>52</b>	<b>26</b>
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance of own shares	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
<b>Balance as at 31 December 2015</b>	<b>922</b>	<b>2,701</b>	<b>(1,017)</b>	<b>(47)</b>	<b>122</b>

## Notes to the Heineken N.V. Financial Statements continued

In millions of EUR	Other legal reserve	Reserve for own shares	Retained earnings	Net profit	Shareholders' equity
<b>Balance as at 1 January 2014</b>	<b>805</b>	<b>(41)</b>	<b>7,273</b>	<b>1,364</b>	<b>11,402</b>
Profit	174	–	(174)	1,516	1,516
Other comprehensive income	–	–	(352)	–	170
<b>Total comprehensive income</b>	<b>174</b>	<b>–</b>	<b>(526)</b>	<b>1,516</b>	<b>1,686</b>
Transfer to retained earnings	(236)	–	1,600	(1,364)	–
Dividends to shareholders	–	–	(512)	–	(512)
Purchase/reissuance of own shares	–	(33)	–	–	(33)
Own shares granted	–	4	(4)	–	–
Share-based payments	–	–	47	–	47
Acquisition of non-controlling interests without a change in control	–	–	(181)	–	(181)
<b>Balance as at 31 December 2014</b>	<b>743</b>	<b>(70)</b>	<b>7,697</b>	<b>1,516</b>	<b>12,409</b>
<b>Balance as at 1 January 2015</b>	<b>743</b>	<b>(70)</b>	<b>7,697</b>	<b>1,516</b>	<b>12,409</b>
Profit	186	–	(186)	1,892	1,892
Other comprehensive income	–	–	100	–	258
<b>Total comprehensive income</b>	<b>186</b>	<b>–</b>	<b>(86)</b>	<b>1,892</b>	<b>2,150</b>
Transfer to retained earnings	(210)	–	1,726	(1,516)	–
Dividends to shareholders	–	–	(676)	–	(676)
Purchase/reissuance of own shares	–	(384)	–	–	(384)
Own shares granted	–	22	(22)	–	–
Share-based payments	–	–	32	–	32
Acquisition of non-controlling interests without a change in control	–	–	4	–	4
<b>Balance as at 31 December 2015</b>	<b>719</b>	<b>(432)</b>	<b>8,675</b>	<b>1,892</b>	<b>13,535</b>

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

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

### 40. Loans and borrowings

#### Non-current and current liabilities

In millions of EUR	2015	2014
Unsecured bond issues	9,625	8,734
Unsecured bank loans	106	104
Bank overdrafts and commercial papers	237	334
Other interest-bearing liabilities	1,183	1,107
<b>Total interest-bearing liabilities</b>	<b>11,151</b>	<b>10,279</b>
Non-current derivatives	–	3
<b>Loans and borrowings</b>	<b>11,151</b>	<b>10,282</b>

## Notes to the Heineken N.V. Financial Statements continued

### 40. Loans and borrowings continued

In millions of EUR	Unsecured bond issues	Unsecured bank loans	Bank overdrafts and commercial papers	Other interest-bearing liabilities	Non-current derivatives	Total
<b>Balance as at 1 January 2015</b>	<b>8,734</b>	<b>104</b>	<b>334</b>	<b>1,107</b>	<b>3</b>	<b>10,282</b>
Effects of movements of exchange rates	5	–	–	(1)	–	4
Charge from/to equity in relation to derivatives	(69)	–	–	100	(2)	29
Proceeds	1,506	–	6,625	–	562	8,693
Repayments	(1,061)	–	(6,736)	(47)	(450)	(8,294)
Other	510	2	14	24	(113)	437
<b>Balance as at 31 December 2015</b>	<b>9,625</b>	<b>106</b>	<b>237</b>	<b>1,183</b>	<b>–</b>	<b>11,151</b>

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2015	Face value 2015	Carrying amount 2014	Face value 2014
Unsecured bond	issue under EMTN programme	GBP	7.3	2015	–	–	508	508
Unsecured bond	issue under EMTN programme	SGD	2.7	2015	–	–	47	47
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	400	400	399	400
Unsecured bond	issue under EMTN programme	SGD	1.5	2017	64	65	61	62
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	100	100	99	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	62	62	59	59
Unsecured bond	issue under EMTN programme	USD	1.3	2019	183	184	164	165
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	845	850	844	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	997	1,000	996	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	497	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.3	2021	497	500	–	–
Unsecured bond	issue under EMTN programme	USD	3.3	2022	183	184	–	–
Unsecured bond	issue under EMTN programme	EUR	1.7	2023	140	140	–	–
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.5	2024	454	460	–	–
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	742	750	741	750
Unsecured bond	issue under EMTN programme	EUR	2.0	2025	224	225	–	–

## Notes to the Heineken N.V. Financial Statements continued

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2015	Face value 2015	Carrying amount 2014	Face value 2014
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	199	200
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	179	180	179	180
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	91	100	91	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under 144A/RegS	USD	0.8	2015	–	–	411	412
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,146	1,148	1,026	1,030
Unsecured bond	issue under 144A/RegS	USD	3.4	2022	685	689	614	618
Unsecured bond	issue under 144A/RegS	USD	2.8	2023	915	919	819	824
Unsecured bond	issue under 144A/RegS	USD	4.0	2042	450	459	402	412
Unsecured bank loans	German Schuldschein notes	EUR	1.8 – 6.2	2016	111	111	110	111
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	–	–	43	43
Other interest-bearing liabilities	2011 US private placement	GBP	7.3	2016	34	34	32	32
Other interest-bearing liabilities	2008 US private placement	USD	2.8	2017	83	83	74	74
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	44	44	41	41
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	665	666	597	597
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	357	358	321	321
					<b>10,919</b>	<b>10,986</b>	<b>9,946</b>	<b>10,011</b>

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

## Notes to the Heineken N.V. Financial Statements continued

### 41. Auditor fees

Other expenses in the consolidated financial statements include EUR8.7 million of fees in 2015 for services provided by Deloitte Accountants B.V. and its member firms and/or affiliates (2014: EUR12.4 million for services provided by KPMG Accountants N.V. and its member firms and/or affiliates). Fees for audit services include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include review of interim financial statements, sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services.

In millions of EUR	Deloitte Accountants B.V.	KPMG Accountants N.V.	Other Deloitte member firms and affiliates	Other KPMG member firms and affiliates	Total	
	2015	2014	2015	2014	2015	2014
Audit of HEINEKEN and its subsidiaries	2.3	1.9	5.5	7.4	7.8	9.3
Other audit services	0.4	0.5	0.3	0.5	0.7	1.0
Tax services	–	–	0.2	1.5	0.2	1.5
Other non-audit services	–	0.1	–	0.5	–	0.6
<b>Total</b>	<b>2.7</b>	<b>2.5</b>	<b>6.0</b>	<b>9.9</b>	<b>8.7</b>	<b>12.4</b>

### 42. Off-balance sheet commitments

In millions of EUR	Total 2015	Less than 1 year	1 – 5 years	More than 5 years	Total 2014
Undrawn committed bank facility	2,500	–	2,500	–	2,500

	2015		2014	
	Third parties	HEINEKEN companies	Third parties	HEINEKEN companies
Declarations of joint and several liability	–	1,953	–	1,717

### Fiscal unity

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

### 43. Subsequent events

For subsequent events, refer to note 37.

## Notes to the Heineken N.V. Financial Statements continued

### 44. Participating interests

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

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

	Country of incorporation	Percentage of ownership	
		2015	2014
Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
Heineken Group B.V.	The Netherlands	100%	100%
Heineken Brouwerijen B.V.	The Netherlands	100%	100%
Heineken CEE Investments B.V.	The Netherlands	100%	100%
Heineken Nederland B.V.	The Netherlands	100%	100%
Heineken International B.V.	The Netherlands	100%	100%
Heineken Supply Chain B.V.	The Netherlands	100%	100%
Heineken Global Procurement B.V.	The Netherlands	100%	100%
Heineken Mexico B.V.	The Netherlands	100%	100%
HIBV Skopje Holdings B.V.	The Netherlands	100%	100%
Heineken Beer Systems B.V.	The Netherlands	100%	100%
Amstel Brouwerij B.V.	The Netherlands	100%	100%
Vrumona B.V.	The Netherlands	100%	100%
B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
Heineken CEE Holdings B.V.	The Netherlands	100%	100%
Brasinvest B.V.	The Netherlands	100%	100%
Heineken Asia Pacific B.V.	The Netherlands	100%	100%
B.V. Handel- en Exploitatie Maatschappij Schoonhoven	The Netherlands	100%	100%
Distilled Trading International B.V.	The Netherlands	100%	100%
Premium Beverages International B.V.	The Netherlands	100%	100%
De Brouwketel B.V.	The Netherlands	100%	100%
Proseco B.V.	The Netherlands	100%	100%
Roeminck Insurance N.V.	The Netherlands	100%	100%
Heineken Americas B.V.	The Netherlands	100%	100%
Heineken Export Americas B.V.	The Netherlands	100%	100%
Amstel Export Americas B.V.	The Netherlands	100%	100%
Horeca European Buying B.V.	The Netherlands	100%	100%
Heineken Brazil B.V.	The Netherlands	100%	100%
B.V. Panden Exploitatie Maatschappij PEM	The Netherlands	100%	100%
Heineken Exploitatie Maatschappij B.V.	The Netherlands	100%	100%
Hotel De L'Europe B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten I B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten II B.V.	The Netherlands	100%	100%
Heineken Groothandel B.V.	The Netherlands	100%	100%
Heineken Horeca Services B.V.	The Netherlands	100%	100%
Heineken Namibia B.V.	The Netherlands	100%	50%

## Notes to the Heineken N.V. Financial Statements continued

### 45. Other disclosures

#### Remuneration

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

#### Executive and Supervisory Board statement

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

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

Amsterdam, 9 February 2016	Executive Board	Supervisory Board
	Van Boxmeer	Wijers
	Debroux	Fernández Carbajal
		Das
		de Carvalho
		Fentener van Vlissingen
		Minnick
		Navarre
		Astaburuaga Sanjinés
		Scheffers
		Huët



# Appropriation of Profit

Article 12, paragraph 7, of the Articles of Association stipulates:

“Of the profits, payment shall first be made, if possible, of a dividend of six per cent of the issued part of the authorised share capital. The amount remaining shall be at the disposal of the General Meeting of Shareholders.”

It is proposed to appropriate EUR741 million of the profit for payment of a dividend and to add EUR1,151 million to the retained earnings.

## Civil Code

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

## Authorised capital

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

# Independent Auditor's Report

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

## Report on the audit of the financial statements 2015

### Our opinion

We have audited the financial statements 2015 of Heineken N.V. ('the Company'), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2015 and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2015 and of its result for the year 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2015.
- The following consolidated statements for 2015: the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2015.
- The company income statement for 2015.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our responsibilities for the audit of the financial statements" of our report.

We are independent of Heineken N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" ('ViO') and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" ('VGBA').

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

### Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR100 million. The materiality is based on consolidated profit before taxation (4%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

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

We agreed with the Supervisory Board that misstatements in excess of EUR5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that, in our view, must be reported on qualitative grounds.

## Independent Auditor's Report continued

### Scope of the group audit

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the components. Decisive were size and/or risk profile of the components. On this basis, we selected components for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly concentrated on significant components in terms of size and financial interest or where significant risks or complex activities were present, leading to full scope audits performed for 27 components.

We have performed audit procedures ourselves at corporate entities and the operations in the Netherlands. Furthermore, we performed audit procedures at group level on areas such as consolidation, disclosures, goodwill, intangible assets, joint ventures, financial instruments, acquisitions and divestments. Specialists were involved amongst others in the areas of treasury, IT, tax, accounting and valuation.

For selected component audit teams, the group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance to the Company and certain other risk characteristics. This included procedures such as visiting components during the transition period and throughout the year, performing file reviews, holding conference calls, attending meetings and reviewing component audit team deliverables to gain sufficient understanding of the work performed. For smaller components we have performed review procedures or specific audit procedures.

By performing the procedures mentioned above we have been able to obtain sufficient and appropriate audit evidence on the group's financial information to provide an opinion on the financial statements.

### Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

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

#### *Revenue recognition – accruals for promotional allowances and volume rebates*

Accounting for promotional allowances and volume rebates impacts the amounts of revenue recognized during the period. Significant management judgement is required to estimate the values of promotional allowances and volume rebates. This estimate is considered to be a key audit matter relevant to our audit of the financial statements.

Our audit procedures included, amongst others, evaluating controls relating to management's process for determining the value of promotional allowances and the volume rebates. In addition, we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals. These procedures included challenging the appropriateness of management's assumptions and estimates and agreeing input data, including pricing and allowance data to underlying agreements with customers.

#### *Returnable packaging – valuation of deposit liability*

During the course of business the Company provides returnable packaging to its customers. In most instances the Company collects deposits for returnable packaging. A particular area of judgement is involved in assessing the value of the deposit liability. There is a risk that the assumptions used in the calculation of the liability for returnable packaging are unreasonable, which could result in an incorrect valuation of the liability for returnable packaging. As a response to this risk we performed, amongst others, substantive procedures on the Company's calculation of the returnable packaging liability, focusing on the valuation and completeness of the deposit liability.

## Independent Auditor's Report continued

### *Goodwill – management assessment of recoverability*

Goodwill represents 30% of the balance sheet total and 75% of total equity. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and the test relies on estimates and assumptions. Goodwill is allocated to Cash Generating Units (CGUs) and groups of CGUs. The Company uses assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development. For our audit we assessed and tested the assumptions, the discount rates, methodologies and data used by the Company, for example by comparing them to external data such as expected inflation rates, external market growth expectations and by analysing sensitivities in the Company's valuation model. We included valuation specialists in our team to assist us in these audit activities. We specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates. We assessed the adequacy of the Company's disclosure note 15 in the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

### *Taxes – provisions for uncertain tax positions and valuation of deferred tax assets*

The Company operates across a number of different tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business, including transaction-related taxes and transfer pricing arrangements. In those cases where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on its judgement of the probable amount of the liability or recovery. Deferred tax assets for tax losses carried forward are recognized by the Company to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilized. We focused on these areas because of the level of judgement that is applied in quantifying appropriate provisions for uncertain tax positions and in determining assumptions about future market and economic conditions, as it relates to the recoverability of deferred tax assets. Using our own tax specialists, we obtained a detailed understanding of the Company's tax strategy including current transfer pricing arrangements. We assessed tax risks, legislative developments and the status of ongoing local tax authority audits. We evaluated and challenged the Company's judgements in respect of estimates of tax exposures, recoverable amounts and contingencies. We considered correspondence with tax authorities and relevant historical and recent judgements, and also assessed legal opinions from third party tax advisors. With regard to recorded deferred tax assets, we evaluated the Company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and business plans. Finally we considered the adequacy of the Company's disclosures in notes 3 and 18 regarding uncertain tax positions and recognized deferred tax assets.

### *Initial audit engagement*

There are additional considerations involved in performing initial audit engagements. After being appointed as the Company's auditors in 2014, we developed a comprehensive transition plan starting in August 2014 to ensure an effective transition from the predecessor auditor. In order to develop an appropriate audit strategy and audit plan in the initial audit engagement at the Company, specific planning activities were necessary. These included, but were not limited, to:

- Obtaining an initial understanding of the Company and its business including background information, strategy, business risks, IT landscape and its financial reporting and internal controls framework, to assist in performing risk assessment procedures;
- Obtaining sufficient appropriate audit evidence regarding opening balances and the appropriate selection and consistent application of accounting policies;
- Communicating with the predecessor auditor, including reviews of audit working papers for previous periods; and
- Attending closing meetings and Audit Committee meetings related to the previous audit year.

The foregoing has been used as a basis for our audit plan. We discussed and agreed our audit plan with the Audit Committee and Executive Board of Heineken N.V. in December 2014 and have reported status updates, progress reports and key findings from our audit process on a regular basis.

### *Internal controls over financial reporting*

The Company operates various processes and procedures, both centrally as well as locally, that are important for reliable financial reporting. During 2015 the Company further deployed its test program for internal controls over financial reporting. We considered the Company's internal controls over financial reporting as a basis for designing audit procedures that are appropriate for our audit. We are however not required nor engaged to perform an audit of internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal controls over financial reporting.

## Independent Auditor's Report continued

We have tailored our procedures performed to the diverse IT landscapes and the locally established business processes of the Company. We have performed walkthroughs to gain our detailed understanding of the entity and identify the relevant controls. Where effective for the audit we have tested the operating effectiveness of controls. In cases of deficiencies we have evaluated the compensating controls and measures of the Company and/or carried out tailored procedures to address the risk.

### Responsibilities of the Executive Board and the Supervisory Board for the Financial Statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Our responsibilities for the audit of the financial statements

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

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

For an overview of our responsibilities we refer to NBA's website [www.nba.nl](http://www.nba.nl) (Standard texts auditor's report).

### Report on other legal and regulatory requirements

#### Report on the Report of the Executive Board and the other information

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

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

### Engagement

We were appointed by the Annual General Meeting as auditor of Heineken N.V. on 24 April 2014. The audit for year 2015 was our first year audit.

Amsterdam, 9 February 2016  
Deloitte Accountants B.V.

J. Dalhuisen

# Shareholder Information

## Investor Relations

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

## Ownership structure

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

Every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued by Heineken Holding N.V. The dividend payable on the two shares is identical. Historically, however, Heineken Holding N.V. shares have traded at a lower price due to technical factors that are market-specific. Heineken Holding N.V. holds 50.005 per cent of the Heineken N.V. issued shares. On 31 December 2015, L'Arche Green N.V. held 51.709 per cent of the Heineken Holding N.V. shares. The Heineken family holds 88.67 per cent of L'Arche Green N.V. The remaining 11.33 per cent of L'Arche Green N.V. is held by the Hoyer family. Mrs. de Carvalho-Heineken also owns a direct 0.03 per cent stake in Heineken Holding N.V.

## Heineken N.V. shares and options

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

In 2015, the average daily trading volume of Heineken N.V. shares was 873,567 shares.

## Market capitalisation Heineken N.V.

On 31 December 2015, there were 569,683,655 shares of EUR1.60 nominal value outstanding (excluding own shares held by the company).

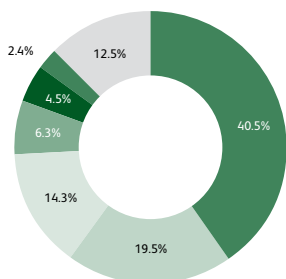
At a year-end price of EUR78.77 on 31 December 2015, the market capitalisation of Heineken N.V. on the balance sheet date was EUR44.9 billion.

Year-end price	EUR78.77	31 December 2015
Highest closing price	EUR85.23	19 November 2015
Lowest closing price	EUR56.81	6 January 2015

## Shareholder Information continued

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

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



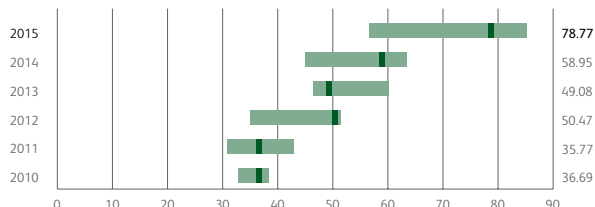
Based on 215.8 million shares in free float

Americas	40.5%
Rest of Europe	19.5%
UK/Ireland	14.3%
Rest of World	6.3%
Netherlands	4.5%
Retail	2.4%
Unidentified	12.5%

\* Source: CMI2i estimate based on available information January 2016.

### Heineken N.V. share price

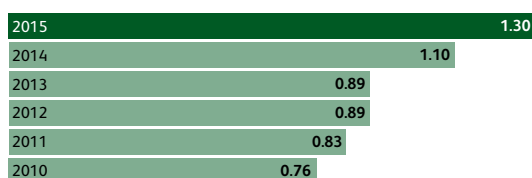
In EUR, Euronext Amsterdam



Share price range  
Year-end price  
Average trade in 2015: 873,567 shares per day

### Dividend per share

In EUR



### Heineken Holding N.V. shares

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

In 2015, the average daily trading volume of Heineken Holding N.V. shares was 158,200 shares.

### Market capitalisation Heineken Holding N.V.

On 31 December 2015, there were 288,030,168 ordinary shares of EUR1.60 nominal value in issue and 250 priority shares of EUR2.00 nominal value in issue.

At a year-end price of EUR71.00 on 31 December 2015, the market capitalisation of Heineken Holding N.V. on balance sheet date was EUR20.5 billion.

Year-end price	EUR71.00	31 December 2015
Highest closing price	EUR76.33	2 December 2015
Lowest closing price	EUR50.62	5 January 2015

### American Depositary Receipts (ADRs)

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

#### Heineken N.V.

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

#### Heineken Holding N.V.

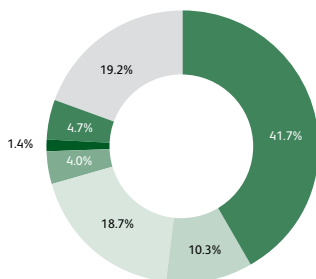
Ticker: HKHHY  
ISIN: US4230081014  
CUSIP: 423008101  
Structure: Sponsored Level I ADR  
Exchange: OTCQX  
Ratio (DR:ORD): 2:1



## Shareholder Information continued

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

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



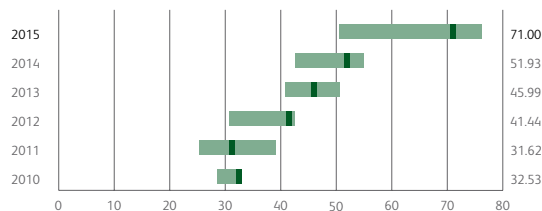
Based on 96.0 million shares in free float

Americas	41.7%
Rest of Europe	10.3%
UK/Ireland	18.7%
Rest of World	4.0%
Netherlands	1.4%
Retail	4.7%
Unidentified	19.2%

\* Source: CMI2i estimate based on available  
information January 2016.

### Heineken Holding N.V. share price

In EUR, Euronext Amsterdam



Share price range  
Year-end price  
Average trade in 2015: 158,200 shares per day

### ADR contact information

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

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

### Contact details for ADR brokers and institutional investors

US Tel: +1 212 250 9100  
UK Tel: +44 207 547 6500

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

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

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

## Shareholder Information continued

### Financial calendar in 2016 for both Heineken N.V. and Heineken Holding N.V.

Announcement of 2015 results	10 February
Publication of Annual Report	17 February
Trading update first quarter 2016	20 April
Annual General Meeting of Shareholders	21 April
Quotation ex-final dividend 2015	25 April
Final dividend 2015 payable	4 May
Announcement of half-year results 2016	1 August
Quotation ex-interim dividend	3 August
Interim dividend 2016 payable	11 August
Trading update third quarter 2016	26 October

### Dividend policy

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

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

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

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

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

Further information on Heineken Holding N.V. is available by telephone +31 20 622 11 52. Information is also available from the Investor Relations department, telephone +31 20 523 95 90 or by email: [investors@heineken.com](mailto:investors@heineken.com).

Further shareholder information is available on the Company's website: [www.theHEINEKENcompany.com/investors](http://www.theHEINEKENcompany.com/investors).

## Bondholder Information

In 2008, HEINEKEN established a Euro Medium Term Note (EMTN) Programme, which was last updated in March 2015. The programme allows Heineken N.V. to issue Notes for a total amount of up to EUR10 billion. Currently approximately EUR6.5 billion is outstanding under the programme.

Heineken N.V. was assigned solid investment grade credit ratings by Moody's Investor Service and Standard & Poor's in 2012. The ratings from both agencies, Baa1/P-2 and BBB+/A-2 respectively, have 'stable' outlooks as per the date of the 2015 Annual Report.

On 10 September 2015, HEINEKEN issued 6-year Notes for a principal amount of EUR500 million with a coupon of 1.25%.

In October HEINEKEN privately placed EUR540 million of 7-year USD Notes, 8-year and 10-year EUR Notes, with a weighted average yield of approximately 2.4%. On 9 December 2015, 9-year Notes for a principal amount of EUR460 million were issued with a coupon of 1.50%.

All these Notes have been issued under HEINEKEN's Euro Medium Term Note Programme.

In 2015, HEINEKEN has launched a EUR1.0 billion Euro Commercial Paper (ECP) programme to facilitate its cash management operations and to further diversify its funding sources. EUR237 million was in issue as per 31st December 2015.

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate	Maturity	ISIN code
144A/RegS 2015	10 October 2012	USD 500 million	0.800%	1 October 2015	US423012AC71
EUR EMTN 2016	8 October 2009	EUR 400 million	4.625%	10 October 2016	XS0456567055
144A/RegS 2017	10 October 2012	USD 1.25 billion	1.400%	1 October 2017	US423012AB98
EUR EMTN 2018	18 April 2013	EUR 100 million	1.250%	18 April 2018	XS0918766550
EUR EMTN 2019	19 March 2012	EUR 850 million	2.500%	19 March 2019	XS0758419658
EUR EMTN 2020	2 August 2012	EUR 1 billion	2.125%	4 August 2020	XS0811554962
EUR EMTN 2021	4 April 2013	EUR 500 million	2.000%	6 April 2021	XS0911691003
EUR EMTN 2021	10 September 2015	EUR 500 million	1.250%	10 September 2021	XS1288852939
144A/RegS 2022	3 April 2012	USD 750 million	3.400%	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD 1 billion	2.750%	1 April 2023	US423012AD54
EUR EMTN 2023	23 October 2015	EUR 140 million	1.700%	23 October 2023	XS1310154536
EUR EMTN 2024	19 March 2012	EUR 500 million	3.500%	19 March 2024	XS0758420748
EUR EMTN 2024	7 December 2015	EUR 460 million	1.500%	7 December 2024	XS1330434389
EUR EMTN 2025	2 August 2012	EUR 750 million	2.875%	4 August 2025	XS0811555183
EUR EMTN 2025	20 October 2015	EUR 225 million	2.000%	20 October 2025	XS1309072020
EUR EMTN 2029	30 January 2014	EUR 200 million	3.500%	30 July 2029	XS1024136282
EUR EMTN 2033	15 April 2013	EUR 180 million	3.250%	15 April 2033	XS0916345621
EUR EMTN 2033	19 April 2013	EUR 100 million	2.562%	19 April 2033	XS0920838371
144A/RegS 2042	10 October 2012	USD 500 million	4.000%	1 October 2042	US423012AE38

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

Traded Heineken Asia Pacific Pte. Ltd.* Notes	Issue date	Total face value	Interest rate	Maturity	ISIN code
SGD MTN 2020	March 3, 2009	SGD 22.25 million	3.780%	March 3, 2020	SG7V34954621
SGD MTN 2022	January 7, 2010	SGD 16.25 million	4.000%	January 7, 2022	SG7U93952517

The above Heineken Asia Pacific Pte. Ltd.\* Notes are listed on the Singapore Exchange.

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

# Historical Summary

	2015	2014	2013	2012 <sup>1</sup>	2011
<b>Revenue and profit</b>					
In millions of EUR					
Revenue	20,511	19,257	19,203	18,383	17,123
Results from operating activities	3,075	2,780	2,554	3,697	2,215
Results from operating activities (beia)	3,381	3,129	2,941	2,666	2,458
as % of revenue	16.5	16.2	15.3	14.5	14.4
as % of total assets	9.0	9.0	8.8	7.4	9.1
Net profit	1,892	1,516	1,364	2,914	1,430
Net profit (beia)	2,048	1,758	1,585	1,661	1,584
as % of equity attributable to equity holders of the Company	15.1	14.2	13.9	14.2	16.2
Dividend proposed	741	632	512	512	477
as % of net profit (beia)	36.2	35.9	32.3	30.8	30.1
<b>Per share</b>					
In millions of EUR					
Cash flow from operating activities	6.10	5.32	5.07	4.69	5.05
Net profit (beia) basic	3.58	3.06	2.76	2.89	2.71
Net profit (beia) diluted	3.57	3.05	2.75	2.88	2.7
Dividend proposed	1.30	1.10	0.89	0.89	0.83
Equity attributable to equity holders of the Company	23.65	21.58	19.83	20.41	16.70 <sup>2</sup>
<b>Cash flow statement</b>					
In millions of EUR					
Cash flow from operations	4,486	4,140	3,983	3,518	3,720
Cash flow related to interest, dividend and income tax	(997)	(1,082)	(1,069)	(823)	(809)
<b>Cash flow from operating activities</b>	<b>3,489</b>	<b>3,058</b>	<b>2,914</b>	<b>2,695</b>	<b>2,911</b>
Cash flow (used in)/from operational investing activities	(1,797)	(1,484)	(1,396)	(1,210)	(818)
<b>Free operating cash flow</b>	<b>1,692</b>	<b>1,574</b>	<b>1,518</b>	<b>1,485</b>	<b>2,093</b>
Cash flow (used in)/from acquisitions and disposals	(267)	(189)	555	(4,415)	(937)
Dividend paid	(909)	(723)	(710)	(604)	(580)
Cash flow (used in)/from financing activities, excluding dividend	(264)	(1,730)	(1,042)	3,660	(454)
<b>Net cash flow</b>	<b>252</b>	<b>(1,068)</b>	<b>321</b>	<b>126</b>	<b>122</b>
Cash conversion rate	73.3%	78.9%	84.0%	81.5%	122.1%
<b>Financing ratios</b>					
Net debt/EBITDA (beia)	2.44	2.50 <sup>3</sup>	2.58	3.09	2.27

<sup>1</sup> Restated for the revised IAS 19 as implemented in 2013 and finalisation of the purchase price allocation for APB.

<sup>2</sup> Including the effect of the Allotted Share Delivery Instrument (ASDI) as included in the Annual Report 2011.

<sup>3</sup> Revised for the change in definition of net debt in 2015.

## Historical Summary continued

	2015	2014	2013	2012 <sup>1</sup>	2011
EBIT (beia)/net interest expense	10.1	8.0	5.8	6.0	6.4
Free operating cash flow/net debt	15%	14% <sup>2</sup>	14%	12%	25%
Net debt/total equity	0.82	0.82	0.9	1.0	0.8
<b>Financing</b>					
In millions of EUR					
Share capital	922	922	922	922	922
Reserves and retained earnings	12,613	11,487	10,480	10,812	8,852
Equity attributable to equity holders of the Company	13,535	12,409	11,402	11,734	9,774
Non-controlling interest	1,535	1,043	954	1,071	318
<b>Total equity</b>	<b>15,070</b>	<b>13,452</b>	<b>12,356</b>	<b>12,805</b>	<b>10,092</b>
Employee benefits	1,289	1,443	1,202	1,575	1,174
Provisions (including deferred tax liabilities)	2,332	2,066	1,982	2,340	1,483
Non-current loans and borrowings	10,658	9,499	9,853	11,437	8,199
Other liabilities (excluding provisions)	8,365	8,370	7,944	7,823	6,179
Liabilities (excluding provisions and employee benefits)	19,023	17,869	17,797	19,260	14,378
<b>Total equity and liabilities</b>	<b>37,714</b>	<b>34,830</b>	<b>33,337</b>	<b>35,980</b>	<b>27,127</b>
Equity attributable to equity holders of the Company/ (employee benefits, provisions and liabilities)	0.60	0.58	0.58	0.46	0.57
<b>Employment of capital</b>					
In millions of EUR					
Property, plant and equipment	9,552	8,718	8,454	8,844	7,860
Intangible assets	18,183	16,341	15,934	17,688	10,835
Other non-current assets	4,065	3,685	3,454	3,911	3,724
<b>Total non-current assets</b>	<b>31,800</b>	<b>28,744</b>	<b>27,842</b>	<b>30,443</b>	<b>22,419</b>
Inventories	1,702	1,634	1,512	1,596	1,352
Trade and other current assets	3,372	3,771	2,693	2,904	2,543
Cash, cash equivalents and current other investments	840	681	1,290	1,037	813
<b>Total current assets</b>	<b>5,914</b>	<b>6,086</b>	<b>5,495</b>	<b>5,537</b>	<b>4,708</b>
<b>Total assets</b>	<b>37,714</b>	<b>34,830</b>	<b>33,337</b>	<b>35,980</b>	<b>27,127</b>
Total equity/total non-current assets	0.47	0.47	0.44	0.42	0.45
Current assets/current liabilities (excluding provisions)	0.71	0.73	0.70	0.72	0.78

<sup>1</sup> Restated for the revised IAS 19 as implemented in 2013 and finalisation of the purchase price allocation for APB.

<sup>2</sup> Revised for the change in definition of net debt in 2015.

# Glossary

## Acquisition-related intangible assets

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

## Beia

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

## Cash conversion ratio

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

## Cash flow (used in)/from operational investing activities

This represents the total of cash flow from sale and purchase of property, plant and equipment and intangible assets, proceeds and receipts of loans to customers and other investments.

## Dividend payout

Proposed dividend as percentage of net profit (beia).

## Earnings per share

### Basic

Net profit divided by the weighted average number of shares – basic – during the year.

### Diluted

Net profit divided by the weighted average number of shares – diluted – during the year.

## EBIT

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

## EBITDA

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

## Effective tax rate

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

## Eia

Exceptional items and amortisation of acquisition-related intangible assets.

## Free operating cash flow

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

## Innovation rate

Revenues generated from innovations (introduced in the past 40 quarters for a new category, 20 quarters for a new brand and 12 quarters for all other innovations, excluding packaging renovations) divided by total revenue.

## Glossary continued

### Net debt

Non-current and current interest bearing loans and borrowings, bank overdrafts and commercial papers and market value of cross-currency interest rate swaps less investments held for trading and cash.

### Net profit

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

### Operating profit

Results from operating activities.

### Organic growth

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

### Organic volume growth

Growth in volume, excluding the effect of consolidation changes.

### Profit

Total profit of HEINEKEN before deduction of non-controlling interests.

### ®

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

### Region

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

### Volume

#### (Consolidated) beer volume

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

#### Group beer volume

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

#### Heineken® volume in premium segment

Heineken® volume excluding Heineken® volume in the Netherlands.

#### Licensed & non-beer volume

HEINEKEN's brands produced and sold under licence by third parties as well as cider, soft drinks and other non-beer volume sold in consolidated companies.

#### Third party products volume

Volume of third party products sold through consolidated companies.

#### Total volume

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



## Glossary continued

### Weighted average number of shares

#### Basic

Weighted average number of outstanding shares.

#### Diluted

Weighted average number of outstanding shares and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares as a result of HEINEKEN's share based payment plans.

# Reference Information

## A Heineken N.V. publication

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The full Annual Report can be downloaded as a PDF at: [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com)

Production and editing  
Heineken N.V. Global Corporate Relations

## Text

HEINEKEN

## Translation into Dutch

V V H Business Translations, the Netherlands

## Photography

Sander Stoepker (pages 4 and 6)

## Graphic design and electronic publishing

Addison Group, [www.addison-group.net](http://www.addison-group.net), with thanks to Mobilia.

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.

## Printing and binding

Boom + Verweij grafiservices, the Netherlands

## Distribution

Hexspoor, the Netherlands

## Paper

Cocoon Silk 300 gsm cover  
Cocoon Silk 135 gsm inside pages  
Cocoon Silk 115 gsm inside financial pages  
Cocoon Silk is produced by an ISO 140001 accredited manufacturer and is certified as an FSC® recycled product.



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