HEINEKEN HOLDING NV

2015

Ann

Established in Amsterdam

HEINEKEN HOLDING N.V.
ANNUAL REPORT 2015

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PROFILE

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

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

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

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

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

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

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

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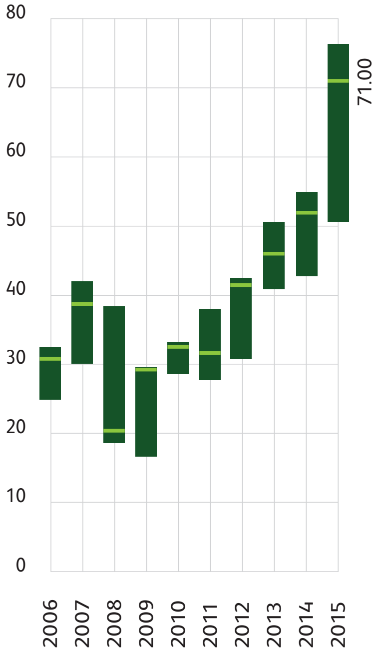
SHAREHOLDER INFORMATION

Heineken Holding N.V. share price

in EUR

Euronext Amsterdam



share price range

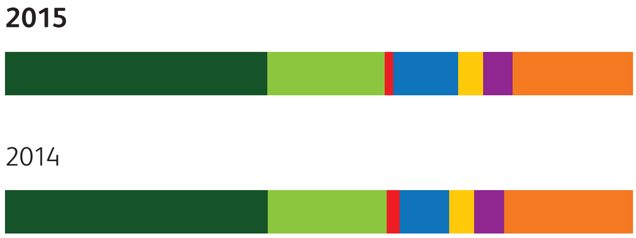
year-end price

Average trade in 2015:
158,200 shares per day

Nationality Heineken Holding N.V. shareholders

in %

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



	2015	2014
Americas	41.7	41.8
United Kingdom/Ireland	18.7	19.0
Netherlands	1.4	2.0
Rest of Europe	10.3	7.9
Rest of the world	4.0	4.0
Retail	4.7	4.7
Unidentified	19.2	20.6
	100.0	100.0

Source: CMi2i estimate based on
available information January 2016

HEINEKEN HOLDING N.V.

Heineken Holding N.V. ordinary shares are traded on Euronext Amsterdam. Heineken Holding N.V.'s ordinary shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken Holding N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken Holding N.V. ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken Holding N.V.'s ADR programme.
In 2015, the average daily trading volume of Heineken Holding N.V. shares was 158,200 shares.

Market capitalisation
Shares in issue and outstanding as at 31 December 2015:
288,030,168 ordinary shares of EUR1.60 nominal value;
250 priority shares of EUR2 nominal value.
At a year-end price of EUR71.00 on 31 December 2015, the market capitalisation of Heineken Holding N.V. as at the 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

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L'Arche Holding S.A.)*;
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (14.94 per cent);
- 1 July 2013: Gardner Russo & Gardner LLC (a capital and voting interest of 3.78 per cent, held directly);
- 15 January 2014: Harris Associates L.P. (a capital and voting interest of 3.05 per cent, held indirectly).

* The AFM register for substantial shareholdings is no longer up-to-date.
For the present situation reference is made to the organisation chart on page 12.

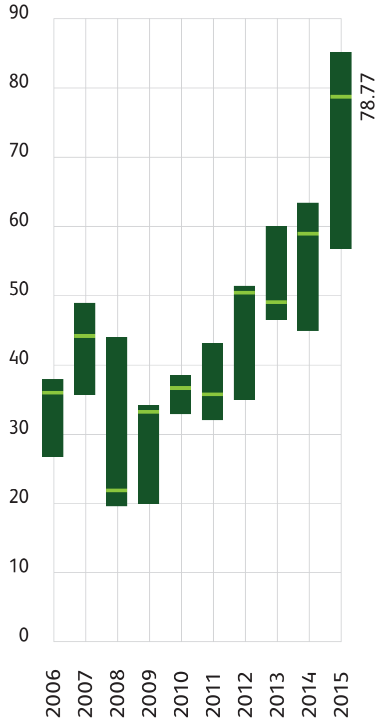
Dividend per ordinary share
in EUR

2005	0.40
2006	0.60
2007	0.70
2008	0.62
2009	0.65
2010	0.76
2011	0.83
2012	0.89
2013	0.89
2014	1.10
2015	1.30 (proposed)

Heineken N.V. share price

in EUR

Euronext Amsterdam



share price range

year-end price

Average trade in 2015:
873,567 shares per day

Nationality Heineken N.V. shareholders

in %

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

	2015	2014
Americas	40.5	39.6
United Kingdom/Ireland	14.3	13.3
Netherlands	4.5	2.6
Rest of Europe	19.5	18.9
Rest of the world	6.3	5.8
Retail	2.4	2.4
Unidentified	12.5	17.4
	100.0	100.0

Source: CMi2i estimate based on
available information January 2016

HEINEKEN N.V.

The shares of Heineken N.V. are traded on Euronext Amsterdam, where the company is included in the AEX Index. Heineken N.V.'s shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken N.V. share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken N.V.'s ADR programme.
Options on Heineken N.V. shares are listed on Euronext Amsterdam.
In 2015, the average daily trading volume of Heineken N.V. shares was 873,567 shares.

Market capitalisation
Shares outstanding as at 31 December 2015:
569,683,655 shares of EUR1.60 nominal value
(excluding own shares held by Heineken N.V.).
At a year-end price of EUR78.77 on 31 December 2015, the market capitalisation of Heineken N.V. as at 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

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

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

[1] The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 12.

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 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 9 December 2015, 9-year Notes for a principal amount of EUR460 million were issued with a coupon of 1.50 per cent. 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 31 December 2015.

Financial calendar in 2016 for both Heineken Holding N.V. and Heineken 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, Amsterdam[2]	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

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

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
144A/RegS 2015	10 October 2012	USD500 million	0.800	1 October 2015	US423012AC71
EUR EMTN 2016	8 October 2009	EUR400 million	4.625	10 October 2016	XS0456567055
144A/RegS 2017	10 October 2012	USD1.25 billion	1.400	1 October 2017	US423012AB98
EUR EMTN 2018	18 April 2013	EUR100 million	1.250	18 April 2018	XS0918766550
EUR EMTN 2019	19 March 2012	EUR850 million	2.500	19 March 2019	XS0758419658
EUR EMTN 2020	2 August 2012	EUR1 billion	2.125	4 August 2020	XS0811554962
EUR EMTN 2021	4 April 2013	EUR500 million	2.000	6 April 2021	XS0911691003
EUR EMTN 2021	10 September 2015	EUR500 million	1.250	10 September 2021	XS1288852939
144A/RegS 2022	3 April 2012	USD750 million	3.400	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD1 billion	2.750	1 April 2023	US423012AD54
EUR EMTN 2023	23 October 2015	EUR140 million	1.700	23 October 2023	XS1310154536
EUR EMTN 2024	19 March 2012	EUR500 million	3.500	19 March 2024	XS0758420748
EUR EMTN 2024	7 December 2015	EUR460 million	1.500	7 December 2024	XS1330434389
EUR EMTN 2025	2 August 2012	EUR750 million	2.875	4 August 2025	XS0811555183
EUR EMTN 2025	20 October 2015	EUR225 million	2.000	20 October 2025	XS1309072020
EUR EMTN 2029	30 January 2014	EUR200 million	3.500	30 July 2029	XS1024136282
EUR EMTN 2033	15 April 2013	EUR180 million	3.250	15 April 2033	XS0916345621
EUR EMTN 2033	19 April 2013	EUR100 million	2.562	19 April 2033	XS0920838371
144A/RegS 2042	10 October 2012	USD500 million	4.000	1 October 2042	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	3 March 2009	SGD22.25 million	3.780	3 March 2020	SG7V34954621
SGD MTN 2022	7 January 2010	SGD16.25 million	4.000	7 January 2022	SG7U93952517

The above Heineken Asia Pacific Pte. Ltd.* Notes are listed on the Singapore Exchange.

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

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

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

BOARD OF DIRECTORS

Mr M. Das (1948)
Non-executive director (Chairman)
Dutch nationality
Appointed in 1994; reappointed in 2013*
Lawyer

Mr J.A . Fernández Carbajal (1954)
Non-executive director
Mexican nationality
Appointed in 2010; reappointed in 2014*
Executive Chairman Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)

Mrs C.M. Kwist (1967)
Non-executive director
Dutch nationality
Appointed in 2011*; reappointed in 2015*
Consultant in brand management, marketing and communication

Mr A.A.C. de Carvalho (1984)
Non-executive director
Dutch and English nationality
Appointed in 2013*

Mrs C.L. de Carvalho-Heineken (1954)
Executive director
Dutch nationality
Appointed in 1988; reappointed in 2011* and 2015*

Mr M.R. de Carvalho (1944)
Executive director
English nationality
Appointed in 2015*
Vice-Chairman Citigroup Investment Banking EMEA and Chairman Citigroup Private Bank EMEA
Member of the Supervisory Board of Heineken N.V. since 1996

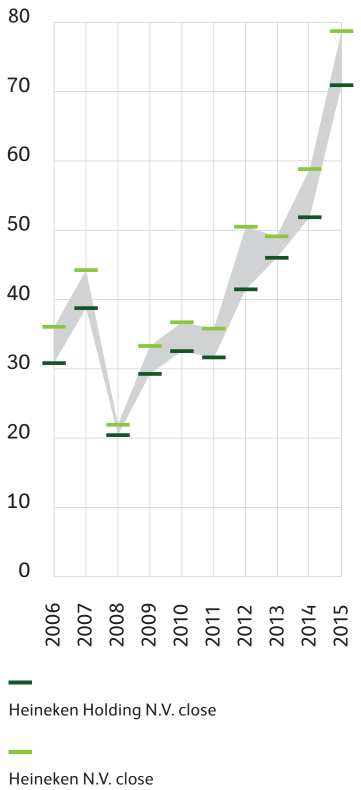
* For the maximum period of four years.

REPORT OF THE BOARD OF DIRECTORS

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

in euros

Euronext Amsterdam



POLICY PRINCIPLES

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

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

ACTIVITIES

The Board of Directors met with the Preparatory Committee of the Supervisory Board of Heineken N.V. on seven occasions in 2015. The Board of Directors also met separately on two occasions to discuss, among other things, the Report of the Board of Directors and the financial statements for 2014 and the first half of 2015. At the meeting of the Board of Directors at which the directors' report and the financial statements were discussed, KPMG, the external auditors, gave a comprehensive report on their activities for the last time. They will be succeeded by Deloitte for the 2015 financial year.

Other matters considered during the year included proposals for acquisitions, investments, disposals and other opportunities such as the acquisition of stakes in the Pivovarna Laško Group in Slovenia, Desnoes and Geddes in Jamaica and Guinness Anchor in Malaysia, and the sale of the distribution business in Poland and the business in Ghana. The reorganisation of the business in South Africa and Namibia was discussed, as well as the joint venture with Lagunitas in the US. The greenfield plans in Mexico and Brazil, and the extension of the brewery in Ethiopia were also reviewed.

The strategic plan and the annual plan were presented to the Board of Directors. Important developments affecting the business in various countries were discussed, such as the alcohol ban in Indonesia and the political situation in Nigeria. Also the SAB-ABI merger and its effects on the beer market were considered. Other items on the agenda included renewal of the credit facilities, cost control and dividend policy.

A recurrent element in all the meetings was a discussion of the results: volumes, revenues and gross profits were reviewed by region and country. A member of the Executive Board of Heineken N.V. outlined conditions in various markets and the changing consumer demand, paying special attention in all cases to the development of the Heineken®

brand. The exchange rate developments, cash flows, funding ratios and share price were also discussed, as well as the share buyback programme.

The composition of the Supervisory Board and the Executive Board of Heineken N.V and management development were recurring items on the agenda.
In addition, the reorganisation of the Heineken N.V. head office and regional offices was discussed.

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

Mrs C.L. de Carvalho-Heineken, executive director, travelled to Ethiopia and Myanmar to open new breweries, and visited the Singapore office.

REVIEW OF 2015

Share price

The share price of the Heineken Holding N.V. share gained 36.73 per cent during 2015. The price went up from EUR51.93 to EUR71 on 31 December. The gap between the Heineken N.V. and Heineken Holding N.V. share prices moved between 9 per cent and 13 per cent through the year, ending at 9.86 per cent on 31 December.
Price movements are shown in the graph on page 10. More information regarding the shares can be found on page 5 of this report.

Interest in Heineken N.V.

The nominal value of our company's interest in Heineken N.V. as at 31 December 2015 was EUR461 million (31 December 2014: EUR461 million).

The nominal value of the ordinary shares issued by our company as at the same date was also EUR461 million.
As at 31 December 2015, our company's interest in Heineken N.V. represented 50.005 per cent of the issued capital (being 50.560 per cent of the outstanding capital) of Heineken N.V.

Results

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

The Board of Directors has elected to avail itself of the option given by Section 362, subsection 8, of Book 2 of the Dutch Civil Code of using the same accounting policies for the valuation of assets and liabilities and determination of results in the company financial statements as those used for the preparation of the consolidated financial statements of Heineken Holding N.V. Since the interest in Heineken N.V. is measured using the net asset value method, the equity attributable to the equity holders of Heineken Holding N.V., amounting to EUR6,750 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the company balance sheet less the priority shares.

Our company's 50.560 per cent share in Heineken N.V.'s 2015 profit of EUR1,892 million is recognised as income of EUR957 million in the 2015 company income statement. This share in Heineken N.V.'s profit consists of both distributed and retained earnings for 2015.

HEINEKEN N.V. PERFORMANCE IN 2015 AND OUTLOOK

Performance

Heineken N.V. posted a net profit of EUR1,892 million in 2015.

In line with prior guidance, volume growth was weighted to the second half of the year, reflecting a strong third quarter, particularly in Europe. Revenue per hectolitre improved despite limited pricing and deflationary pressures in a number of the key markets. Furthermore, the organisational changes announced in March 2015 allowed HEINEKEN to better focus on growth opportunities, be more agile in responding to consumer needs in the marketplace and more cost effective in doing so.

HEINEKEN continues to invest in key developing growth markets, and during the year announced plans to build new breweries in the Ivory Coast, East Timor, Mexico and Brazil and to expand capacity in Ethiopia. A new brewery opened in Myanmar in July 2015.

Revenue increased 3.5 per cent organically, with a 2.2 per cent increase in total volume and a 1.3 per cent increase in revenue per hectolitre. Adjusting for negative country mix, revenue per hectolitre would have grown 1.7 per cent. In the fourth quarter revenue grew 2.5 per cent on an organic basis with revenue per hectolitre up 1.2 per cent (1.6 per cent adjusted for negative country mix).

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

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 EUR60 million at consolidated operating profit (beia), and EUR35 million at net profit (beia). Foreign exchange markets remain very volatile.
- HEINEKEN expects an average interest rate of c.3.3 per cent, and an effective tax rate (beia) broadly in line with 2015.
- Capital expenditure related to property, plant and equipment should be slightly above EUR2 billion (2015: EUR1.6 billion).

FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Directors will submit the financial statements for 2015 to the General Meeting of Shareholders. These financial statements, on pages 20 to 102 of this report, have been audited by Deloitte Accountants B.V., whose report can be found on page 104.

Heineken N.V. proposes to distribute a dividend for 2015 of EUR1.30 per share of EUR1.60 nominal value, of which EUR0.44 per share of EUR1.60 nominal value has already been paid as interim dividend.

With the approval of the meeting of priority share-holders, the Board of Directors has resolved to vote at the General Meeting of Shareholders of Heineken N.V. in favour of Heineken N.V.'s dividend proposal. On that basis, the dividend payable to our company for 2015 totals EUR374.4 million in cash, of which EUR126.7 million has already been received by way of interim dividend. The final dividend due will therefore be EUR247.7 million.

In accordance with the provisions of Article 10, paragraph 9, of the Articles of Association, an interim dividend of EUR0.44 per share of EUR1.60 nominal value was distributed to holders of ordinary shares on 12 August 2015. Pursuant to the provisions of Article 10 of the Articles of Association, a final dividend of EUR0.86 per share of EUR1.60 nominal value currently in issue will be payable to holders of ordinary shares from 4 May 2016. Like the holders of Heineken N.V. shares, holders of ordinary shares will therefore receive a total dividend for 2015 of EUR1.30 per share of EUR1.60 nominal value. A total of EUR374.4 million will be distributed to holders of ordinary shares and a total of EUR20 (4 per cent of the nominal value of EUR2 per share) will be distributed as dividend to holders of priority shares.

CORPORATE GOVERNANCE

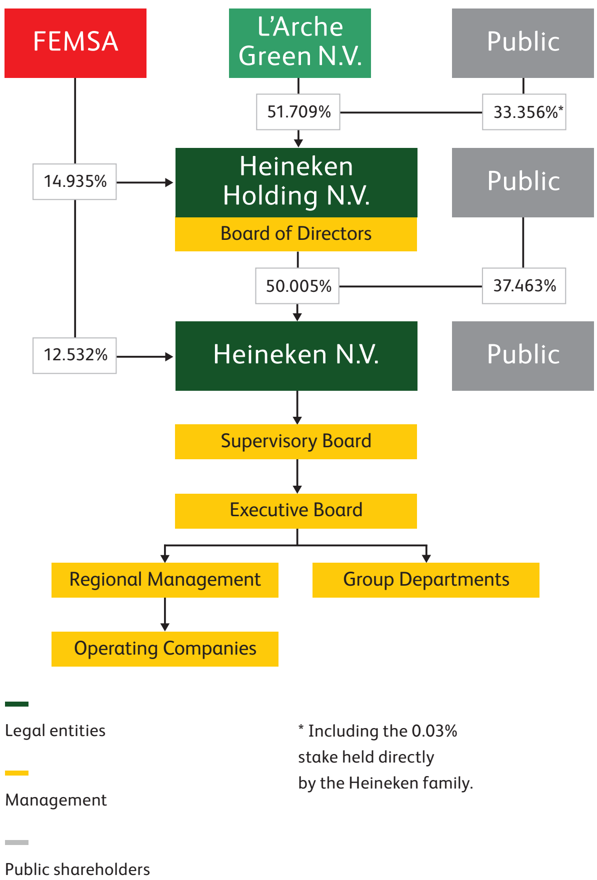
On 10 December 2008, a revised Dutch Corporate Governance Code was published (the 'Code'), referred to in Section 391, subsection 5, of Book 2 of the Dutch Civil Code, superseding the Dutch Corporate Governance Code of 9 December 2003. The Code is available at www.commissiecorporategovernance.nl.

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

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

Structure of the HEINEKEN group

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



* Including the 0.03% stake held directly by the Heineken family.

L'Arche Green N.V., a company owned by the Heineken family and the Hoyer family, holds as at 31 December 2015 51.709 per cent (31 December 2014: 51.709 per cent) interest of the issued share capital of Heineken Holding N.V. The Heineken family holds 88.67 per cent of the issued share capital of L'Arche Green N.V. and the remaining 11.33 per cent is held by the Hoyer family. The Heineken family also owns a direct 0.03 per cent stake in Heineken Holding N.V. FEMSA, through its affiliate CB Equity LLP, holds a 14.935 per cent interest of the issued share capital of Heineken Holding N.V. In combination with its Heineken N.V. shareholdings this represents a 20 per cent economic interest in the HEINEKEN group. Of the issued share capital of Heineken Holding N.V. 33.356 per cent is held by public shareholders.

A full description of rights conferred by the outstanding priority shares in the share capital of Heineken Holding N.V. is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 103) of this Annual Report.

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

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

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

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

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

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

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

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

Compliance with the Code

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

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

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

Certain principles and best-practice provisions as required by the Code are fulfilled by Heineken N.V. due to the governance structure. Heineken Holding N.V. complies with the other principles and best-practice provisions of the Code.

BOARD OF DIRECTORS

The Board of Directors consists of six members:
Mr M. Das, non-executive director (chairman), executive directors Mrs C.L. de Carvalho-Heineken

and Mr M.R. de Carvalho, and non-executive directors Mr J.A. Fernández Carbajal, Mrs C.M. Kwist and Mr A.A.C. de Carvalho.

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

At the Annual General Meeting of Shareholders on 23 April 2015 Mrs de Carvalho-Heineken was reappointed as an executive member of the Board of Directors and Mrs Kwist was reappointed as a non-executive member of the Board of Directors, both with effect from 23 April 2015, for the maximum period of four years. Also, Mr M.R. de Carvalho was appointed as an executive member of the Board of Directors with effect from 23 April 2015, for the maximum period of four years.

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

Remuneration policy

Remuneration of the members of the Board of Directors was enabled by an amendment to the company's Articles of Association in 2001. The policy on the remuneration of members of the Board of Directors was approved by the General Meeting of Shareholders in 2005. Under this policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V. For 2016, this means EUR90,000 a year for the chairman and EUR60,000 a year for the other members of the Board of Directors.

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

THE GENERAL MEETING OF SHAREHOLDERS

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

Notice of meeting

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

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

Right of shareholders to place items on agenda

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

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

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

Record date

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

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

Attendance by proxy or electronic communication

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

If shareholders wish to exercise their rights through a proxy appointed in writing, the instrument appointing the proxy must be received by the company no later than the date stated for that purpose in the notice of meeting.
The Board of Directors may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication.

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

Attendance register

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

Chairman of the General Meeting of Shareholders

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

Voting

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

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

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

Once cast, a vote cannot be retracted.

Minutes

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

Resolutions to be adopted by the General Meeting of Shareholders

The General Meeting of Shareholders has authority to adopt resolutions concerning among others the following matters:

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

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

Provision of information

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

Priority shares

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

A full description of rights conferred by the priority shares is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 103) of this Annual Report.

FURTHER INFORMATION PURSUANT TO THE ARTICLE 10 TAKEOVER DIRECTIVE DECREE

Shares

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

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

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

Substantial shareholdings

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L'Arche Holding S.A.)*;
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (14.94 per cent);
- 1 July 2013: Gardner Russo & Gardner LLC (a capital and voting interest of 3.78 per cent, held directly);
- 15 January 2014: Harris Associates L.P. (a capital and voting interest of 3.05 per cent, held indirectly).

* The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 12.

Restrictions related to shares

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

Persons who hold shares on a predetermined record date may attend and exercise their voting rights at General Meetings of Shareholders. The record date for the General Meeting of Shareholders on 21 April 2016 has been set 28 days before the General Meeting of Shareholders, i.e. on 24 March 2016.

Appointment and dismissal of Board of Directors

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

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

Amendment of the Articles of Association

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

Acquisition of own shares

The Annual General Meeting of Shareholders on 23 April 2015 extended, for the statutory maximum period of 18 months, commencing on 23 April 2015, the authorisation which it had granted to the Board of Directors on 24 April 2014 to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association:

a the maximum number of shares which may be acquired is 10 per cent of the issued share capital of the company at any time during the period of authorisation;

b transactions must be executed at a price between the nominal value of the shares and 110 per cent of the opening price quoted for the shares in the Official Price List (Officiële Prijscourant) of Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein;

c transactions may be executed on the stock exchange or otherwise.

Issue of shares

The Annual General Meeting of Shareholders on 23 April 2015 furthermore extended, for a period of 18 months, commencing on 23 April 2015, the authorisation which it had granted to the Board of Directors on 24 April 2014 to issue shares or grant rights to subscribe for shares, with due observance of the law and the Articles of Association. The authorisation is limited to 10 per cent of the issued share capital of the company on the date of issue.

The Annual General Meeting of Shareholders on 23 April 2015 also extended, for a period of 18 months, commencing on 23 April 2015, the authorisation which it had granted to the Board of Directors on 24 April 2014 to restrict or exclude shareholders' pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares, with due observance of the law and the Articles of Association.

Change of control

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

STATEMENT OF THE BOARD OF DIRECTORS

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

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

Amsterdam, 9 February 2016

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

HEINEKEN HOLDING NV

2015

FINANCIAL STATEMENTS 2015

HEINEKEN HOLDING N.V. BALANCE SHEET

Before appropriation of profit
As at 31 December

In millions of EUR	Note	**2015**	2014
ASSETS			
Financial fixed assets			
Participating interest in Heineken N.V.	I	6,750	6,125
Current assets			
Cash	II	—	—
		6,750	6,125
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital:			
Priority shares		—	—
Ordinary shares		461	461
		461	461
Share premium		1,257	1,257
Translation reserve		(509)	(549)
Hedging reserve		(23)	(49)
Fair value reserve		61	48
Other legal reserves		360	372
Retained earnings		4,186	3,825
Profit for the year		957	760
	III	6,750	6,125
Current liabilities			
Other payables		—	—
		6,750	6,125

HEINEKEN HOLDING N.V. INCOME STATEMENT

For the year ended 31 December

In millions of EUR	Note	**2015**	2014
Share in result of participating interest in Heineken N.V. after income tax	IV	957	760
Other revenues and expenses after income tax	V	—	—
Profit		**957**	760

NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2015 AND THE INCOME STATEMENT FOR 2015 OF HEINEKEN HOLDING N.V.

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

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

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

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

The financial statements have been prepared by the Board of Directors 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.

Significant accounting policies

Financial fixed assets
Participating interests in entities over which the Company has control are incorporated in the Company financial statements, using the net asset value method of accounting.

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

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

NOTE I PARTICIPATING INTEREST IN HEINEKEN N.V.

The interest of Heineken Holding N.V. in Heineken N.V. is 50.005 per cent of the issued capital (being 50.560 per cent (2014: 50.126 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.). The nominal value of the Heineken N.V. shares held by the Company amounted to EUR461 million as at 31 December 2015 (EUR461 million as at 31 December 2014).

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2015 amounted to EUR22.7 billion (31 December 2014: EUR17.0 billion).

Balance as at 1 January 2014	5,620
50.126% of the profit of Heineken N.V.	760
Dividend payments received by Heineken Holding N.V.	(256)
Movements in translation reserve	313
Movements cash flow hedges	(51)
Movements fair value adjustments	(1)
Actuarial gains and losses	(176)
Purchase own shares by Heineken N.V.	(17)
Share-based payments by Heineken N.V.	24
Movement because of changes in consolidation by Heineken N.V.	(91)
Balance as at 31 December 2014	6,125
Balance as at 1 January 2015	**6,125**
50.560% of the profit of Heineken N.V.	957
Dividend payments received by Heineken Holding N.V.	(340)
Movements in translation reserve	40
Movements cash flow hedges	26
Movements fair value adjustments	13
Actuarial gains and losses	51
Purchase own shares by Heineken N.V.	(194)
Positive dilution	54
Share-based payments by Heineken N.V.	16
Movement because of changes in consolidation by Heineken N.V.	2
Balance as at 31 December 2015	**6,750**

NOTE II CASH

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

NOTE III SHAREHOLDERS' EQUITY

In millions of EUR	Issued capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Profit for the year	Total equity[1]
Balance as at 1 January 2014	461	1,257	(862)	2	49	403	3,627	683	5,620
Other comprehensive income[2]	—	—	313	(51)	(1)	—	(176)	—	85
Profit for the year	—	—	—	—	—	87	(87)	760	760
Total comprehensive income	—	—	313	(51)	(1)	87	(263)	760	845
Transfer of profit to retained earnings	—	—	—	—	—	—	683	(683)	—
Transfer between reserves	—	—	—	—	—	(118)	118	—	—
Dividends to shareholders	—	—	—	—	—	—	(256)	—	(256)
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	(17)	—	(17)
Share-based payments by Heineken N.V.	—	—	—	—	—	—	24	—	24
Changes in consolidation by Heineken N.V.	—	—	—	—	—	—	(91)	—	(91)
Balance as at 31 December 2014	461	1,257	(549)	(49)	48	372	3,825	760	6,125
Balance as at 1 January 2015	461	1,257	(549)	(49)	48	372	3,825	760	6,125
Other comprehensive income[2]	—	—	40	26	13	—	51	—	130
Profit for the year	—	—	—	—	—	93	(93)	957	957
Total comprehensive income	—	—	40	26	13	93	(42)	957	1,087
Transfer of profit to retained earnings	—	—	—	—	—	—	760	(760)	—
Transfer between reserves	—	—	—	—	—	(105)	105	—	—
Dividends to shareholders	—	—	—	—	—	—	(340)	—	(340)
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	(194)	—	(194)
Positive dilution	—	—	—	—	—	—	54	—	54
Share-based payments by Heineken N.V.	—	—	—	—	—	—	16	—	16
Changes in consolidation by Heineken N.V.	—	—	—	—	—	—	2	—	2
Balance as at 31 December 2015	**461**	**1,257**	**(509)**	**(23)**	**61**	**360**	**4,186**	**957**	**6,750**

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

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

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

Included here is the share in the profit of Heineken N.V. for 2015, being 50.560 per cent of EUR1,892 million (2014: 50.126 per cent of EUR1,516 million).

NOTE V OTHER REVENUES AND EXPENSES AFTER INCOME TAX

Expenses made to manage and provide services to Heineken N.V. amounting to EUR1,047 thousand (2014: EUR744 thousand) are reimbursed by Heineken N.V. to Heineken Holding N.V. in accordance with the management agreement.

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

NOTE VI 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 Heineken Holding N.V. and its subsidiaries. Fees for other audit services include review of interim financial statements, sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services.

In millions of EUR	Deloitte Accountants B.V. 2015	KPMG Accountants N.V. 2014	Other Deloitte member firms and affiliates 2015	Other KPMG member firms and affiliates 2014	Total 2015	Total 2014
Audit of Heineken Holding N.V. 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
	2.7	2.5	**6.0**	9.9	**8.7**	12.4

Amsterdam, 9 February 2016

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In millions of EUR	Note	**2015**	2014
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)
Total expenses		(17,847)	(16,570)
Results from operating activities		**3,075**	2,780
Interest income	12	60	48
Interest expenses	12	(412)	(457)
Other net finance income/(expenses)	12	(57)	(79)
Net finance expenses		(409)	(488)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	172	148
Profit before income tax		2,838	2,440
Income tax expense	13	(697)	(732)
Profit		**2,141**	1,708
Attributable to:			
Equity holders of Heineken Holding N.V. (net profit)		957	760
Non-controlling interests in Heineken N.V.		935	756
Non-controlling interests in Heineken N.V. group companies		249	192
Profit		**2,141**	1,708
Weighted average number of ordinary shares – basic	23	288,030,168	288,030,168
Weighted average number of ordinary shares – diluted	23	288,030,168	288,030,168
Basic earnings per ordinary share (EUR)	23	3.32	2.64
Diluted earnings per ordinary share (EUR)	23	3.25	2.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

In millions of EUR	Note	**2015**	2014
Profit		2,141	1,708
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses	24	95	(344)
Items that may be subsequently reclassified to profit or loss:			
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)
Other comprehensive income, net of tax	24	277	238
Total comprehensive income		**2,418**	1,946
Attributable to:			
Equity holders of Heineken Holding N.V.		1,087	845
Non-controlling interests in Heineken N.V.		1,063	841
Non-controlling interests in Heineken N.V. group companies		268	260
Total comprehensive income		**2,418**	1,946

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

In millions of EUR	Note	**2015**	2014
ASSETS			
Non-current assets			
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
		31,800	28,744
Current assets			
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
		5,914	6,086
		37,714	34,830

As at 31 December

In millions of EUR	Note	**2015**	2014
EQUITY			
Share capital	22	461	461
Share premium	22	1,257	1,257
Reserves		(111)	(178)
Retained earnings		5,143	4,585
Equity attributable to equity holders of Heineken Holding N.V.		6,750	6,125
Non-controlling interests in Heineken N.V.	22	6,785	6,284
Non-controlling interests in Heineken N.V. group companies	22	1,535	1,043
		15,070	13,452
LIABILITIES			
Non-current liabilities			
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
		14,128	12,846
Current liabilities			
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
		8,516	8,532
		22,644	21,378
		37,714	34,830

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

In millions of EUR	Note	2015	2014
OPERATING ACTIVITIES			
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
Cash flow from operations before changes in working capital and provisions		4,280	4,279
Change in inventories		27	(104)
Change in trade and other receivables		(59)	(325)
Change in trade and other payables		403	456
Total change in working capital		371	27
Change in provisions and employee benefits		(165)	(166)
Cash flow from operations		4,486	4,140
Interest paid		(446)	(522)
Interest received		87	60
Dividends received		159	125
Income taxes paid		(797)	(745)
Cash flow related to interest, dividend and income tax		(997)	(1,082)
Cash flow from operating activities		**3,489**	3,058

For the year ended 31 December

In millions of EUR	Note	**2015**	2014
INVESTING ACTIVITIES			
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
Cash flow (used in)/from operational investing activities		(1,797)	(1,484)
Free operating cash flow		*1,692*	*1,574*
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
Cash flow (used in)/from acquisitions and disposals		(267)	(189)
Cash flow (used in)/from investing activities		**(2,064)**	(1,673)
FINANCING ACTIVITIES			
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 share issuance by Heineken N.V.		(377)	(9)
Acquisition of non-controlling interests		(21)	(137)
Other		(1)	1
Cash flow (used in)/from financing activities		**(1,173)**	(2,453)
Net cash flow		**252**	(1,068)
Cash and cash equivalents as at 1 January		73	1,112
Effect of movements in exchange rates		(43)	29
Cash and cash equivalents as at 31 December	21	**282**	73

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	Retained earnings	Equity*	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2014		461	1,257	(862)	2	49	403	4,310	5,620	5,782	954	12,356
Profit		—	—	—	—	—	87	673	760	756	192	1,708
Other comprehensive income	24	—	—	313	(51)	(1)	—	(176)	85	85	68	238
Total comprehensive income		—	—	313	(51)	(1)	87	497	845	841	260	1,946
Transfer to retained earnings		—	—	—	—	—	(118)	118	—	—	—	—
Dividends to shareholders		—	—	—	—	—	—	(256)	(256)	(256)	(224)	(736)
Purchase own shares by Heineken N.V.		—	—	—	—	—	—	(17)	(17)	(16)	32	(1)
Share-based payments by Heineken N.V.		—	—	—	—	—	—	24	24	23	1	48
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	6	—	—	—	—	—	—	(91)	(91)	(90)	20	(161)
Balance as at 31 December 2014		461	1,257	(549)	(49)	48	372	4,585	6,125	6,284	1,043	13,452
Balance as at 1 January 2015		**461**	**1,257**	**(549)**	**(49)**	**48**	**372**	**4,585**	**6,125**	**6,284**	**1,043**	**13,452**
Profit		—	—	—	—	—	93	864	957	935	249	2,141
Other comprehensive income	24	—	—	40	26	13	—	51	130	128	19	277
Total comprehensive income		—	—	40	26	13	93	915	1,087	1,063	268	2,418
Transfer to retained earnings		—	—	—	—	—	(105)	105	—	—	—	—
Dividends to shareholders		—	—	—	—	—	—	(340)	(340)	(336)	(248)	(924)
Purchase own shares by Heineken N.V.		—	—	—	—	—	—	(194)	(194)	(190)	10	(374)
Positive dilution		—	—	—	—	—	—	54	54	(54)	—	—
Share-based payments by Heineken N.V.		—	—	—	—	—	—	16	16	16	—	32
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	6	—	—	—	—	—	—	2	2	2	(2)	2
Changes in consolidation		—	—	—	—	—	—	—	—	—	464	464
Balance as at 31 December 2015		**461**	**1,257**	**(509)**	**(23)**	**61**	**360**	**5,143**	**6,750**	**6,785**	**1,535**	**15,070**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates. The Company is registered in the Trade Register of Amsterdam No. 33078624.

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 HEINEKEN also comply fully with IFRS as issued by the IASB.

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

(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.

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

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

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

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

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

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

(b) Foreign currency

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

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

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

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

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

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

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

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.

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

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

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

(d) Derivative financial instruments (including hedge accounting)

(i) General
HEINEKEN uses derivatives in the ordinary course of business in order to manage market risks. Generally, HEINEKEN 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 of Heineken N.V.

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

(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.

(ii) Leased assets

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

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

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

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

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

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

(v) Gains and losses on sale

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

(g) Intangible assets

(i) Goodwill

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

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

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

(ii) Brands

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

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

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

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

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

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

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

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

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

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

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

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

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

(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.

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.

(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.

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

The grant date fair value, adjusted for expected dividends, of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for both the Executive Board of Heineken N.V. 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 of Heineken N.V. It recognises the impact of the revision of original estimates (only applicable for internal performance conditions, if any) in profit or loss, with a corresponding adjustment to equity.

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

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

to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

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

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

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

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

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

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

(n) Revenue

(i) Products sold
Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery

of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

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

(ii) Other revenue

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

(o) Other income

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

(p) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(q) Government grants

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

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

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

(r) Interest income, interest expenses and other net finance income and expenses

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

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

Other net finance income and expenses comprises dividend income, gains and losses on the disposal of available-for-sale investments, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments, changes in fair value of hedging instruments that are recognised in profit or loss, unwinding of the discount on provisions, impairment losses recognised on investments and interest on the net defined benefit obligation. Dividend income is recognised in the income statement on the date that

HEINEKEN’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Foreign currency gains and losses are reported on a net basis in the other net finance income and expenses.

(s) Income tax

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

(i) Current tax

Income tax expenses comprise corporate income tax due in countries of incorporation of HEINEKEN'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 HEINEKEN'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 HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill

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

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

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

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

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

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

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

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

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

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

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

(x) 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

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 contact using observable interest yield curves, basis spread and foreign exchange rates.

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

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

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

5. OPERATING SEGMENTS

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

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

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

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

Information about reportable segments

In millions of EUR	Note	Europe 2015	Europe 2014[3]	Americas 2015	Americas 2014	Africa, Middle East & Eastern Europe 2015	Africa, Middle East & Eastern Europe 2014[3]
Revenue							
Third party revenue[1]		9,510	9,077	5,154	4,626	3,260	3,186
Interregional revenue		717	684	5	5	3	3
Total revenue		**10,227**	9,761	**5,159**	4,631	**3,263**	3,189
Other income	8	34	76	6	7	51	10
Results from operating activities		1,039	1,054	807	660	487	620
Net finance expenses	12						
Share of profit of associates and joint ventures and impairments thereof	16	16	33	74	60	52	28
Income tax expense	13						
Profit							
Attributable to:							
Equity holders of Heineken Holding N.V. (net profit)							
Non-controlling interests in Heineken N.V.							
Non-controlling interests in Heineken N.V. group companies							
EBIT reconciliation							
EBIT[2]		1,055	1,087	881	720	539	648
Eia[2]		159	42	97	121	92	51
EBIT (beia)[2]	27	**1,214**	1,129	**978**	841	**631**	699
Current segment assets		3,155	3,257	1,802	1,668	1,412	1,264
Non-current segment assets		10,605	10,070	5,877	5,382	3,186	2,872
Investments in associates and joint ventures		190	301	1,098	792	217	253
Total segment assets		13,950	13,628	8,777	7,842	4,815	4,389
Unallocated assets							
Total assets							
Segment liabilities		4,956	5,431	1342	1,195	1,294	1,107
Unallocated liabilities							
Total equity							
Total equity and liabilities							
Purchase of P, P & E	14	548	504	369	291	432	467
Acquisition of goodwill	15	51	100	132	—	44	—
Purchases of intangible assets	15	22	13	14	13	4	2
Depreciation of P, P & E	14	(517)	(490)	(226)	(219)	(286)	(261)
(Impairment) and reversal of impairment of P, P & E	14	(23)	(3)	—	—	(33)	(3)
Amortisation intangible assets	15	(69)	(57)	(96)	(92)	(16)	(9)
(Impairment) and reversal of impairment of intangible assets	15	(4)	—	—	—	—	(18)

[1] Includes other revenue of EUR386 million in 2015 and EUR377 million in 2014.
[2] Note that these are non-GAAP measures and therefore unaudited.
[3] 2014 numbers have been revised to reflect the new regional segmentation.

Asia Pacific		Heineken N.V. Head Office & Other/eliminations		Consolidated	
2015	2014	**2015**	2014[3]	**2015**	2014
2,480	2,087	107	281	20,511	19,257
3	1	(728)	(693)	—	—
2,483	2,088	**(621)**	(412)	**20,511**	19,257
(62)	—	382	—	411	93
417	407	325	39	3,075	2,780
				(409)	(488)
30	29	—	(2)	172	148
				(697)	(732)
				2,141	1,708
				957	760
				935	756
				249	192
				2,141	1,708
447	436	325	37	3,247	2,928
288	146	(325)	(20)	311	340
735	582	**—**	17	**3,558**	3,268
1,042	752	(1,513)	(868)	5,898	6,073
8,107	6,881	1,080	845	28,855	26,050
417	621	63	66	1,985	2,033
9,566	8,254	(370)	43	36,738	34,156
				976	674
				37,714	34,830
748	600	506	421	8,846	8,754
				13,798	12,624
				15,070	13,452
				37,714	34,830
284	243	7	14	1,640	1,519
392	—	—	—	619	100
2	1	51	28	93	57
(110)	(83)	(12)	(27)	(1,151)	(1,080)
(15)	(2)	—	—	(71)	(8)
(169)	(148)	(18)	(25)	(368)	(331)
—	—	**—**	—	**(4)**	(18)

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.

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
Assets acquired	394	516	1,213
Contingent liabilities	—	—	5
Short term liabilities	216	94	74
Long term liabilities	51	191	251
Liabilities assumed	267	285	330
Total net identifiable assets	**127**	**231**	**883**
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)
Goodwill on acquisition (provisional)	**51**	**44**	**524**

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.

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
Assets classified as held for sale	**123**	688
Current liabilities	(31)	(103)
Non-current liabilities	—	(75)
Liabilities classified as held for sale	**(31)**	(178)

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 Distribev 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 Distribev 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
	411	93

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
	12,931	12,053

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
		3,322	3,080

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
	73,767	76,136

* 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
		1,594	1,437

12. NET FINANCE INCOME AND EXPENSE

Recognised in profit or loss

In millions of EUR	2015	2014
Interest income	**60**	48
Interest expenses	**(412)**	(457)
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)
Other net finance income/(expenses)	(57)	(79)
Net finance income/(expenses)	**(409)**	(488)

13. INCOME TAX EXPENSE

Recognised in profit or loss

In millions of EUR	2015	2014
Current tax expense		
Current year	799	666
Under/(over) provided in prior years	(3)	(9)
	796	657
Deferred tax expense		
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
	(99)	75
Total income tax expense in profit or loss	**697**	732

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)
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)	**2,666**	2,292

	%	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
	26.2	**697**	31.9	732

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	**55**	218

14. PROPERTY, PLANT AND EQUIPMENT

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
COST						
Balance as at 1 January 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**
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance as at 1 January 2014		(1,789)	(3,827)	(3,090)	—	(8,706)
Changes in consolidation		4	11	3	—	18
Depreciation charge for the year	11	(154)	(415)	(511)	—	(1,080)
Impairment losses	11	(5)	(3)	—	—	(8)
Transfer to/(from) assets classified as held for sale		2	42	(8)	—	36
Disposals		30	79	210	—	319
Effect of movements in exchange rates		6	14	(19)	—	1
Balance as at 31 December 2014		(1,906)	(4,099)	(3,415)	—	(9,420)
Balance as at 1 January 2015		**(1,906)**	**(4,099)**	**(3,415)**	**—**	**(9,420)**
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
Balance as at 31 December 2015		**(2,088)**	**(4,452)**	**(3,694)**	**—**	**(10,234)**
CARRYING AMOUNT						
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.

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
COST							
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**
AMORTISATION AND IMPAIRMENT LOSSES							
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)**
CARRYING AMOUNT							
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

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 Heineken N.V. 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
Heineken N.V. Head Office	480	480
	11,324	10,396

* 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
Heineken N.V. Head Office	9.4	1.8	0.6

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 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:

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

17. OTHER INVESTMENTS AND RECEIVABLES

In millions of EUR	Note	**2015**	2014
Non-current other investments and receivables			
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
		856	737
Current other investments			
Investments held for trading	32	16	13
		16	13

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.

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:

	Assets		Liabilities		Net	
In millions of EUR	**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
Tax assets/(liabilities)	**1,423**	1,258	**(2,323)**	(2,100)	**(900)**	(842)
Set-off of tax	**(465)**	(597)	**465**	597	**—**	—
Net tax assets/(liabilities)	**958**	661	**(1,858)**	(1,503)	**(900)**	(842)

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
	2,363	1,493
Recognised as deferred tax assets gross	**(1,564)**	(786)
Unrecognised	**799**	707

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.

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
Net tax assets/(liabilities)	**(842)**	**(197)**	**84**	**99**	**(25)**	**(19)**	**(900)**

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

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
	1,702	1,634

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

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	**2,873**	2,743

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		**282**	73

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 288,030,168 ordinary shares (2014: 288,030,168) with a par value of EUR1.60 and 250 priority shares (2014: 250) with a par value of EUR2. All issued shares are fully paid. The share capital as at 31 December 2015 amounted to EUR461 million (2014: EUR461 million). The Company's authorised capital amounted to EUR1,500,000,500, consisting of 937,500,000 ordinary shares and 250 priority shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. For the rights of the priority shareholders reference is made to the Other information on page 103.

Share premium

As at 31 December 2015, the share premium amounted to EUR1,257 million (2014: EUR1,257 million).

Translation reserve

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

Hedging reserve

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

Fair value reserve

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

Other legal reserves

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

Purchase own shares by Heineken N.V.

As at 31 December 2015, Heineken N.V. held 6,318,958 own shares (2014: 1,395,435). This results in an increased interest in shareholding by Heineken Holding N.V.

The related dilution effect has been recognised directly in equity.

During 2015, Heineken N.V. purchased 5,229,279 own 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-based payments by Heineken N.V.

During the period from 1 January to 31 December 2015, Heineken N.V. acquired 270,000 Heineken N.V. 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 Holding N.V.:

In millions of EUR	**2015**	2014
Final dividend previous year EUR0.74, respectively EUR0.53 per ordinary share	213	152
Interim dividend current year EUR0.44, respectively EUR0.36 per ordinary share	127	104
Total dividend declared and paid	**340**	256

As announced at the AGM of Heineken N.V. of 21 April 2015, Heineken N.V. widened the pay-out 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 of Heineken N.V. 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.

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

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

In millions of EUR	**2015**	2014
Per ordinary share EUR1.30 (2014: EUR1.10)	**374**	317

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

In millions of EUR	**2015**	2014
NCI percentage	49.44%[1]	49.87%[1]
Non-current assets	31,800	28,744
Current assets	5,914	6,086
Non-current liabilities	(14,128)	(12,846)
Current liabilities	(8,516)	(8,532)
Net assets	**15,070**	13,452
Carrying amount of NCI	**6,785**	6,284
Revenue	**20,511**	19,257
Profit	2,141	1,708
OCI	277	238
Total comprehensive income	**2,418**	1,946
Profit allocated to NCI[2]	**935**	756
OCI allocated to NCI[2]	**1,063**	841
Cash flow from operating activities	3,489	3,058
Cash flow from investing activities	(2,064)	(1,673)
Cash flow from financing activities	(1,173)	(2,453)
Net increase (decrease) in cash and cash equivalents	**252**	(1,068)
Final dividend previous year	425	305
Interim dividend current year	251	207
Total dividend	**676**	512
Dividend allocated to NCI	**336**	256

[1] Of which 12.532 per cent relates to FEMSA and 37.463 per cent to the public.
[2] Calculated based on 49.44 per cent (2014: 49.87 per cent) of the equity attributable to Heineken N.V.

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

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

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 EUR957 million (2014: EUR760 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2015 of 288,030,168 (2014: 288,030,168). Basic earnings per share for the year amounted to EUR3.32 (2014: EUR2.64).

Weighted average number of shares – basic and diluted

	2015	2014
Number of ordinary shares 1 January	288,030,168	288,030,168
Weighted average number of basic ordinary shares for the year	**288,030,168**	288,030,168

24. INCOME TAX ON OTHER COMPREHENSIVE INCOME

			2015			2014
In millions of EUR	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Other comprehensive income						
Actuarial gains and losses	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)
	222	**55**	**277**	20	218	238

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
Non-current interest-bearing liabilities		10,626	9,491
Non-current derivatives		32	8
Non-current liabilities		**10,658**	9,499

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
Total current portion of non-current interest-bearing liabilities		802	1,107
Deposits from third parties (mainly employee loans)		595	564
		1,397	1,671
Bank overdrafts and commercial papers	21	542	595
Current interest-bearing liabilities		**1,939**	2,266

Net interest-bearing debt position

In millions of EUR	Note	2015	2014[1]
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
		12,023	11,162
Bank overdrafts and commercial papers	21	542	595
Market value of cross-currency interest rate swaps	32	(215)	(166)
		12,350	11,591
Cash, cash equivalents and current other investments	17/21	(840)	(681)
Net interest-bearing debt position		**11,510**	10,910

[1]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
Balance as at 31 December 2015	**9,269**	**126**	**38**	**10**	**1,183**	**32**	**—**	**10,658**

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
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	2016 - 2017	19	19	—	—
Unsecured bank loans	bank facilities	USD, RWF	4.5 - 13.5	2017 - 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
					12,023	**12,093**	11,162	11,227

Financing headroom[1]
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[1]
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.

[1]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
	15	**—**	**15**	15	—	15

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**[1]	2014[1]
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
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	311	340
EBIT (beia)	3,558	3,268
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(177)	(139)
Operating profit (beia)	**3,381**	3,129
Profit attributable to equity holders of Heineken Holding N.V. (net profit)	957	760
Non-controlling interests in Heineken N.V.	935	756
	1,892	1,516
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)
Net profit (beia)	**2,048**	1,758

[1]Unaudited.

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
Total present value of defined benefit obligations	8,873	8,909
Fair value of defined benefit plan assets	(7,661)	(7,547)
Present value of net obligations	1,212	1,362
Asset ceiling items	4	2
Recognised liability for defined benefit obligations	1,216	1,364
Other long-term employee benefits	73	79
	1,289	1,443

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

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:

		Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
In millions of EUR	Note	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at 1 January		**8,909**	7,674	**(7,547)**	(6,553)	**1,362**	1,121
Included in profit or loss							
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)
Expense recognised in personnel expenses	10	72	(35)	6	4	78	(31)
Interest expense/(income)	12	258	326	(214)	(277)	44	49
		330	291	(208)	(273)	122	18
Included in OCI							
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
		(35)	1,342	(70)	(870)	(105)	472
Other							
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	—	—
		(331)	(398)	164	149	(167)	(249)
Balance as at 31 December		**8,873**	8,909	**(7,661)**	(7,547)	**1,212**	1,362

Defined benefit plan assets

			2015			2014*
In millions of EUR	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
	1,871	1	1,872	2,176	1	2,177
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
	2,922	1,533	4,455	2,684	1,399	4,083
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
	1,687	(353)	1,334	1,614	(327)	1,287
Balance as at 31 December	**6,480**	**1,181**	**7,661**	6,474	1,073	7,547

* 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).

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:

	The Netherlands		UK*	
In per cent	**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 2015	Europe 2014	Americas 2015	Americas 2014	Africa, Middle East & Eastern Europe 2015	Africa, Middle East & Eastern Europe 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.

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 Increase in assumption	31 December 2015 Decrease in assumption	31 December 2014 Increase in assumption	31 December 2014 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 of Heineken N.V. and senior management. Under this LTV plan, Heineken N.V. share rights are conditionally awarded to incumbents on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three-year period.

The performance conditions for LTV 2013-2015, LTV 2014-2016 and LTV 2015-2017 are the same for the Executive Board of Heineken N.V. 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 of Heineken N.V. and senior management, although for LTV 2013-2015 the performance conditions for the Executive Board of Heineken N.V. 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 of Heineken N.V. 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 of Heineken N.V. 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.

The terms and conditions of the Heineken N.V. share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price
Share rights granted to Executive Board in 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	54,903	58.95
Share rights granted to senior management in 2015	534,298	58.95

*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 of Heineken N.V. 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 of Heineken N.V.

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 of Heineken N.V. 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	**44.42**	**2,401,418**	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	**52.26**	**1,854,782**	44.42	2,401,418

Under the extraordinary share plans for senior management of Heineken N.V. 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 of Heineken N.V. 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	**33**	48

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

32. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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.

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

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

Investments
HEINEKEN limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have strong credit ratings. HEINEKEN actively monitors these credit ratings.

Guarantees
HEINEKEN's policy is to avoid issuing guarantees where possible unless this leads to substantial benefits for HEINEKEN. In cases where HEINEKEN does provide guarantees, such as to banks for loans (to third parties), HEINEKEN aims to receive security from the third party.

Heineken N.V. has issued a joint and several liability statement to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands.

Exposure to credit risk
The carrying amount of financial assets 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
		4,927	4,431

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
Heineken N.V. Head Office and Other/ eliminations	98	138
	2,821	2,621

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)
	3,262	**(441)**	3,025	(404)

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.

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:

2015

In millions of EUR	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(12,565)	(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)
Derivative financial assets and (liabilities)						
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)	—	—	—
	(18,168)	**(20,316)**	**(7,707)**	**(1,813)**	**(4,983)**	**(5,813)**

2014

In millions of EUR	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(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)	—	—	—
Derivative financial assets and (liabilities)						
Interest rate swaps used for hedge accounting (net)	163	238	96	12	130	—
Forward exchange contracts used for hedge accounting (net)	(64)	(66)	(60)	(6)	—	—
Commodity derivatives used for hedge accounting (net)	(11)	(10)	(7)	(3)	—	—
Derivatives not used for hedge accounting (net)	19	19	19	(3)	3	—
	(16,902)	(19,273)	(8,035)	(876)	(4,136)	(6,226)

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

Market risk

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

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

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

Foreign currency risk

HEINEKEN is exposed to foreign currency risk on (future) sales, (future) purchases, borrowings and dividends that are denominated in a currency other than the respective functional currencies of HEINEKEN entities. The main currencies that give rise to this risk are the US dollar, 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 HEINEKEN and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk
HEINEKEN's transactional exposure to the 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.

	2015		2014	
In millions	EUR	USD	EUR	USD
Financial assets				
Trade and other receivables	27	61	14	44
Cash and cash equivalents	79	101	98	93
Intragroup assets	18	4,873	14	4,727
Financial liabilities				
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)
Gross balance sheet exposure	(956)	(1,179)	(755)	(1,400)
Estimated forecast sales next year	168	1,353	186	1,373
Estimated forecast purchases next year	(1,765)	(1,534)	(1,739)	(1,562)
Gross exposure	(2,553)	(1,360)	(2,308)	(1,589)
Net notional amount forward exchange contracts	406	748	99	950
Net exposure	**(2,147)**	**(612)**	(2,209)	(639)
Sensitivity analysis				
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).

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
Fixed rate instruments		
Financial assets	93	99
Financial liabilities	(11,057)	(10,225)
Net interest rate swaps	(42)	56
	(11,006)	(10,070)
Variable rate instruments		
Financial assets	1,023	917
Financial liabilities	(1,508)	(1,532)
Net interest rate swaps	42	(56)
	(443)	(671)

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.

		Profit or loss		Equity
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015				
Variable rate instruments	(4)	4	(4)	4
Net interest rate swaps	—	—	—	—
Cash flow sensitivity (net)	**(4)**	**4**	**(4)**	**4**
31 December 2014				
Variable rate instruments	(5)	5	(5)	5
Net interest rate swaps	—	—	—	—
Cash flow sensitivity (net)	(5)	5	(5)	5

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 counter-parties 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.

	Equity	
In millions of EUR	10 per cent increase	10 per cent decrease
31 December 2015		
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:

2015

In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps						
Assets	—	—	—	—	—	—
Liabilities	(1)	(2)	(2)	—	—	—
Cross-currency interest rate swaps						
Assets	215	1,220	90	53	1,077	—
Liabilities	—	(953)	(68)	(38)	(847)	—
Forward exchange contracts						
Assets	37	1,437	1,289	148	—	—
Liabilities	(39)	(1,453)	(1,301)	(152)	—	—
Commodity derivatives						
Assets	1	1	1	—	—	—
Liabilities	(71)	(70)	(42)	(20)	(8)	—
	142	**180**	**(33)**	**(9)**	**222**	**—**

2014

In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps						
Assets	—	—	—	—	—	—
Liabilities	(3)	(4)	(2)	(2)	—	—
Cross-currency interest rate swaps						
Assets	166	1,701	605	82	1,014	—
Liabilities	—	(1,459)	(507)	(68)	(884)	—
Forward exchange contracts						
Assets	24	1,541	1,394	147	—	—
Liabilities	(88)	(1,607)	(1,454)	(153)	—	—
Commodity derivatives						
Assets	5	9	6	2	1	—
Liabilities	(15)	(19)	(13)	(5)	(1)	—
	89	162	29	3	130	—

The periods in which the cash flows associated with forward exchange contracts that are cash flow hedges are expected to impact profit or loss is 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
Heineken Holding N.V.'s capital management is strongly related to Heineken N.V.'s capital management because every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued by Heineken Holding N.V. This enables Heineken N.V. to pursue its long-term policy in the interest of the Heineken N.V. shareholders.

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

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

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

Fair values
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.

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	—	—
	114	**367**	**84**
Non-current derivative liabilities	—	(32)	—
Loans and borrowings	(10,025)	(1,870)	—
Current derivative liabilities	—	(89)	—
	(10,025)	**(1,991)**	**—**

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

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.

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
Available-for-sale investments based on level 3		
Balance as at 1 January	**68**	59
Fair value adjustments recognised in other comprehensive income	16	10
Disposals	—	(1)
Transfers	—	—
Balance as at 31 December	**84**	68

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
Off-balance sheet obligations	**12,288**	**3,204**	**6,211**	**2,873**	6,559
Undrawn committed bank facilities	**2,930**	**398**	**2,523**	**9**	2,871

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).

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
Guarantees	**1,037**	**509**	**458**	**70**	946

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 Holding N.V. has a related party relationship with its Board of Directors, the Executive Board and Supervisory Board of Heineken N.V., L'Arche Green N.V., Stichting Administratiekantoor Priores, Stichting Beheer Prioriteitsaandelen Heineken Holding N.V., Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), associates and joint ventures (refer to note 16), HEINEKEN pension funds (refer to note 28) and employees (refer to note 25). Heineken Holding N.V.'s ultimate controlling party is C.L. de Carvalho-Heineken. For the structure of the HEINEKEN Group reference is made to the Report of the Board of Directors, page 10.

Board of Directors of Heineken Holding N.V. remuneration

In thousands of EUR	**2015**	2014
C.L. de Carvalho-Heineken	60	60
M.R. de Carvalho[1]	41	—
Remuneration executive members	101	60
M. Das	90	90
J.A. Fernández Carbajal	60	60
C.M. Kwist	60	60
K. Vuursteen[2]	—	19
A.A.C. de Carvalho	60	60
Remuneration non-executive members	270	289
	371	349

[1] Appointed as at 23 April 2015.
[2] Stepped down as at 24 April 2014.

As at 31 December 2015, the Board of Directors represented 149,121,046 ordinary shares in the Company (2014:149,021,038 ordinary shares).

Executive Board of Heineken N.V.

The remuneration of the members of the Executive Board of Heineken N.V. 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 of Heineken N.V. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years, HEINEKEN will match the blocked shares 1:1 which is referred to as the matching share entitlement. For the LTV award refer to note 29.

As at 31 December 2015, J.F.M.L. van Boxmeer held 179,838 Heineken N.V. shares and L. Debroux held 681 Heineken N.V. shares (2014: J.F.M.L. van Boxmeer 117,889).

Executive Board of Heineken N.V. remuneration

In thousands of EUR	2015 J.F.M.L. van Boxmeer	2015 L. Debroux[1]	2015 D.R. Hooft Graafland[2]	2015 Total	2014 J.F.M.L. van Boxmeer	2014 D.R. Hooft Graafland	2014 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
Total[3]	**9,119**	**2,137**	**2,642**	**13,898**	9,011	6,383	15,394

[1] Appointed on 23 April 2015.
[2] Resigned on 23 April 2015.
[3] 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 D.R. 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 of Heineken N.V. 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 of Heineken N.V. 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 D.R. Hooft Graafland as a member of the Executive Board and CFO of Heineken N.V. in 2015
D.R. Hooft Graafland has resigned from the Executive Board of Heineken N.V. 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 D.R. Hooft Graafland is approximately EUR0.5 million (2014: EUR0.2 million).

Supervisory Board of Heineken N.V. remuneration

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[1]	—	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[2]	75	58
	940	1,003

[1] Stepped down as at 24 April 2014.
[2] Appointed as at 24 April 2014.

M.R. 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 Heineken N.V. bonds or option rights. M.R. de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2015 (2014: 100,008 ordinary shares).

Other related party transactions

In millions of EUR	Transaction value **2015**	Transaction value 2014	Balance outstanding as at 31 December **2015**	Balance outstanding as at 31 December 2014
Sale of products, services and royalties				
To associates and joint ventures	82	75	30	21
To FEMSA	817	857	137	136
	899	932	**167**	157
Raw materials, consumables and services				
Goods for resale – joint ventures	—	—	—	—
Other expenses – joint ventures	—	—	—	—
Other expenses FEMSA	197	201	36	46
	197	201	**36**	46

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

FEMSA

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

36. HEINEKEN ENTITIES

Control of HEINEKEN

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

Heineken Holding N.V. holds an interest in Heineken N.V. of 50.005 per cent of the issued capital (being 50.560 per cent (2014: 50.126 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.).

L'Arche Green N.V. holds 51.709 per cent (2014: 51.709 per cent) of the Heineken Holding N.V. ordinary shares.

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

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued by Heineken N.V. with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements on page 139.

Pursuant to the provisions of Article 17 (1) of the Republic of Ireland Companies (Amendment) Act 1986, Heineken N.V. issued irrevocable guarantees in respect of the financial year from 1 January 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 N.V.'s significant subsidiaries at 31 December 2015. The subsidiaries as listed below are held by Heineken N.V. and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The country of incorporation or registration is also their principal place of business. 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.

Significant subsidiaries of Heineken N.V.

		Percentage of ownership held by Heineken N.V.	
	Country of incorporation	**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 Zywiec S.A.	Poland	**65.2**	65.2
LLC Heineken Breweries	Russia	**100.0**	100.0
Vietnam Brewery Ltd.	Vietnam	**60.0**	60.0

Summarised financial information on subsidiaries with material non-controlling interests

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
Summarised Balance Sheet		
Current		
Assets	266	274
Liabilities	(629)	(554)
Total current net assets	**(363)**	(280)
Non-current		
Assets	1,120	943
Liabilities	(194)	(303)
Total non-current net assets	**926**	640

In millions of EUR	2015	2014
Summarised Income Statement		
Revenue	1,359	1,281
Profit before income tax	262	297
Income tax	(82)	(97)
Net profit from continuing operations	**180**	200
Net profit from discontinuing operations	—	—
Other comprehensive income/(loss)	(45)	1
Total comprehensive income	**135**	201
Total comprehensive income attributable to NCI	**62**	92
Dividend paid to NCI	**67**	82

In millions of EUR	2015	2014
Summarised Cash Flow		
Cash flow from operating activities	432	405
Interest paid	(30)	(13)
Income tax paid	(101)	(115)
Net cash generated from operating activities	301	277
Net cash used in investing activities	(156)	(162)
Net cash used in financing activities	(229)	(145)
Net change in cash and cash equivalents	**(84)**	(30)
Exchange difference	**1**	3

37. SUBSEQUENT EVENTS

Sale of Distribev SP. zo.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.

OTHER INFORMATION

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

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

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

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

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

Shares held by the Board of Directors
As at 31 December 2015, the Board of Directors represented 149,121,046 ordinary shares of the company.

Proposed appropriation of profit
It is proposed to appropriate EUR374 million of the profit for payment of dividend and to add EUR583 million to the reserves.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements 2015

Our Opinion

We have audited the financial statements 2015 of Heineken Holding N.V. ('the Company'), based in Amsterdam. The financial statements include the company financial statements and the consolidated financial statements.

In our opinion:

- The company financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 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 give a true and fair view of the financial position of Heineken Holding 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 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.

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

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 Holding N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" ('ViO') and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" ('VGBA').

We believe 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 Board of Directors 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.

Scope of the group audit

Heineken Holding 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 Holding 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 Board of Directors. 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.

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 shared this audit plan with the Board of Directors of Heineken Holding N.V.

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.

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 Board of Directors for the Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors 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 Board of Directors is responsible for assessing the

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

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 (Standard texts auditor's report).

Report on other legal and regulatory requirements

Report on the Report of the Board of Directors 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 Board of Directors and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the 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 Board of Directors, 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 Holding 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

REFERENCE INFORMATION

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Disclaimer
This Annual Report contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest rate and foreign exchange fluctuations, changes in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in this Annual Report. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. HEINEKEN does not undertake any obligation to update the forward-looking statements contained in this Annual Report. Market share estimates contained in this Annual Report are based on outside sources, such as specialised research institutes, in combination with management estimates.