

BASE PROSPECTUS



HEINEKEN N.V.

(incorporated with limited liability in the Netherlands)

€10,000,000,000

**Euro Medium Term Note Programme**

Under this €10,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Heineken N.V. (the "**Issuer**" or "**Heineken**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") as a base prospectus issued in compliance with Directive 2003/71/EC (as amended) (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months from the date hereof. The CSSF is the Luxembourg competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg. By approving this Base Prospectus, the CSSF shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg law dated 10 July 2005 on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) as amended by the Luxembourg law dated 3 July 2012 (the "**Prospectus Act 2005**").

Applications have been made for Notes issued under the Programme to be admitted during the period of twelve months from the date hereof to listing on the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The Programme also permits Notes to be issued that will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer(s).

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes will be issued in bearer form and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

***Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed in the section "Risk Factors" below.***

Notes issued under the Programme may be rated or unrated. Where a Tranche (as defined herein) of Notes is rated, its rating will be specified in the applicable Final Terms along with confirmation of whether or not such rating will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") will appear on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

Arranger  
Credit Suisse  
Dealers

ABN AMRO  
BNP PARIBAS  
Credit Suisse  
ING

Barclays  
Citigroup  
HSBC  
J.P. Morgan

12 March 2015

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## IMPORTANT NOTICES

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**"). This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer in connection with the Programme or any Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to any Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes will be issued in bearer form and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S and by the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and by U.S. Treasury regulations promulgated thereunder) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**The section entitled "*Important Information relating to Public Offers of Notes*" sets out important information relating to the offer to the public of Notes issued under the Programme generally.**

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Trustee, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed €10,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*))). The maximum aggregate

nominal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, references to "**U.S. dollars**", "**U.S.\$**" and "**USD**" are to the lawful currency of the United States of America, references to "**£**" and "**Pounds sterling**" are to the lawful currency of the United Kingdom, references to "**CHF**" and "**Swiss Francs**" are to the lawful currency of Switzerland, references to "**SGD**" and "**Singapore dollars**" are to the lawful currency of Singapore and references to "**JPY**" and "**Japanese Yen**" are to the lawful currency of Japan.

In this Base Prospectus, references to websites or uniform resource locators (URLs) are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated by reference into, this Base Prospectus.

This Base Prospectus contains information sourced from third parties, where indicated with references to third party sources herein. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and this type of issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "Not Applicable".

Section A – Introduction and Warnings		
Element	Title	
A.1	Introduction	<p><b>This summary should be read as an introduction to the Base Prospectus. Any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation hereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</b></p>
A.2	Consent	<p>[Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered to financial intermediaries in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "<b>Public Offer of Notes</b>".]</p> <p>[Not Applicable; the Notes are issued in denominations of less than €100,000 (or its equivalent in any other currency) but will be offered pursuant to one or more exemptions from the obligation under the Prospectus Directive to publish a prospectus. There will be no Public Offer of Notes.]</p> <p>[Specific Consent:</p> <p>The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes by [            ], [            ] and any other financial intermediary appointed after [            ] and whose name is published on the Issuer's website (<a href="http://www.theheinekencompany.com">http://www.theheinekencompany.com</a>) and identified as an Authorised Offeror in respect of the relevant Public Offer of Notes on the following basis:</p> <p>(a) the relevant Public Offer of Notes must occur during the period from and including [            ] to but excluding [            ] (the "<b>Offer Period</b>");</p> <p>(b) the relevant Authorised Offeror must satisfy the following conditions: [            ]; and</p>

		<p>(c) [ ].</p> <p>Authorised Offerors will provide information to Investors on the terms and conditions of the Public Offer of Notes at the time such Public Offer of Notes is made by the Authorised Offeror to Investors.]</p> <p>[General Consent:</p> <p>[The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes for subsequent resale or final placement of the Notes by [ ], [ ] and any other financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("<b>MiFID</b>") on the following basis:</p> <p>(a) the relevant Public Offer of Notes must occur during the period from and including [ ] to but excluding [ ] (the "<b>Offer Period</b>");</p> <p>(b) the relevant Authorised Offeror must publish the following Acceptance Statement on its website:</p> <p><i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "<b>Notes</b>") described in the Final Terms dated [insert date] (the "<b>Final Terms</b>") published by Heineken N.V. (the "<b>Issuer</b>").</i></p> <p><i>In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [insert name(s) of relevant Public Offer Jurisdiction(s)] during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID to make, and are using the Base Prospectus in connection with, the Public Offer of Notes accordingly.</i></p> <p><i>Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus."</i></p> <p>Any financial intermediary who wishes to use this Base Prospectus in connection with the Public Offer of Notes is required, for the duration of the Offer Period, to publish a duly completed Acceptance Statement on its website.]</p> <p>[The financial intermediaries referred to above are together referred to herein as the "<b>Authorised Offerors</b>".</p> <p>The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.]</p> <p>[Neither the Issuer nor, for the avoidance of doubt, any [Dealer/Manager] has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.</p> <p><b>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO SUCH AN INVESTOR BY AN AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE</b></p>
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		<p><b>BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR (THE "TERMS AND CONDITIONS OF PUBLIC OFFERS OF NOTES"). THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTOR AND, ACCORDINGLY, THIS BASE PROSPECTUS DOES NOT, AND ANY FINAL TERMS WILL NOT, CONTAIN SUCH INFORMATION. THE TERMS AND CONDITIONS OF THE PUBLIC OFFER OF NOTES SHALL BE PROVIDED TO SUCH INVESTOR BY THAT AUTHORISED OFFEROR AT THE TIME THE OFFER IS MADE. NONE OF THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY OF THE DEALERS OR OTHER AUTHORISED OFFEROR HAS ANY RESPONSIBILITY OR LIABILITY FOR SUCH INFORMATION.]</b></p>
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Section B – Issuer																																									
Element	Title																																								
<b>B.1</b>	Legal and commercial name of the Issuer	Heineken N.V. (the "Issuer" or "Heineken")																																							
<b>B.2</b>	Domicile/legal form/legislation/country of incorporation	The Issuer is a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated and domiciled in the Netherlands and operating under the laws of the Netherlands.																																							
<b>B.4b</b>	Trends affecting the Issuer and its industry	Not Applicable. There are no particular trends affecting the Issuer and the industries in which it operates.																																							
<b>B.5</b>	Description of the Group	<p>The Issuer is the parent company of the Heineken Group.</p> <p>The Heineken Group is a leading international brewer, producing beer in over 70 countries through more than 160 breweries and also through other brewers under licence.</p>																																							
<b>B.9</b>	Profit forecasts or estimates	Not Applicable. The Issuer has not made any profit forecasts or estimates in the Base Prospectus.																																							
<b>B.10</b>	Audit report qualifications	Not Applicable. There are no qualifications in the audit reports to the 2014 financial statements and the 2013 financial statements of the Issuer.																																							
<b>B.12</b>	Selected historical key financial information	<p>The table below shows Heineken's full year key figures for the financial years ending 31 December 2014 and 31 December 2013.</p> <table border="1"> <thead> <tr> <th><b>Key Financial Figures</b></th> <th>2014*</th> <th>2013*</th> </tr> </thead> <tbody> <tr> <td colspan="3"><i>(In millions of EUR)</i></td> </tr> <tr> <td colspan="3"><b>Income Statement Data</b></td> </tr> <tr> <td>Revenue.....</td> <td>19,257</td> <td>19,203</td> </tr> <tr> <td>EBIT (beia).....</td> <td>3,268</td> <td>3,091</td> </tr> <tr> <td>EBIT (beia) margin**.....</td> <td>16.9%</td> <td>16.1%</td> </tr> <tr> <td>Net interest expense***.....</td> <td>409</td> <td>532</td> </tr> <tr> <td>Net profit (attributable to equity holders of the Company) .....</td> <td>1,516</td> <td>1,364</td> </tr> <tr> <td colspan="3"><b>Balance Sheet Data</b></td> </tr> <tr> <td>Cash and cash equivalents.....</td> <td>668</td> <td>1,290</td> </tr> <tr> <td>Total assets.....</td> <td>34,830</td> <td>33,337</td> </tr> <tr> <td>Net interest bearing debt.....</td> <td>11,076</td> <td>10,868</td> </tr> <tr> <td>Total equity.....</td> <td>13,452</td> <td>12,356</td> </tr> </tbody> </table>	<b>Key Financial Figures</b>	2014*	2013*	<i>(In millions of EUR)</i>			<b>Income Statement Data</b>			Revenue.....	19,257	19,203	EBIT (beia).....	3,268	3,091	EBIT (beia) margin**.....	16.9%	16.1%	Net interest expense***.....	409	532	Net profit (attributable to equity holders of the Company) .....	1,516	1,364	<b>Balance Sheet Data</b>			Cash and cash equivalents.....	668	1,290	Total assets.....	34,830	33,337	Net interest bearing debt.....	11,076	10,868	Total equity.....	13,452	12,356
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		<p>Notes:</p> <p>* 2014 and 2013 figures are derived from Heineken's 2014 consolidated financial statements.</p> <p>** The EBIT (beia) margins have been calculated by dividing EBIT (beia) by revenue.</p> <p>*** Net interest expense: interest income less interest expense</p> <p><i>Statements of no significant or material adverse change</i></p> <p>Since 31 December 2014, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Heineken Group.</p>
<b>B.13</b>	Recent events relevant to solvency	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to an evaluation of the Issuer's solvency.
<b>B.14</b>	Description of the Group and dependence upon other Group entities	<p>See Element B.5 for a description of the Heineken Group and the Issuer's position within the Heineken Group. The Issuer is the parent company of the Heineken Group.</p> <p>Not Applicable. The Issuer is not dependent upon other entities within the Heineken Group.</p>
<b>B.15</b>	Issuer's principal activities	<p>Heineken is among the largest brewers in the world<sup>1</sup> with a total consolidated beer volume of 181.3 million hectolitres in 2014. The Issuer produces beer in over 70 countries through more than 160 breweries and also through other brewers under licence. The Issuer also has a strong export business, which is carried out mainly from the Netherlands, Mexico and Singapore. The production and sale of beer represents the Issuer's main source of income and cash flow. The Issuer is also engaged in complementary businesses to its manufacturing brewing activities, such as beverage distribution and the production of cider, soft drinks and other alcohol products.</p> <p>Heineken enjoys strong market positions and an efficient cost structure in many countries by combining the production, marketing and sale of the Issuer's international brands and products with that of a range of prominent local beer brands. The international brands (Heineken<sup>®</sup>, Amstel, Desperados, Affligem, Sol and Strongbow) are supplemented and supported by national and regional brands, and a range of speciality beers, light beers (low-calorie beers) and alcohol-free beers. Market leading positions have been built by developing a cohesive portfolio of strong brands, which offer high added value for the Issuer's customers and consumers. The Issuer's principal international brand is Heineken<sup>®</sup>, but the Heineken Group brews and sells more than 250 beers and ciders including Anchor, Biere Larue, Bintang, Birra Moretti, Cruzcampo, Dos Equis, Foster's, Newcastle Brown Ale, Ochota, Primus, Sagres, Star, Tecate, Tiger and Zywiec. Heineken's leading joint venture brands include Cristal and Kingfisher. In addition to the global beer portfolio, Heineken is also the world's biggest cider maker with brands such as Strongbow, Bulmers and Old Mout.</p>
<b>B.16</b>	Controlling persons	Heineken Holding N.V. holds 50.005 per cent. of the Heineken N.V. issued shares. On 31 December 2014, L'Arche Green N.V. held 51.709 per cent. of the Heineken Holding N.V. shares. The Heineken family holds 88.67 per cent. of L'Arche Green N.V. The remaining 11.33 per cent. of L'Arche Green N.V. is held by the Hoyer family.
<b>B.17</b>	Credit ratings	The Issuer has long-term credit ratings of Baa1 by Moody's Investors Service Ltd (" <b>Moody's</b> ") and BBB+ by Standard & Poor's Credit Market

<sup>1</sup> Based on Canadean, Global Brewer Analyser report (September 2014 edition)



		<p>Services France SAS ("<b>Standard &amp; Poor's</b>") as at the date of the Base Prospectus.</p> <p>Each of Moody's and Standard &amp; Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "<b>CRA Regulation</b>"). As such, each of Moody's and Standard &amp; Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.</p> <p>[The Notes [have been]/[are expected to be] rated [ ] by [ ]. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.]</p>
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<b>Section C – Securities</b>		
<b>Element</b>	<b>Title</b>	
<b>C.1</b>	Description of type and class of the Notes, including any security identification number	<p>The Notes described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.</p> <p>The Notes are [€/U.S.\$/£/CHF/SGD/JPY/[<i>other</i>]] [ ] [[ ] per cent./Floating Rate/Zero Coupon] Notes due [ ].</p> <p>The International Securities Identification Number ("<b>ISIN</b>") is [ ].</p> <p>The Common Code is [ ].</p>
<b>C.2</b>	Currency of the Notes	<p>Subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p>The currency of this Series of Notes is [Euro ("<b>€</b>")/U.S. dollars ("<b>U.S.\$</b>")/Pounds Sterling ("<b>£</b>")/Swiss Francs ("<b>CHF</b>")/Singapore dollars ("<b>SGD</b>")/Japanese Yen ("<b>JPY</b>")/ [<i>other</i>] ([ ])].</p>
<b>C.5</b>	Restrictions on the free transferability of the Notes	Not Applicable. There are no restrictions on the free transferability of the Notes.
<b>C.8</b>	Description of the rights attached to the Notes, including ranking and limitations to those rights	<p><b>Trust Deed:</b> The Notes will be constituted by a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the "<b>Trust Deed</b>") dated 12 March 2015 made between the Issuer and BNP Paribas Trust Corporation UK Limited as trustee (the "<b>Trustee</b>") for the holders of the Notes. The Trustee will have certain rights as described below and no Noteholder or holder of any interest coupon shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.</p>

		<p><b>Covenants:</b></p> <p><b>Negative Pledge:</b> The Notes have the benefit of a negative pledge provision in respect of Relevant Debt of the Issuer and any subsidiary of the Issuer or any guarantee of or indemnity in respect of any such Relevant Debt.</p> <p><b>"Relevant Debt"</b> means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or other securities market.</p> <p>The negative pledge shall not prohibit the creation of any Permitted Security Interest.</p> <p><b>Limitation on Subsidiary Indebtedness:</b> The Issuer has covenanted not to permit any of its subsidiaries, without the prior approval of the Trustee or of an Extraordinary Resolution of the Noteholders, to incur any Indebtedness, unless at the time of such incurrence the aggregate principal amount of the Indebtedness to be incurred together with all other Indebtedness of the Issuer's subsidiaries then outstanding (but disregarding for this purpose any Indebtedness ("<b>Due Indebtedness</b>") due to be repaid on the same day as such Indebtedness is to be incurred provided that the Due Indebtedness is so repaid) does not exceed 35 per cent. of Total Group Assets.</p> <p><b>"Indebtedness"</b> means, without double counting, any indebtedness (which includes any obligations (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent) for or in respect of:</p> <ul style="list-style-type: none"> <li>(a) moneys borrowed;</li> <li>(b) any amount raised by acceptance under any acceptance credit facility;</li> <li>(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;</li> <li>(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with applicable generally accepted accounting principles, be treated as a finance or capital lease;</li> <li>(e) the amount payable for the redemption of any redeemable shares in the issued share capital of any subsidiary of the Issuer which rank ahead of the ordinary (or equivalent) share capital of such subsidiary and which are not directly or indirectly owned by the Issuer; and</li> <li>(f) without double-counting in respect of any amount of any liability which has already been included in any of paragraphs (a) to (e) above, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (e) above,</li> </ul> <p>subject to certain exclusions.</p>
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		<p><b>"Total Group Assets"</b> means the total assets of the Issuer on a consolidated basis, as shown in its then latest audited annual financial statements or (if more recently prepared and published) its then latest unaudited interim financial statements.</p> <p><i>Events of default:</i> The terms of the Notes will contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> <li>(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time;</li> <li>(b) non-performance by the Issuer or non-compliance with any of its other obligations under the conditions of the Notes or the Trust Deed, in certain cases continuing for a specified period of time;</li> <li>(c) a cross default provision in respect of indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed, subject to an aggregate threshold of €100,000,000 or, if greater, 0.5 per cent. of Total Group Assets (as defined above), or their equivalent in any other currency;</li> <li>(d) certain events relating to enforcement of security or other legal process against the whole or a substantial part of the undertaking, assets or revenues of the Issuer or any Material Subsidiary, continuing for a specified period of time; and</li> <li>(e) events relating to the insolvency or winding up of the Issuer or any Material Subsidiary,</li> </ul> <p>provided that, in the case of the happening of any event other than that described in (a) above, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.</p> <p><b>"Material Subsidiary"</b> means, at any time, a subsidiary of the Issuer whose net turnover on ordinary activities (excluding intra-group items) accounts for at least 10 per cent. of the consolidated net turnover on ordinary activities of the Heineken Group.</p> <p><b>"substantial part"</b> means 20 per cent. or more of the whole, as reasonably determined by the Trustee.</p> <p><b>Withholding tax:</b> All payments in respect of Notes will be made free and clear of withholding taxes of the Netherlands unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 7) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p><b>Status and Ranking of the Notes:</b> The Notes shall be issued on an unsubordinated basis. The Notes will constitute (subject to the provisions of the negative pledge described above) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation (and subject to the negative pledge as aforesaid), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.</p>
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		<p><b>Meetings:</b> The terms of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b>Governing law:</b> English law.</p>
C.9	Interest/redemption/ yield/representation of noteholders	<p>See Element C.8 for the rights attached to the Notes, ranking and limitations.</p> <p><b>Interest:</b> [Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate. Interest will be payable on such date or dates as may be specified below.]</p> <p>[Floating Rate Notes will bear interest determined separately for each Series; this will be determined either on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc) or else by reference to LIBOR, EURIBOR, SIBOR or SOR-VWAP, as adjusted for any applicable margin.]</p> <p>[The Notes bear interest from [their date of issue/[ ] ] at the fixed rate of [ ] per cent. per annum. Interest will be paid [annually] in arrear on [ ] in each year. The first interest payment will be made on [ ].]</p> <p>[The Notes bear interest from [their date of issue/[ ] ] at floating rates calculated by reference to [<i>specify reference rate for Notes being issued</i>] [plus/minus] a margin of [ ] per cent. Interest will be paid [quarterly/semi-annually] in arrear on [ ] and [ ] in each year, subject to adjustment for non-business days. The first interest payment will be made on [ ].]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p><b>Redemption:</b> [The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes. The Notes will be redeemed at 100 per cent. of their nominal value or, if so agreed between the Issuer and the relevant Dealer, at a higher amount.]</p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [ ] at [par/[ ] per cent. of their nominal amount].</p> <p>The Notes may be redeemed early for tax reasons [or [<i>specify any other early redemption option applicable to the Notes being issued such as the change of control put option</i>]] at [<i>specify the early redemption price and any maximum or minimum redemption amounts, applicable to the Notes being issued</i>].</p> <p><b>Indication of yield:</b> [Indication of yield: [ ] per cent. per annum.]/[Not Applicable]</p>

		<p><b>Representative of the Noteholders:</b> The Issuer has appointed BNP Paribas Trust Corporation UK Limited to act as Trustee for the holders of Notes pursuant to the terms of the Trust Deed. The Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or the Trust Deed or (ii) determine that any event of default or potential event of default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer in the circumstances described in Condition 14.</p> <p>In connection with the exercise by it of any of its trusts, powers, authorities and discretions, the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof.</p>
<b>C.10</b>	Derivative component in interest payment	<p>See Element C.9.</p> <p>Not Applicable. Payments of interest on the Notes shall not involve any derivative component.</p>
<b>C.11</b>	Regulated market	<p>[Notes issued under the Programme may be admitted to trading on the Luxembourg Stock Exchange or may be issued without being admitted to trading on any stock exchange or market.]</p> <p>[Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [regulated market] of the Luxembourg Stock Exchange/[Not Applicable. The Notes will not be admitted to trading on any stock exchange or market.]</p>
<b>C.15</b>	How the value of the investment is affected by the underlying instrument	<p>Not Applicable. Payments on the Notes shall not involve any derivative component. There will be no underlying instrument.</p>
<b>C.16</b>	Expiration/maturity date of the derivative securities – the exercise date/final reference date	<p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [ ].</p> <p>Not Applicable. Payments on the Notes shall not involve any derivative component. There will be no exercise date or final reference date.</p>
<b>C.17</b>	Settlement procedure of the derivative securities	<p>The Notes will be settled on a delivery [against] [free of] payment basis.</p>

<b>C.18</b>	How the return on the derivative securities takes place	Not Applicable. Payments on the Notes shall not involve any derivative component. The return on the Notes shall not be determined by any underlying.
<b>C.19</b>	Exercise price/final reference price of the underlying	Not Applicable. Payments on the Notes shall not involve any derivative component. There is no such price on the underlying as there is no underlying.
<b>C.20</b>	The type of underlying and where information on the underlying can be found	Not Applicable. Payments on the Notes shall not involve any derivative component as there is no underlying.
<b>C.21</b>	Regulated market	<p>[Notes issued under the Programme may be admitted to trading on the Luxembourg Stock Exchange or may be issued without being admitted to trading on any stock exchange or market.]</p> <p>[Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange/[Not Applicable. The Notes will not be admitted to trading on any stock exchange or market.]</p>

#### Section D – Risks

Element	Title	
<b>D.2</b>	Key risks specific to the Issuer	<p>In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. These factors include:</p> <ul style="list-style-type: none"> <li>• Heineken is reliant on the reputation of its brands and the protection of its intellectual property rights.</li> <li>• Negative societal perceptions of alcohol could lead to a decrease in brand equity and sales of Heineken's products.</li> <li>• Decreases in beer consumption in favour of other beverage categories could have an adverse effect on Heineken's business, financial condition and/or results of operations.</li> <li>• Heineken may be impacted by changes in the availability or price of raw materials, water and other input costs.</li> <li>• Disruption in Heineken's product supply and supply chains could impact its sales and financial performance in its export markets.</li> <li>• Heineken is subject to risks generally associated with companies that operate in a global environment, which could have an adverse effect on its growth and financial performance.</li> </ul>

		<ul style="list-style-type: none"> <li>• Heineken is exposed to the risks and effects of economic recession and to falls in per-capita income, which could adversely affect the demand for its products.</li> <li>• Heineken's strategic change projects could temporarily reduce its operational effectiveness.</li> <li>• Heineken operates in highly competitive markets and industry consolidation could place Heineken at a competitive disadvantage to its competitors.</li> <li>• Heineken is dependent on its senior management and may fail to attract, develop and retain talented staff with the required capabilities.</li> <li>• Heineken may not be able to successfully carry out further acquisitions or to integrate acquired businesses with its existing businesses.</li> <li>• Heineken is reliant on its information technology to conduct its business in the different regions in which it operates.</li> <li>• Heineken faces risks resulting from its joint ventures and other strategic partnerships and it may be unable to influence such joint ventures and strategic partnerships.</li> <li>• Heineken is exposed to fluctuations in exchange rates.</li> <li>• Heineken is exposed to interest rate risk on its floating rate indebtedness.</li> <li>• Heineken's future capital needs may require that it seeks debt financing, refinancing or additional equity funding, which may not be available or may be materially more expensive.</li> <li>• Heineken faces defined benefit pension obligations in some of the countries in which it operates.</li> <li>• The jurisdictions in which Heineken operates may adopt regulations or changes in tax and excise costs that could increase Heineken's costs and liabilities and/or limit its business activities.</li> <li>• Heineken is exposed to antitrust and competition laws in certain jurisdictions and the risk of changes in such laws or in the interpretation and enforcement of existing antitrust and competition laws.</li> <li>• Heineken has exposure to litigation risk.</li> </ul>
<b>D.3</b>	Key risks specific to the Notes	<p>There are also risks associated with the Notes, including a range of risks relating to the structure of the Notes, market risks and risks relating to Notes generally.</p> <p>The Notes may not be a suitable investment for all investors. In particular, investors should consider the following risks: [there may be no or only a limited secondary market in the Notes;] [the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency;] [any credit rating assigned to the Notes or the Issuer may not reflect all the risks associated with an investment in the Notes and may be subject to change;] [changes in interest rates will affect the value of Notes which bear interest at a fixed rate;] [an optional redemption feature is likely to limit the secondary market value of the Notes such that the secondary</p>

		market value of such Notes will not rise substantially above the price at which they can be redeemed;] [Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates;] [investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued;] the fact that the conditions of the Notes may be modified without the consent of the holders in certain circumstances; the Issuer may in certain circumstances be substituted for another company as principal debtor under the Notes; the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law; [and] investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them
<b>D.6</b>	Risk warning	Not Applicable. Payments on the Notes shall not involve any derivative component.

<b>Section E – Offer</b>		
<b>Element</b>	<b>Title</b>	
<b>E.2b</b>	Reasons for the offer and use of proceeds	<p>[The reasons for each offer of Notes will be to raise debt, the net proceeds from which will be applied by the Issuer for its general corporate purposes, which include making a profit, and for other particular uses, as determined by the Issuer.]</p> <p>[The net proceeds from the issue of the Notes will be applied by the Issuer for its general corporate purposes, which include making a profit [and [ ]].]</p>
<b>E.3</b>	Terms and conditions of the offer	<p>[The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealer(s) at the time of issue.]</p> <p>[Not Applicable. The Notes are in denominations of less than €100,000 (or its equivalent in any other currency) but will be offered pursuant to one or more exemptions from the obligation under the Prospectus Directive to publish a prospectus. There will be no Public Offer of Notes.]</p> <p>[The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An Investor intending to acquire or acquiring any Notes in a Public Offer of Notes from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.]</p>



		<p>Offer Price: [Issue Price]/[Not Applicable]/ [ ]</p> <p>Clear and objective conditions to which the offer is subject: [Not Applicable]/[ ]</p> <p>Description of the application process: [Not Applicable]/[ ]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable]/[ ]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable]/[ ]</p> <p>Details of the method and time limits for paying up and delivering the Notes: [Not Applicable]/[ ]</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable]/[ ]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable]/[ ]</p> <p>Whether tranche(s) have been reserved for certain countries: [Not Applicable]/[ ]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable]/[ ]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable]/[ ]</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/[ ]/The Authorised Offerors identified above]</p>
<b>E.4</b>	A description of any interest that is material to the issue/offer including conflicting interests	<p>[The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.]</p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [ ] per cent. of the nominal amount of the Notes.]</p>

		[Other than as mentioned above,[ and save for [ ], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]
<b>E.7</b>	Estimated expenses charged to the investor by the Issuer or the Offeror	<p>[It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1 per cent. and 7 per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]</p> <p>[Not Applicable. No expenses are being charged to investors by the Issuer or, as far as the Issuer is aware, by any offeror.]</p> <p>[No expenses are being charged to investors by the Issuer. However, expenses may be charged by an offeror in the range of between [ ] per cent. and [ ] per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]</p> <p>[The following expenses are being charged to investors by the Issuer: [ ].]</p>

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

#### ***Heineken is reliant on the reputation of its brands and the protection of its intellectual property rights.***

As "Heineken" is both the name of the Heineken Group and its most valuable brand, reputation management is of utmost importance to Heineken. Heineken enjoys a positive corporate reputation and its operating companies are well respected in their countries and regions. Constant management attention is directed towards enhancing Heineken's social, environmental and financial reputation. The Heineken brand, and also its other global brands (Affligem, Amstel, Sol, Strongbow and Desperados) are, along with its people, its most valuable assets and one of the key elements in Heineken's growth strategy. Anything that adversely affects consumer and stakeholder confidence in its brands and, in particular, the Heineken brand could have an adverse effect on its business, financial condition and/or results of operations. Also, if Heineken fails to ensure the relevance and attractiveness of its brands, in particular the Heineken brand, and the enhancement of brand marketing, this could also have an adverse effect on its business, financial condition and/or results of operations.

Product recall, product liability and/or safety, health and environmental issues, including incidents and accidents in the supply chain and en route to market, the discovery of contaminants in Heineken's beverage products, or unethical or irresponsible behaviour by Heineken or Heineken's employees could damage its reputation, brand image, sales and revenues. Additionally, poor quality or integrity of Heineken's products may result in health hazards, reputational damage, lower volumes and financial claims. Any damage to Heineken's brand or reputation could have an adverse effect on its business, financial condition and/or results of operations, even if the negative publicity is factually inaccurate or unfounded. In addition, Heineken may not be able to manage the risks arising from its increasing presence on social media (e.g. legal drinking age restrictions, reputation, IT or information security). Heineken may not be able to control information or respond in a timely manner to the threats to the Company's reputation. Social media may also work as an accelerator of other risks.

Heineken has invested considerable effort in protecting its brands, including the registration of trademarks and domain names. If Heineken is unable to protect its intellectual property, any infringement or misappropriation could have an adverse effect on its business, financial condition and/or results of operations and/or its ability to develop its business.

#### ***Negative societal perceptions of alcohol could lead to a decrease in brand equity and sales of Heineken's products.***

In recent years, there has been increased media, social and political criticism directed at the alcoholic beverage industry, particularly in the United States, the United Kingdom and Russia. An increasingly negative perception in society towards alcohol could prompt legislators to implement restrictive measures such as restrictions and/or bans on advertising and marketing, sponsorships, points of sale and increased taxes and may cause consumption trends to shift away from beer to non-alcoholic beverages. Such negative publicity, restrictive measures and potential change in consumption trends could lead to a decrease in brand

equity and sales of Heineken's products, which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Decreases in beer consumption in favour of other beverage categories could have an adverse effect on Heineken's business, financial condition and/or results of operations.***

Heineken is exposed to mature markets where the attractiveness of the beer category is being challenged by down-trading and by other beverage categories and could result in a lower demand for beer as a result of consumption trends shifting in favour of other beverages. Furthermore, Heineken competes against alternative beverages on the basis of factors over which Heineken has little or no control and that may result in fluctuations in demand for Heineken's products. Such factors include variation and perceptions in health consciousness, changes in prevailing economic conditions, changes in the demographic make-up of target consumers, changing social trends and attitudes regarding alcoholic beverages and changes in consumer preferences for beverages. In these markets, the on-trade channel (i.e., restaurants, hotels, bars and cafeterias) is also under pressure, which may exert negative pricing pressure on Heineken's products. Any decrease in the demand for Heineken's beer in favour of alternative beverages or decreases in Heineken's product pricing margins on the basis of factors over which Heineken has little or no control could have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Heineken may be impacted by changes in the availability or price of raw materials, water and other input costs.***

The supply and price of raw materials used to produce Heineken's products can be affected by a number of factors beyond its control, including the level of crop production around the world, export demand, government regulations and legislation affecting agriculture, adverse weather conditions, currency fluctuations, economic factors affecting growth decisions, various plant diseases and pests. Water availability is also of utmost concern as Heineken requires access to significant water resources to continue its operations. As such, Heineken cannot predict the future availability or prices of the products and materials required for its products or guarantee that its water supply will not be subject to stoppages, scarcity or other interruptions. The markets in the relevant commodities may continue to experience price increases or suffer from disruptions in supply. Heineken uses, amongst other inputs, barley, grain, hops, glass and aluminium for producing and packaging its products. As a result, its financial condition is exposed to fluctuations in the prices and the availability of these raw and packaging materials as well as continuity in its water supply. Other input costs, including transportation and energy, have also fluctuated heavily in recent years. Although the prices of some commodities (such as barley, aluminium, natural gas, sugar and oil) have decreased compared with the peak levels reached in mid-2008, they remain very volatile. In addition, changes in packaging mixes continue to pressure input costs. Although Heineken generally leverages this risk by making use of flexible contracts and active hedging, volatility in input costs may have an adverse effect on its operating costs and its net profit if Heineken cannot recapture these price increases through its sales to customers or sufficiently protect itself through its hedging strategies.

In addition, there is a trend of consolidation among suppliers, in particular suppliers of glass bottles and cans. As a result, Heineken is dependent on fewer suppliers for its supplies and as such is exposed to the risk that these suppliers cannot meet Heineken's supply needs and/or may increase the price of available supplies. Any shortage of, change in price of, or supply disruptions to, any of the raw and/or packaging materials or discontinuity to Heineken's water supply may have an adverse effect on its business, financial condition and/or results of operations.

***Disruption in Heineken's product supply and supply chains could impact its sales and financial performance in its export markets.***

Disruption of supply of Heineken's products could affect sales and its market share in certain countries in which it operates. Additionally, the loss or temporary discontinuity of supply chains from any of its suppliers without sufficient time to develop an alternative source could result in delays in shipments, expose Heineken to increased costs and place it at a relative disadvantage to its competitors. Disruption of supply and/or discontinuity of supply chains could result from increased competition, industry consolidation, the termination of (or material change to) arrangements with suppliers, disagreements with suppliers as to payment or other terms or the failure of a supplier to meet Heineken's contractual obligations or otherwise deliver materials consistent with current usage. Factors that are hard to predict or beyond its control, like adverse weather conditions, natural disasters, earthquakes, hurricanes, flooding, fire, power loss, loss of water supply, terrorist attacks, telecommunications and IT system failures, political instability, civil strife, military conflict, ,

the consequences of any military action and associated political instability in any of the countries where Heineken operates, generalised labour unrest or health pandemics, could also damage or disrupt Heineken's supply and supply chains. In particular, the supply of beer products from the Netherlands to export markets such as the United States of America is important to Heineken's business. Discontinuity of supply from the Netherlands could adversely impact its sales and financial performance in its various export markets. Such discontinuity in Heineken's product supply and supply chains could have an adverse effect on its business, financial condition and/or results of operations.

***Heineken is subject to risks generally associated with companies that operate in a global environment, which could have an adverse effect on its growth and financial performance.***

Heineken's operations are subject to numerous risks inherent to multinational operations. These risks include, among others, compliance with a variety of local regulations and laws, changes in tax laws and the interpretations of those laws, fluctuation in currency values, changes in foreign currency exchange controls, discriminatory and conflicting fiscal policies, difficulties enforcing intellectual property and contractual rights in certain jurisdictions, greater risk of uncollectable accounts and longer collection cycles, effective and immediate implementation of control environment processes across Heineken's diverse operations and imposition of more or new tariffs, quotas, trade barriers and/or similar restrictions in the various jurisdictions in which Heineken operates.

Moreover, political and economic changes, instability or volatility, geopolitical regional conflicts, terrorist activity, crime and lack of law enforcement, political unrest, civil strife, acts of war, public and private sector corruption, exchange rate depreciation, risk of hyperinflation, nationalisation or expropriation, weak economic institutions (such as protection of rights of investors, entrepreneurs or property rights) and other economic or political uncertainties could exacerbate the aforementioned risks and interrupt and have an adverse effect on Heineken's business operations. All of these factors could result in increased costs or decreased revenues and could have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Heineken is exposed to the risks and effects of economic recession and to falls in per-capita income, which could adversely affect the demand for its products.***

Heineken is exposed to the effects of global recession and a recession in one or more of its key markets, including lower revenue and reduced income. For the beer business, recession may adversely affect demand, and therefore sales volumes and the prices that can be achieved for beer in the relevant markets. Changes in the economic environment following a global economic downturn may impact on Heineken's regular business activities and performance, in particular in the on-premise segment / on-trade channel (i.e., restaurants, hotels, bars and cafeterias). The level of beer consumption in a country is typically positively correlated to the general income level of that country. As such, lower income levels and lower customer solvency resulting from a global economic downturn may further negatively impact the demand for beer and result in lower prices, lower sales and increased credit risk, negatively impacting Heineken's business, financial condition and/or results of operations. A global economic downturn may also change consumers' behaviour due to an increase in discount brands and retailers following such economic downturn. To remain competitive, Heineken must continue to compete effectively in relation to, among other factors, pricing, quality and reliability. Any such increase in competition or changes in the competitive landscape in which Heineken operates could result in increased pricing pressures, which could, in turn, have an adverse effect on its business, financial condition and/or results of operations as well as impact its ability to maintain or increase its market share. Turbulence in financial markets may have an impact on, inter alia, the value of Heineken's investments, financial instruments including derivatives and pensions (shortfalls).

***Heineken's strategic change projects could temporarily reduce its operational effectiveness.***

Heineken is undertaking numerous strategic change projects including, for example, the centralisation of regional back office activities, the centralisation of its procurement activities, the possible closure of breweries and other rightsizing and downsizing activities. Estimated benefits could be too ambitious, significant costs could be borne, the quality of the deliverables may be lower than required and programmes could be ineffectively or inefficiently executed. Its supply chain, wholesale business and support functions in Europe and the Americas have been impacted the most. As such, there is a risk that production quality and supply continuity could be affected due to temporary disruptions, which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations as well as its brand reputation.

***Heineken operates in highly competitive markets and industry consolidation could place Heineken at a competitive disadvantage to its competitors.***

Globally, brewers compete mainly on the basis of brand image, price, customer service, distribution networks and quality. While globally the beer industry is not highly concentrated, in many of the countries in which Heineken has operations, two or three brewers account for a very large proportion of the market and smaller local brewers make up the balance. Consolidation has significantly increased the capital base and geographic reach of Heineken's competitors in some of the markets in which they operate, as well as the cost of competition, and competition is expected to increase further as the trend towards consolidation among companies in the beer industry continues.

Further consolidation in the beer sector may result in a competitive disadvantage for Heineken, if Heineken is unable or unwilling to respond appropriately to such industry changes. If Heineken's competitors become larger resulting from mergers and/or acquisition activity, they may be able to obtain a better negotiation position with retailers, distributors and suppliers. This can put pressure on Heineken's existing distribution and supply chain channels. Larger companies can also generate cost advantages with respect to advertising costs as economies of scale can be realised. These competitive disadvantages could lead to Heineken experiencing higher costs relative to the costs of its competitors and thus to relatively higher prices, which could reduce demand for its products, which, in turn, could have an adverse effect on its business, financial condition and/or results of operations.

***Heineken is dependent on its senior management and may fail to attract, develop and retain talented staff with the required capabilities.***

In order to develop, support and market its products, Heineken must hire and retain skilled employees with particular expertise. Failure to maintain this capacity at a high level or maintain its effective organisation leadership process could jeopardise its growth potential.

In addition, various aspects of Heineken's business depend on the continuing services and skills of key individuals, in particular, its senior management. Heineken has entered into employment contracts and taken other steps to encourage the retention of these individuals, and to identify and retain additional personnel, but if one or more of these key individuals retire or are unable or unwilling to continue in their present positions, Heineken may not be able to replace them easily or at all and its business, financial condition and/or results of operations could be adversely affected if certain key individuals either cease to be employed by Heineken or their services cease to be available to Heineken.

***Heineken may not be able to successfully carry out further acquisitions or to integrate acquired businesses with its existing businesses.***

In pursuit of further expansion, Heineken seeks to strike a balance between organic and acquired growth. Heineken undertakes acquisitions only if it identifies suitable businesses to acquire on acceptable terms.

When considering an acquisition, Heineken makes certain estimates as to economic, market and other conditions, including estimates relating to the value or potential value of the business to be acquired and the potential return on investment. Such estimates may prove to be incorrect, rendering its acquisition unsuccessful which could have an adverse effect on its business, financial condition and/or results of operations. In recent years, Heineken has been acquisitive with various acquisitions in emerging markets. Heineken's largest acquisitions in recent years were the acquisitions of Scottish & Newcastle in 2008, FEMSA Cerveza in 2010 and Asia Pacific Breweries in 2012. Furthermore, in any acquisition, Heineken is faced with different cultures, business principles and political, economic and social environments. This may affect corporate values, image and quality standards. It may also impact the realisation of long-term business plans, including synergy objectives, underlying the value of newly acquired companies. Such business integration issues could have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Heineken is reliant on its information technology to conduct its business in the different regions in which it operates.***

Heineken's worldwide operations are increasingly reliant on information systems and information technology platforms (collectively, "IT") to maintain and improve its operational efficiency. IT processes and infrastructure are to a large extent centralised and outsourced to professional outsourcing partners. Although

Heineken takes preventive measures to protect and secure its information systems, its information systems may be vulnerable to different operational and security challenges including telecommunications failures, interruptions, security breaches and other types of interference. Heineken has a strict information security policy to ensure confidentiality, integrity and availability of information and to guarantee IT control. The increased centralisation of its IT systems also allows central enforcement of security measures across its operating companies, but also magnifies the impact of any security incident. Any interruptions, failures or breach in the security infrastructure of its IT systems could have an adverse effect on its ability to compete with competitors and harm its reputation as well as disrupt its business, thereby having an adverse effect on its business, financial condition and/or results of operations.

***Heineken faces risks resulting from its joint ventures and other strategic partnerships and it may be unable to influence such joint ventures and strategic partnerships.***

Heineken has undertaken economic activity with other parties in the market in the form of joint ventures and strategic partnerships. Where Heineken does not have the majority of the shares and voting rights, decisions taken by these entities may not be fully harmonised with Heineken's strategic objectives. Moreover, Heineken may not be able to identify and manage risks to the same extent as in the rest of the Heineken Group. Decisions made and actions taken may not be optimal for Heineken's business, or may not promote its business and strategic objectives, and may therefore result in lower revenue and lower profit margins from such joint ventures and strategic partnerships which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

While its joint venture and strategic partnerships are generally of a long-term nature, such alliances can usually be terminated early under certain circumstances. Termination of, or any material change to, Heineken's relationship with these third parties could adversely affect growth opportunities and have an adverse effect on its business, financial condition and/or results of operation.

***Heineken is exposed to fluctuations in exchange rates.***

Heineken operates internationally and its reporting currency is the Euro. As a result of its international operations, fluctuations in exchange rates of foreign currencies relative to the Euro could have an adverse effect on its business, financial condition and/or results of operations. Additionally, exchange rates between the Euro and other currencies may be significantly more volatile than they have been in the past. Heineken is particularly exposed to currency fluctuations in the US Dollar, Mexican Peso, Nigerian Naira, Polish Zloty and British Pound as well as certain Asian currencies (in particular, the Vietnamese Dong). Fluctuations in these currencies relative to the Euro could have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Heineken is exposed to interest rate risk on its floating rate indebtedness.***

Heineken is partly financed with floating rate debt. As the reference interest rate on this debt can fluctuate, it is exposed to interest rate risk. Higher interest rates may result in higher interest costs which could have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Heineken's future capital needs may require that it seeks debt financing, refinancing or additional equity funding, which may not be available or may be materially more expensive.***

From time to time, Heineken may be required to raise additional funds for its future capital needs or to refinance its current funding through public or private financing, strategic relationships or other arrangements. However, due to current economic uncertainty and recent crises in the global financial markets, there can be no assurance that the funding, if needed, will be available on attractive terms, or at all. Furthermore, any additional financing arrangements may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants. In addition, debt financing, refinancing or additional equity funding may be materially more expensive due to the lack of liquidity in the market and the general lack of confidence in the equity markets. Heineken's failure to raise capital when needed could have an adverse effect on its business, financial condition and/or results of operations.

***Heineken faces defined benefit pension obligations in some of the countries in which it operates.***

In some of the countries in which Heineken operates (mainly in the United Kingdom), Heineken will over time be obliged to make deficit contributions to defined benefit plans that provide pension benefits for employees

upon retirement. The contractual and regulatory arrangements with these pension funds are such that in case of shortfalls, no one-off payments are required but annual cash contributions would increase going forward, thereby increasing the potential cash outflow obligation over a longer period of time which could have an adverse effect on Heineken's business, financial condition and/or results of operations. The accounting impact of pensions under IFRS on Heineken's financial results may differ materially from the cash impact.

***The jurisdictions in which Heineken operates may adopt regulations or changes in tax and excise costs that could increase Heineken's costs and liabilities and/or limit its business activities.***

Heineken's business is regulated by the European Union and other national and local government entities. These regulations govern many parts of its operations, including brewing, bottling, branding, marketing and advertising, transportation, distributor relationships and sales. Other regulations governing taxation, environmental impact and labour relations also affect Heineken's operations. Various legislative authorities consider from time to time increasing taxes (including excise and other duties, tariffs and levies) on, *inter alia*, production or sale of alcoholic beverages (including beer), profits, sales, salaries, royalties, interests and/or dividends. Such tax increases are frequently performed by legislative authorities in times of slow or negative economic growth as a means to raise revenue. Tax increases are also used by legislative authorities as a means to steer consumption of alcoholic beverages. Furthermore, difficult economic or political circumstances may negatively impact Heineken's ability to collect amounts due from governments, including refunds of taxes. Changes in such regulations and duties could have an adverse effect on Heineken's business, financial condition and/or results of operations. Further, there can be no assurance that Heineken will not incur material costs or liabilities in connection with its compliance with current applicable regulatory requirements or that such regulations will not interfere with, restrict or affect its businesses which, in turn, could have an adverse effect on its business, financial condition and/or results of operations.

Heineken may be subject to claims that it has not complied with laws and regulations, which could result in fines and penalties or loss of operating licences. Heineken is also routinely subject to new or modified laws and regulations with which it must comply in order to avoid claims, fines and other penalties, which could have an adverse effect on its business, financial condition and/or results of operations.

***Heineken is exposed to antitrust and competition laws in certain jurisdictions and the risk of changes in such laws or in the interpretation and enforcement of existing antitrust and competition laws.***

Heineken is subject to antitrust and competition laws in the jurisdictions in which it operates. Consequently, Heineken may be subject to regulatory scrutiny in certain of these jurisdictions. There can be no assurance that the introduction of new competition laws in the jurisdictions in which Heineken operates, the interpretation of existing antitrust or competition laws or the enforcement of existing antitrust or competition laws, or any agreements with antitrust or competition authorities, against Heineken or its subsidiaries, will not have an adverse effect on Heineken's business, financial condition and/or results of operations.

***Heineken has exposure to litigation risk.***

Companies in the alcoholic beverage industry are, from time to time, exposed to litigation relating to alcohol advertising, alcohol abuse programmes or health and societal consequences from the excessive consumption of alcohol and to litigation related to product liability issues, including the discovery of contaminants in beverage products. Further, increasing restrictions over alcoholic beverages increases the risk of non-compliance, which increases the likelihood of litigation claims. Additionally, more supervision by regulators and the growing litigation claim culture of the general public may potentially increase the impact of non-compliance and the risks of litigation, both financially and on the business reputation of the Heineken Group. Any such litigation could have an adverse effect on Heineken's business, financial condition and/or results of operations.



## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated and Notes for which the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (iv) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

*The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or the Trust Deed or (ii) determine that any Event of Default or potential Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer in the circumstances described in Condition 14.

*While the Notes are in global form and held within the clearing systems, investors will have to rely on the procedures and operations of Euroclear and Clearstream, Luxembourg in order to receive payments and take certain other actions in respect of the Notes*

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments to the common depository or the common safekeeper, as applicable, for the relevant clearing systems for distribution to the relevant account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

*The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes*

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Saving Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for,

an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria is instead required (unless during that period it elects to provide information in accordance with the Savings Directive) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). As of 1 January 2015, Luxembourg has abolished the withholding system in favour of automatic information exchange under the Savings Directive. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the "**Amending Directive**"). EU member states are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in an EU member state must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

#### *Foreign Account Tax Compliance Act ("**FATCA**") Withholding*

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation - Foreign Account Tax Compliance Act*" below). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care to ensure each is compliant with FATCA or other laws or agreements related to FATCA, and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository or common safekeeper, as applicable, for the ICSDs (as holder of the Notes) and the Issuer has no responsibility for any amount thereafter transmitted through the hands of the ICSDs and custodians or intermediaries.

Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payment they make. However, because the final rules for withholding on obligations such as the Notes have yet to be adopted, there can be no assurances that foreign financial institutions will not be required to withhold under future guidance.

#### *The value of the Notes could be adversely affected by a change in English law or administrative practice*

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of the Notes at or in excess of the minimum Specified Denomination such that its holding amounts to the Specified Denomination. Further, a holder who as the result of trading such amounts holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note (as defined under "Forms of the Notes" below) in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk (including in relation to "benchmark" indices) and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Proposals to reform LIBOR and proposed regulation of other "benchmark" indices*

LIBOR is currently being reformed, including (i) the replacement of the British Bankers' Association as administrator with NYSE Euronext Rate Administration Limited ("**Euronext**"), (ii) a reduction in the number of

currencies and tenors for which LIBOR is calculated and (iii) changes in the methods by which LIBOR rates are determined. The administrator of LIBOR may take any actions in respect of LIBOR, including altering, discontinuing or suspending the calculation or dissemination of LIBOR, without regard to the interests of any investor in LIBOR-based Notes, and any of these actions could have an adverse effect on the value of such Notes or the amounts paid under such Notes. Some of the recommended changes with respect to LIBOR include the introduction of statutory regulation of LIBOR, changes to the method of compilation of lending rates, new regulatory oversight and enforcement mechanisms for rate-setting and the corroboration of LIBOR as far as possible to actual transaction data. These or other changes to LIBOR may result in increases or decreases in the level of LIBOR or may cause LIBOR to be more volatile than it has been in the past, or have other consequences which cannot be predicted. Any of these changes may have a material adverse effect on the value of LIBOR-based Notes or the amounts paid under LIBOR-based Notes.

EURIBOR and other indices which are deemed "benchmarks" are the subject of recent international and other regulatory guidance and proposals for reform. In September 2013, the European Commission published a proposed regulation (the "**Proposed Benchmark Regulation**") on indices used as "benchmarks" in certain financial instruments, financial contracts and investment funds. The Proposed Benchmark Regulation would apply to "contributors", "administrators" and "users" of "benchmarks" in the EU, and would, if passed in its current form (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Proposed Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, would also apply to many interest rate and foreign exchange rate indices, equity indices and other indices (including "proprietary" indices or strategies) where referenced in certain listed financial instruments, financial contracts and investment funds.

It is presently unclear whether the Proposed Benchmark Regulation will be passed in its current form (including its broad scope) and, if so, when it would be effective. However, if so enacted, it could have a material impact on any listed Notes linked to a "benchmark" index, including in any of the following circumstances:

- an index which is a "benchmark" could not be used as such if its administrator does not obtain authorisation or is based in a non-EU jurisdiction which does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be de-listed, adjusted, terminated or otherwise impacted; and
- the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Proposed Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes including Agent determination of the rate or level in its discretion.

Any of the above changes or any other consequential changes to EURIBOR or any other "benchmark" index could have a material adverse effect on the value of, and the amount payable (or deliverable) under, any Notes linked to such "benchmark".

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes and may be subject to change*

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Issuer or the ratings assigned to Notes already issued under the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any such suspension, reduction or withdrawal could adversely affect the market value of the relevant Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending.

Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

### Restrictions on Public Offer of Notes of Notes in Relevant Member States

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may, subject as provided below, be offered to financial intermediaries in any Member State (a "**Member State**") of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Public Offer of Notes**".

This Base Prospectus has been prepared on a basis that permits Public Offers of Notes in Austria, Belgium, Germany, The Netherlands and the United Kingdom (each, a "**Public Offer Jurisdiction**"). Any person making or intending to make a Public Offer of Notes in a Public Offer Jurisdiction on the basis of this Base Prospectus must do so only with the consent of the Issuer – see "*Consent*" below.

If, after the date of this Base Prospectus, the Issuer intends to add one or more Relevant Member States to the list of Public Offer Jurisdictions for any purpose, it will prepare a supplement to this Base Prospectus specifying any relevant additional information required by the Prospectus Directive. Such supplement will also set out provisions relating to the consent of the Issuer to the use of this Base Prospectus in connection with any Public Offer of Notes in any such additional Public Offer Jurisdiction.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor does any of them authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### Consent

In the context of any Public Offer of Notes for subsequent resale or final placement of the Notes in a Public Offer Jurisdiction, the Issuer accepts responsibility in that Public Offer Jurisdiction for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an "**Investor**") who acquires or purchases any Notes in that Public Offer Jurisdiction made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period (as defined below).

None of the Issuer nor any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer of Notes and none of the Issuer and any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Public Offer of Notes by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Notes. Any offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.**

If, in the context of a Public Offer of Notes, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Public Offer of Notes and, if so, who that person is.

If an Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

### *Specific and General Consent*

Subject to the conditions set out below under "*Common Conditions to Consent*", the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes for subsequent resale or final placement of the Notes in any Public Offer Jurisdiction by:

- (c) Specific Consent:
  - (i) the Dealers specified in the relevant Final Terms;

- (ii) any financial intermediaries specified in the applicable Final Terms; and
- (iii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (<http://www.theheinekencompany.com>) and identified as an Authorised Offeror in respect of the relevant Public Offer of Notes; and

(d) General Consent

if (and only if) Part B of the applicable Final Terms specifies "General Consent" as being applicable, any other financial intermediary which satisfies the following conditions:

- (i) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments, including under any applicable implementing measure in each relevant jurisdiction ("**MiFID**"); and
- (ii) accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) (the "**Acceptance Statement**"):
 

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Heineken N.V. (the "**Issuer**")."*

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Heineken N.V. (the "**Issuer**")."*

*In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [insert name(s) of relevant Public Offer Jurisdiction(s)] during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID to make, and are using the Base Prospectus in connection with, the Public Offer of Notes accordingly.*

*Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus."*

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

(A)

- (1) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including the Rules published by the Financial Conduct Authority in the UK) (including its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*" in the UK)) from time to time, including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by an Investor and disclosure to any potential Investor;
- (2) complies with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a Dealer;
- (3) ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;
- (4) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000 as amended (the "**FSMA**") and/or the Financial Services Act 2012;
- (5) complies with, and takes appropriate steps in relation to, applicable anti-money laundering, anti-bribery, prevention of corruption and "know your client" Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;



- (6) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;
  - (7) does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
  - (8) immediately gives notice to the Issuer and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules or the terms of this sub-paragraph, and takes all appropriate steps to remedy such violation and comply with such Rules and this sub-paragraph in all respects;
  - (9) does not give any information other than that contained in this Base Prospectus (as may be amended or supplemented by the Issuer from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Notes;
  - (10) agrees that any communication in which it attaches or otherwise includes any announcement published by the Issuer via a regulatory information service at the end of the Offer Period will be consistent with the Base Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and must expressly confirm that the Issuer has not accepted any responsibility for the content of any such communication;
  - (11) does not use the legal or publicity names of the relevant Dealer, the Issuer or any other name, brand or logo registered by any entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Notes; and
  - (12) agrees to any other clear and objective conditions as set out in Part B of the applicable Final Terms;
- (B) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and
- (C) agrees and accepts that:
- (1) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer of Notes (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;

- (2) subject to (4) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;
- (3) for the purposes of (C)(2) and (4), the Issuer and the financial intermediary waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- (4) this paragraph (4) is for the benefit of the Issuer and each relevant Dealer. To the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (a) proceedings in any other court with jurisdiction; and (b) concurrent proceedings in any number of jurisdictions; and
- (5) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(ii) and (iii) and paragraph (b) above are together referred to herein as the "**Authorised Offerors**".

**Any financial intermediary falling within paragraph (b) above who wishes to use this Base Prospectus in connection with a Public Offer of Notes is required, for the duration of the relevant Offer Period specified in the applicable Final Terms, to publish a duly completed Acceptance Statement on its website.**

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.

#### ***Common Conditions to Consent***

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Public Offer of Notes are (in addition to the conditions described in paragraph (a) or (b) "*Specific and General Consent*" above) that such consent:

- (i) is only valid in respect of the relevant Tranche of Notes;
- (ii) is only valid during the Offer Period specified in the applicable Final Terms; and
- (iii) only extends to the use of this Base Prospectus to make Public Offers of Notes of the relevant Tranche of Notes in the Public Offer Jurisdictions as specified in the applicable Final Terms.

The consent referred to above relates only to Offer Periods occurring within 12 months from the date of this Base Prospectus.

#### ***Arrangements Between Investors and Authorised Offerors***

Neither the Issuer nor, for the avoidance of doubt, any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO SUCH AN INVESTOR BY AN AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR (THE "TERMS AND CONDITIONS OF PUBLIC OFFERS OF NOTES"). THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTOR AND, ACCORDINGLY, THIS BASE PROSPECTUS DOES NOT, AND ANY FINAL TERMS WILL NOT, CONTAIN SUCH INFORMATION. THE**

**TERMS AND CONDITIONS OF THE PUBLIC OFFER OF NOTES SHALL BE PROVIDED TO SUCH INVESTOR BY THAT AUTHORISED OFFEROR AT THE TIME THE OFFER IS MADE. NONE OF THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY OF THE DEALERS OR OTHER AUTHORISED OFFEROR HAS ANY RESPONSIBILITY OR LIABILITY FOR SUCH INFORMATION.**

## OVERVIEW OF THE PROGRAMME

*Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview.*

<b>Issuer:</b>	Heineken N.V.
<b>Arranger:</b>	Credit Suisse Securities (Europe) Limited.
<b>Dealers:</b>	ABN AMRO Bank N.V. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited HSBC Bank plc ING Bank N.V. J.P. Morgan Securities plc  and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Trustee:</b>	BNP Paribas Trust Corporation UK Limited.
<b>Issuing and Principal Paying Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Paying Agent:</b>	BNP Paribas Securities Services, London Branch.
<b>Listing and Trading:</b>	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer(s).
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
<b>Initial Programme Amount:</b>	Up to €10,000,000,000 (or its equivalent in other currencies) aggregate nominal amount of Notes outstanding at any one time.
<b>Issuance in Series:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:**

Notes will be issued in bearer form.

Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note will be deposited on or around the relevant issue date with (i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the relevant Final Terms, a common safekeeper for Euroclear and Clearstream, Luxembourg or (ii) if the Global Notes are not intended to be issued in NGN form, a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Each Temporary Global Note will be exchangeable for, as specified in the relevant Final Terms, either a Permanent Global Note or Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

**Currencies:**

Notes may be denominated in euro, U.S. dollars, Pounds sterling, Swiss Francs, Singapore dollars or Japanese Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Notes:**

The Notes will constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation (and subject to Condition 3), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

**Issue Price:**

Notes may be issued at any price. The price and nominal amount of the Notes of any Tranche will be determined by the Issuer and the relevant Dealer(s) at the time of issue thereof in accordance with then prevailing market conditions.

**Maturities:**

Any maturity as may be agreed between the Issuer and the relevant Dealer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of

investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 as amended (the "**FSMA**") by the Issuer.

**Redemption:** Notes may be redeemable at par or at such other Final Redemption Amount as may be specified in the relevant Final Terms.

**Optional Redemption:** Notes may be redeemed before their stated maturity at the option of (i) the Issuer (either in whole or in part) at the Optional Redemption Amount (which, if Make-Whole Redemption Option is specified in the applicable Final Terms, will be at the Make-Whole Redemption Amount) if Issuer Call is specified as applicable in the relevant Final Terms, and/or (ii) the Noteholders at the Optional Redemption Amount if Investor Put is specified as applicable in the relevant Final Terms, in each case to the extent (if at all) specified in the relevant Final Terms.

In addition, if Change of Control Put is specified as applicable in the relevant Final Terms, the Notes may be redeemed before their stated maturity at the option of the Noteholders in the circumstances described in Condition 6.4(b).

**Tax Redemption:** Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 6.2.

**Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a combination thereof.

Fixed Rate Notes are Notes where the interest rate payable by the Issuer on the Notes is fixed for the life of the Notes, as a set percentage at the time of issue.

Floating Rate Notes are Notes where the interest rate is calculated by reference to a fluctuating benchmark rate. Under the Programme, that benchmark rate will be determined either on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc) or else by reference to the Euro Interbank Offered Rate ("**EURIBOR**"), the London Interbank Offered Rate ("**LIBOR**"), the Singapore Interbank Offered Rate ("**SIBOR**") or the Singapore Swap Offer Rate ("**SOR-VWAP**"), as adjusted for any applicable margin. The floating interest rate is calculated on or about the start of each new Interest Period and applies for the length of that Interest Period. Therefore, Floating Rate Notes in effect have a succession of fixed interest rates which are recalculated on or about the start of each new Interest Period.

Notes may also be Zero Coupon Notes which are Notes which do not carry any interest but are generally issued at a deep discount to their nominal amount. Zero Coupon Notes are generally repaid at their full amount.

The specific details of each Note issued will be specified in the

applicable Final Terms.

**Denominations:**

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Covenants:**

The Notes will have the benefit of a negative pledge as described in Condition 3(a) and a covenant relating to limits on subsidiary indebtedness as described in Condition 3(b).

**Cross-Default:**

The Notes will have the benefit of a cross-default as described in Condition 9.1(c).

**Taxation:**

All payments in respect of Notes will be made free and clear of withholding taxes of the Netherlands unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 7) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

**Rating:**

The rating of certain Series of Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

The list of registered and certified rating agencies published by ESMA will appear on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

**Governing Law:**

English law.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, France, the Netherlands, Singapore and Japan, see "*Subscription and Sale*" below.

## INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Base Prospectus:

- (a) the audited annual consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus, including the information set out at the following pages of the Issuer's Annual Report 2013:

	<b>2013</b>
Consolidated Income Statement.....	page 55
Consolidated Statement of Comprehensive Income.....	page 56
Consolidated Statement of Financial Position.....	page 57
Consolidated Statement of Cash Flows.....	pages 58-59
Consolidated Statement of Changes in Equity.....	pages 60-61
Notes to the Consolidated Financial Statements .....	pages 62-128
Independent Auditor's Report on the Consolidated Financial Statements .....	page 139

- (b) the section "*Terms and Conditions of the Notes*" from the following base prospectuses relating to the Programme: (i) Base Prospectus dated 8 September 2008 (pages 21-46 inclusive); (ii) Base Prospectus dated 8 September 2009 (pages 24-52 inclusive); (iii) Base Prospectus dated 13 September 2010 (pages 25-53 inclusive); (iv) Base Prospectus dated 7 March 2012 (pages 27-57 inclusive); (v) Base Prospectus dated 7 March 2013 (pages 44-72 inclusive); and (vi) Base Prospectus dated 7 March 2014 (pages 45-75 inclusive).

Any information incorporated by reference pursuant to paragraph (a) above that is not referred to in the cross-reference list is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus are available from the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents for the time being in Luxembourg and London. Any information contained in any of the documents specified in paragraph (b) above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.



## **GENERAL DESCRIPTION OF THE PROGRAMME**

Under the Programme, the Issuer may from time to time issue Notes denominated in euro, U.S. dollars, Pounds sterling, Swiss Francs, Singapore dollars or Japanese Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. An issue of Notes under the Programme may have any maturity as may be agreed between the Issuer and the relevant Dealer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed upon, or incorporated by reference into, the Notes, as completed by the relevant Final Terms endorsed upon, or attached to, such Notes.

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed €10,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)).

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global Note in bearer form (a "**Temporary Global Note**"), without interest coupons, or a permanent global Note in bearer form (a "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will:

- (i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the relevant Final Terms, be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Global Notes issued in respect of any Tranche are in NGN form, the relevant Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### ***Temporary Global Note exchangeable for Permanent Global Note***

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date (the "**Exchange Date**") of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments due on or after the Exchange Date will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the nominal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Agent at its specified office; and
- (ii) receipt by the Agent of a certificate or certificates of non-U.S. beneficial ownership.

The nominal amount of the Permanent Global Note shall be equal to the aggregate of the nominal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the nominal amount of the Permanent Global Note exceed the initial nominal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) if so specified in the relevant Final Terms, at the option of the Issuer (exercisable at any time) or at the request of the bearer, on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then (a) if both Euroclear and Clearstream, Luxembourg and any other relevant clearing system are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system chosen by the Issuer and notified to the Trustee is available, or (b) if any of the circumstances described in Condition 9 as an Event of Default occurs and is continuing, or (c) at the option of the Issuer, if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes not in global form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Agent, in the case of (i) above, on and after the expiry of the relevant notice period and, in the case of (ii) above, within 30 days of the bearer requesting exchange following the occurrence of an event described in (ii)(a) or (b) and 30 days after notice is given by the Issuer, in the case of (ii)(c).

The exchange at the option of the Issuer/at the request of the bearer option referred to in (i) above should not be expressed to be applicable if the Specified Denomination of the Notes comprises a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

#### ***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date (the "**Exchange Date**") of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments due on or after the Exchange Date will be made under the Temporary Global Note unless exchange for Definitive Notes is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the presentation and, in the case of final exchange, surrender of the Temporary Global Note to or to the order of the Agent.

In relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes, such Notes should not be issued in denominations comprising a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

#### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable and specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) if so specified in the relevant Final Terms, at the option of the Issuer (exercisable at any time) or at the request of the bearer, on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then (a) if both Euroclear and Clearstream, Luxembourg and any other relevant clearing system are closed for business for a continuous period of 14 days (other than by reason of holidays,

statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system chosen by the Issuer and notified to the Trustee is available, or (b) if any of the circumstances described in Condition 9 as an Event of Default occurs and is continuing, or (c) at the option of the Issuer, if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes not in global form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Agent, in the case of (i) above, on and after the expiry of the relevant notice period and, in the case of (ii) above, within 30 days of the bearer requesting exchange following the occurrence of an event described in (ii)(a) or (b) and 30 days after notice is given by the Issuer, in the case of (ii)(c).

#### ***Legend concerning United States persons***

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

#### ***NGNs***

In respect of Notes represented by a Global Note issued in NGN form, the nominal amount of such Notes shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (the "**ICSDs**"). The records of the ICSDs shall be conclusive evidence of the nominal amount of such Notes and a statement issued by Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the records of such parties at that time.

The Issuer has entered or will enter into an agreement with the ICSDs in respect of any Notes issued in NGN form that the Issuer may request be made eligible for settlement with the ICSDs (the "**Issuer-ICSDs Agreement**"). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer's request, produce a statement for the Issuer's use showing the total nominal amount of its customer holding of such Notes as of a specified date.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

This Note is one of a Series (as defined below) of Notes issued by Heineken N.V. (the "**Issuer**") constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 12 March 2015 made between the Issuer and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 7 March 2014 and made between the Issuer, the Trustee, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

Interest-bearing definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 55 Moorgate, London EC2R 6PA and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**"), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The

Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and in the denomination(s) (the "**Specified Denomination(s)**") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be liable for so treating such bearer but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

## 2. **STATUS OF THE NOTES**

The Notes and any relative Coupons constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and any relative Coupons shall, save for such

exceptions as may be provided by applicable legislation (and subject to Condition 3), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### 3. COVENANTS

#### (a) *Negative Pledge*

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

- (i) the Issuer will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt; and
- (ii) the Issuer will procure that no Subsidiary of the Issuer will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt,

unless, at the same time or prior thereto, the Issuer's obligations under the Notes and any relative Coupons and the Trust Deed in respect thereof, (aa) are secured equally and rateably therewith to the satisfaction of the Trustee, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

**"Excluded Subsidiary"** means any Subsidiary of the Issuer:

- (i) which has been established solely to conduct the business of and any ancillary activities relating to securitisation or such similar financing of assets held by it; and
- (ii) none of whose liabilities in respect of such financing are the subject of a Security Interest created or permitted to subsist by the Issuer or any other Subsidiary of the Issuer.

**"Permitted Security Interest"** means:

- (x) any Security Interest over or affecting the whole or part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of any entity which becomes a Subsidiary of the Issuer after the date on which agreement is reached to issue the first Tranche of the Notes, where such Security Interest was created prior to the date on which such an entity becomes a Subsidiary of the Issuer, but only if (A) such Security Interest was not created in contemplation of such entity becoming a Subsidiary of the Issuer and (B) the amount thereby secured has not been increased in contemplation of, or since the date of, such entity becoming a Subsidiary of the Issuer;
- (y) any Security Interest (the **"Replacement Security Interest"**) created in whole or in part to replace or renew or in substitution for any Security Interest created by a company referred to in (x) of this paragraph (the **"Old Security Interest"**) upon a refinancing or similar transaction where the Replacement Security Interest is created in respect of the same business, undertaking, assets or revenues as the Old Security Interest and where the amount secured by the Replacement Security Interest is equal to or less than the amount secured by the Old Security Interest; and
- (z) any Security Interest created by an Excluded Subsidiary over its assets to secure any Relevant Debt of that Excluded Subsidiary, provided that the aggregate amount of all such Relevant Debt so secured and outstanding from time to time does not exceed €1,000,000,000 or its equivalent in any other currency (as determined by the Trustee in accordance with the Trust Deed).

**"Relevant Debt"** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or other securities market.

**"Security Interest"** means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

**"Subsidiary"** means an entity in which a person:

- (i) holds beneficially (directly or indirectly) more than 50 per cent. of the issued share capital (or similar rights of ownership); or
- (ii) holds beneficially (directly or indirectly) the right to control the composition of the majority of its board of directors (or equivalent body) or controls the majority of the voting rights, in each case, whether through the ownership of voting capital or by contract.

For the avoidance of doubt, a person will not have "control" as specified in paragraph (ii) above where that person has joint control.

(b) *Limitation on Subsidiary Indebtedness*

So long as any Note or Coupon remains outstanding, the Issuer will not permit any of its Subsidiaries, without the prior approval of the Trustee or of an Extraordinary Resolution of the Noteholders, to Incur any Indebtedness, unless at the time of such Incurrence the aggregate principal amount of the Indebtedness to be Incurred together with all other Indebtedness of the Issuer's Subsidiaries then outstanding (but disregarding for this purpose any Indebtedness ("**Due Indebtedness**") due to be repaid on the same day as such Indebtedness is to be Incurred provided that the Due Indebtedness is so repaid) does not exceed 35 per cent. of Total Group Assets.

For the purposes of this Condition 3(b):

**"Acquisition"** means (a) the merger or consolidation of any Person into or with any Subsidiary of the Issuer or (b) the acquisition by the Issuer or any of its Subsidiaries of any assets of any Person not already a Subsidiary of the Issuer or any shares of any such Person.

**"Incur"** means issue, assume, incur or otherwise become liable for and references to "Incurred" and "Incurrence" shall be construed accordingly.

**"Indebtedness"** means, without double counting, any indebtedness (which includes any obligations (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent) for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with applicable generally accepted accounting principles, be treated as a finance or capital lease;
- (e) the amount payable for the redemption of any Redeemable Shares in the issued share capital of any Subsidiary of the Issuer which rank ahead of the ordinary (or equivalent) share capital of such Subsidiary and which are not directly or indirectly owned by the Issuer; and
- (f) without double-counting in respect of any amount of any liability which has already been included in any of paragraphs (a) to (e) above, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (e) above;

**PROVIDED THAT** Indebtedness shall not include:



- (i) for the avoidance of doubt, any trade indebtedness including, without limitation, any amounts owing in respect of the delivery of goods, royalty payments and payments under trademark agreements for the provision of management or technical services;
- (ii) for the avoidance of doubt, any guarantee to any Person by any Subsidiary of the Issuer in the ordinary course of its trading in relation to loans made or to be made to such Subsidiary's trade brewery customers;
- (iii) for the avoidance of doubt, any guarantee provided by any Subsidiary of the Issuer to a tax authority with jurisdiction over such Subsidiary in the ordinary course of the Subsidiary's business in relation to excise and/or import duties payable by such Subsidiary;
- (iv) Indebtedness of a Subsidiary of the Issuer owing to the Issuer or another Subsidiary;
- (v) Indebtedness of a Subsidiary of the Issuer acquired as a result of an Acquisition (or Indebtedness assumed at the time of an Acquisition of an asset securing such Indebtedness), provided that (x) such Indebtedness was not Incurred in connection with, or in anticipation or contemplation of, such Acquisition and (y) such Indebtedness is non-recourse to any assets of the Issuer or any of its Subsidiaries other than the Subsidiary and assets so acquired; and
- (vi) any refinancing or similar transaction of any Indebtedness Incurred under paragraph (v) above provided that the principal amount of such Indebtedness is not increased as a result of such refinancing or other transaction.

"**Person**" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing.

"**Redeemable Shares**" means shares which are redeemable provided that no shares which are expressed to be redeemable after the Maturity Date shall be treated as "Redeemable Shares" unless, under their terms, it is possible that they might fall to be redeemed (whether on insolvency of the issuer thereof, or at the option of the issuer or holder thereof, or otherwise) prior to such date.

"**Total Group Assets**" means the total assets of the Issuer on a consolidated basis, as shown in its then latest audited annual financial statements or (if more recently prepared and published) its then latest unaudited interim financial statements.

## 4. **INTEREST**

### 4.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if **"30/360"** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

**"Determination Period"** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 4.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "**Business Day**" means a day which is both:

- (e) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (f) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the

relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

- (ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SIBOR or SOR-VWAP

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate specified in the applicable Final Terms which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4.2(b)(ii)(A) above, no such offered quotation appears or, in the case of Condition 4.2(b)(ii)(B) above, fewer than three such offered quotations appear, in each case as at the Relevant Time, the Agent shall request the principal London office of each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the

Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

- (iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR-VWAP

Each Floating Rate Note where the Reference Rate is specified in the applicable Final Terms as being SIBOR (in which case such Note will be, a "**SIBOR Note**") bears interest at a floating rate determined by reference to the Singapore interbank offered rate ("**SIBOR**") and each Floating Rate Note where the Reference Rate is specified in the applicable Final Terms as being SOR-VWAP (in which case such Note will be, a "**Swap Rate Note**") bears interest at a floating rate determined by reference to SOR-VWAP. Such Floating Rate Notes may be adjusted by adding or subtracting the Margin (if any) specified in the applicable Final Terms.

The Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 4.2(b)(iii) will be determined by the Agent on the basis of the following provisions:

- (A) In the case of Floating Rate Notes which are SIBOR Notes:
- (a) the Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Relevant Screen Page at or about the Relevant Time on such Interest Determination Date and as adjusted by the Margin (if any);
  - (b) if on any Interest Determination Date, no such rate appears on the Relevant Screen Page or if the Relevant Screen Page is unavailable for any reason, the Agent will request the principal Singapore office of each of the Reference Banks to provide the Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Margin (if any), as determined by the Agent;
  - (c) if on any Interest Determination Date, two but not all the Reference Banks provide the Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with paragraph (b) of this

Condition 4.2(b)(iii)(A) on the basis of the quotations of those Reference Banks providing such quotations; and

- (d) if on any Interest Determination Date, one only or none of the Reference Banks provides the Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by major banks in Singapore, selected by the Agent, at approximately the Relevant Time on the first day of such Interest Period for loans in Singapore dollars to leading banks in Singapore for a period equivalent to the duration of such Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes and as adjusted by the Margin (if any).

(B) In the case of Floating Rate Notes which are Swap Rate Notes:

- (a) the Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the synthetic rate for deposits in Singapore dollars ("**SOR-VWAP**") for a period equal to the duration of such Interest Period which appears on the Relevant Screen Page at or about the Relevant Time on such Interest Determination Date and as adjusted by the Margin (if any);
- (b) if on any Interest Determination Date, no such rate appears on the Relevant Screen Page or if the Relevant Screen Page is unavailable for any reason, SOR-VWAP will be any substitute rate announced by ABS Benchmarks Administration Co Pte. Ltd. (or its successor as administrator or sponsor of that rate) (the "**Administrator**") or, if the Administrator does not announce such rate by 9.00 p.m. (Singapore time) on such Interest Determination Date, the Agent will determine SOR-VWAP (which shall be rounded up, if necessary, to the nearest 1/16 per cent.) for such Interest Period in accordance with the following formula:

$$\left\{ \left[ \left( \frac{\text{Spot Rate} + \text{Forward Points}}{\text{Spot Rate}} \right) \times \left( 1 + \frac{\text{USD Rate} \times \# \text{ days}}{360} \right) \right] - 1 \right\} \times \frac{365}{\# \text{ days}} \times 100$$

where:

**"Spot Rate"** = the average of the bid and offered exchange rates for the sale of Singapore dollars against United States dollars for settlement on a spot basis obtained by the Agent from Reference Banks, as of 4:30 p.m. (Singapore time) on the relevant Interest Determination Date or as close to such time as is reasonably practicable. If at least three quotations are provided, the Spot Rate for such Interest Period will be the arithmetic mean of the quotations, without regard to the quotations with the highest and lowest values. For this purpose, if more than one quotation has the same highest or lowest value, then one such quotation shall be disregarded. If exactly two quotations are provided, the Spot Rate for such Interest Period will be the arithmetic mean of the quotations.

- "Forward Points"** = the mid-market of the FX forward points for the forward sale of Singapore dollars against United States dollars for settlement on the last day of a period equivalent to the relevant Interest Period and commencing on the first day of such Interest Period as determined by the Agent on the basis of mid-market indicative quotations obtained by the Agent from the Reference Banks, as of 4:30 p.m. (Singapore time), on the relevant Interest Determination Date or as close to such time as is reasonably practicable. If at least three quotations are provided, the Forward Points for such Interest Period will be the arithmetic mean of the quotations, without regard to the quotations with the highest and lowest values. For this purpose, if more than one quotation has the same highest or lowest value, then one such quotation shall be disregarded. If exactly two quotations are provided, the Forward Points for such Interest Period will be the arithmetic mean of the quotations.
- "# days"** = the number of calendar days in the Interest Period in respect of which the calculation is being made.
- "USD Rate"** = the rate for deposits in United States dollars for a period of equal duration to the relevant Interest Period which appears on the Reuters Screen LIBOR01 Page as of the Relevant Time on the relevant Interest Determination Date. If such rate does not appear on the Reuters Screen LIBOR01 Page, the USD Rate for that Interest Period will be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the London interbank market for a period of equal duration to the relevant Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes. The Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the USD Rate for that Interest Period will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the USD Rate for that Interest Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Agent, at approximately 11:00 a.m. (New York City time) on the first day of such Interest Period for loans in United States dollars to leading European banks for a period of equal duration to the relevant Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes. For the purposes of this definition of USD Rate, "Reference Banks" shall mean the principal London office of four major banks in the London interbank market, in each case selected by the Agent.

The Rate of Interest for such Interest Period shall be SOR-VWAP (as determined by the Agent) and as adjusted by the Margin (if any).

For the purposes of these Conditions:

**"Interest Determination Date"** shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate ("**LIBOR**") (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate ("**EURIBOR**"), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is SIBOR (other than USD SIBOR, which has with effect from 31 December 2013 been replaced by USD LIBOR), two Singapore Banking Days prior to the start of each Interest Period (for these purposes, "Singapore Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Singapore);
- (v) if the Reference Rate is SOR-VWAP or USD SIBOR (which has with effect from 31 December 2013 been replaced by USD LIBOR), two Singapore and London Banking Days prior to the start of each Interest Period (for these purposes, "Singapore and London Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Singapore and London); or
- (vi) if the Reference Rate is the Tokyo interbank offered rate ("**TIBOR**"), the second Tokyo business day prior to the start of each Interest Period.

**"Margin"** shall have the meaning specified in the applicable Final Terms.

**"Reference Banks"** shall mean:

- (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market;
- (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market;
- (iii) in the case of a determination of SIBOR or SOR-VWAP, the principal Singapore office of four major banks in the Singapore interbank market;
- (iv) in the case of a determination of TIBOR, the principal Tokyo office of ten major banks in the Tokyo interbank market; and
- (v) in the case of any other Reference Rate, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre,

in each case selected by the Agent and approved in writing by the Trustee.

**"Reference Rate"** shall mean (i) LIBOR, (ii) EURIBOR, (iii) SIBOR, (iv) SOR-VWAP, or (v) TIBOR, in each case for the relevant currency and for the relevant period, as specified in the applicable Final Terms.

**"Relevant Financial Centre"** shall mean (i) London, in the case of a determination of LIBOR or SOR-VWAP or USD SIBOR, (ii) Brussels, in the case of a determination of EURIBOR, (iii) Singapore, in the case of a determination of SIBOR (other than USD SIBOR), or (iv) Tokyo, in the case of a determination of TIBOR, as specified in the applicable Final Terms.



**"Relevant Screen Page"** shall mean such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms (or any successor or replacement page, section, caption, column or other part of a particular information service).

**"Relevant Time"** shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of SIBOR, 11.00 a.m., (iv) in the case of SOR-VWAP, 11.00 a.m. or (v) in the case of TIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the applicable Final Terms.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **"Interest Amount"**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if **"Actual/Actual (ISDA)"** or **"Actual/Actual"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if **"Actual/365 (Sterling)"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **"Actual/360"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(e) **Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) **Determination or Calculation by Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i), (b)(ii) or (b)(iii) above, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by and be binding on the Agent.

(g) **Linear Interpolation**

Where Linear Interpolation is specified as being applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period, provided, however, that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 shall (in the absence of manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. **PAYMENTS**

5.1 **Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 7) an intergovernmental agreement, including any laws implementing such an agreement, between the United States and another jurisdiction facilitating the implementation thereof. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction.

No commissions or expenses shall be charged to the Noteholders in respect of such payments.

5.2 **Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression

shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### 5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### 5.4 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## 5.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## 5.6 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 6. **REDEMPTION AND PURCHASE**

### 6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

## 6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by any member of the Executive Board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the obligation referred to in (a) cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the condition precedent set out in (b) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## 6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. The Optional Redemption Amount will be either the amount per Calculation Amount specified in the applicable Final Terms or, if Make-Whole Redemption Option is specified as being applicable in the applicable Final Terms, the Make-Whole Redemption Amount.

In this Condition:

**"Benchmark Rate"** means the benchmark rate calculated on the Calculation Date and determined by the Quotation Agent based on the rate per annum equal to the annual yield to maturity or interpolated yield to maturity of the Benchmark Security, assuming a price for the Benchmark

Security (expressed as a percentage of its nominal amount) equal to the Benchmark Security Price for the relevant Optional Redemption Date;

**"Benchmark Security"** means the benchmark security/securities specified in the applicable Final Terms;

**"Benchmark Security Price"** means the arithmetic average, as determined by the Quotation Agent, of the bid and offered prices for the Benchmark Security (expressed as a percentage of its nominal amount) at such time on the Calculation Date as shall be specified in the Final Terms;

**"Calculation Date"** means the third Business Day (as defined in Condition 4.2(a)(i)) prior to the Optional Redemption Date;

**"Make-Whole Margin"** means the rate per annum (expressed as a percentage) specified in the applicable Final Terms;

**"Make-Whole Redemption Amount"** means the sum of:

- (a) the greater of (i) the Final Redemption Amount of the Redeemed Notes (as defined below) and (y) the sum of the present values of the remaining scheduled payments of principal and interest on the Redeemed Notes (excluding any interest accruing on the Redeemed Notes to but excluding the Optional Redemption Date) discounted to the Optional Redemption Date on a semi-annual or annual basis (as specified in the applicable Final Terms) at a rate equal to the Make-Whole Redemption Rate; and
- (b) any interest accrued but not paid on the Redeemed Notes to but excluding the Optional Redemption Date,

as determined by the Quotation Agent;

**"Make-Whole Redemption Rate"** means the sum of the Benchmark Rate and the Make-Whole Margin; and

**"Quotation Agent"** means any Dealer or any other international credit institution or financial services institution appointed by the Issuer for the purpose of determining the Make-Whole Redemption Amount, in each case as such Quotation Agent is identified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

#### 6.4 **Redemption at the option of the Noteholders (Investor Put)**

##### (a) ***Redemption at the option of the Noteholders (other than a Change of Control Put)***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.



To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 6.4(a) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4(a) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4(a).

(b) **Change of Control Put**

If Change of Control Put is specified as being applicable in the applicable Final Terms, this Condition 6.4(b) shall apply.

- (i) Subject to Condition 6.4(b)(vi) below, a "**Put Event**" will be deemed to occur if:
- (A) any Person or group of Persons acting in concert gains control of the Issuer ("**Change of Control**"); and
  - (B) on the date (the "**Relevant Announcement Date**") that is the earlier of (i) the date of the first public announcement of the relevant Change of Control; and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency:
    - (1) an investment grade credit rating (*Baa3/BBB–, or equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to an investment grade credit rating by such Rating Agency; or
    - (2) a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, *Ba1/BB+ to Ba2/BB being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to its earlier credit rating or better by such Rating Agency, or
    - (3) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then subparagraph (1) will apply to the exclusion of subparagraph (2), such that any change in a

non-investment grade credit rating from another Rating Agency shall be disregarded for the purposes of Condition 6.4(b); and

- (C) in making the relevant decision referred to in (B)(1) or (2) above (if applicable), the relevant Rating Agency announces publicly or confirms in writing to the Issuer and the Trustee that such decision resulted, in whole or in part, from the occurrence of the Change of Control (whether or not the Change of Control shall have occurred at the time such decision is made) or the Relevant Potential Change of Control Announcement.
- (ii) If a Put Event occurs (unless the Issuer has given notice under Condition 6.2), each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or propose the purchase of) that Note on the Put Date (as defined below) at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the date of redemption or purchase. Such option (the "**Put Option**") shall operate as set out in this Condition 6.4(b).
- (iii) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or provided with security to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the procedure for exercising the Put Option.
- (iv) To exercise the Put Option, the holder of this Note must, if it is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of not less than 30 and not more than 60 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 6.4(b) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the Put Option, the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the date which is 7 days after the expiration of the Put Period (the "**Put Date**") by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent.

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4(b) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4(b). Receipts issued pursuant to this Condition 6.4(b) shall be treated as if they were Notes. The Issuer shall

redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6.4(b), the Issuer may, on not less than 30 and not more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem or purchase (or procure the purchase of), at its option, the remaining Notes as a whole at their principal amount together with interest accrued to but excluding the date of redemption or purchase.

If the rating designations employed by Moody's or S&P are changed from those which are described in paragraph (i) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and paragraph (i) shall be read accordingly.

- (v) The Trustee is under no obligation to ascertain whether a Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event has occurred.
- (vi) A Change of Control shall not apply to the acquisition of control by family members or successors by inheritance of the current ultimate owner of the Issuer or by companies owned by such family members or successors by inheritance or by trusts of which they are beneficiaries and no Put Event shall be deemed to have occurred in such circumstances.
- (vii) For the purpose of this Condition 6.4(b):

**"acting in concert"** means acting together pursuant to an agreement or understanding (whether formal or informal);

**"Change of Control Period"** means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

**"control"** means the acquisition of or right or option to acquire:

- (i) beneficial ownership (directly or indirectly) of more than 50 per cent. of the issued share capital (or voting power) of the Issuer; or
- (ii) beneficial ownership (directly or indirectly) of the right to control the composition of the majority of the board of directors of the Issuer or the majority of its voting rights, in each case, whether through the ownership of voting capital or by contract;

**"Optional Redemption Amount"** shall mean the amount specified as such in the applicable Final Terms;

**"Person"** means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organisation, or a government or agency or political subdivision thereof;

**"Rating Agency"** means Moody's Investors Service, Inc. ("**Moody's**") or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), or their respective successors or any rating agency (a "**Substituted Rating Agency**") substituted for any of them by the Issuer from time to time with the agreement of the Trustee (not to be unreasonably withheld or delayed); and

**"Relevant Potential Change of Control Announcement"** means any formal public announcement or statement by the Issuer, any actual or potential bidder or any adviser thereto

relating to any potential Change of Control where within 90 days following the date of such announcement or statement, a Change of Control occurs.

## 6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note other than a Zero Coupon Note, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (b) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## 6.6 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

## 6.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## 6.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## 7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Netherlands unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5); or
- (c) where such withholding or deduction is imposed on a payment to an individual or a residual entity (within the meaning of the European Council Directive 2003/48/EC on the taxation of savings income and is required to be made pursuant to the European Council Directive 2003/48/EC on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or several agreements concluded by the State of Luxembourg with several dependent or associated territories, or is based on similar measures adopted by a number of non-EU countries such as Switzerland, or pursuant to the law of 23 December 2005, as amended by the law of 17 July 2008, with respect to Luxembourg resident individuals; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction in whole or in part by presenting a form or certificate and/or by making a declaration of non-residence or other claim for exemption or reduction but fails to do so.

As used herein, "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## 8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. EVENTS OF DEFAULT AND ENFORCEMENT

### 9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or provided with security to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (h) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur and be continuing:

(a) *Non-Payment*

if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 15 days in the case of interest; or

(b) *Breach of Other Obligations*

if the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed in respect thereof which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer by the Trustee; or

(c) *Cross-Default*

if (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed becomes due and payable prior to its stated maturity by reason of default, event of default or the like (howsoever described) or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred and remains unpaid or undischarged equals or exceeds (x) €100,000,000 or, if greater, (y) 0.5 per cent. of Total Group Assets, or their equivalent in any other currency (as determined by the Trustee in accordance with the Trust Deed); or

(d) *Enforcement Proceedings*

if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

(e) *Security Enforced*

if any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries over the whole or a substantial part of the undertaking, assets or revenues of the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person in respect thereof) and is not discharged or stayed within 30 days; or

(f) *Insolvency*

if (i) any corporate action, legal proceedings or other procedure, application or step is taken by the Issuer or any of its Material Subsidiaries for it being declared in bankruptcy (*faillissement*), or in suspension of payments (*surséance van betaling*) or in emergency regulation (*noodregeling*) (irrespective of whether that procedure is provisional or final) or (ii) the Issuer or any of its Material Subsidiaries is declared in bankruptcy (*faillissement*), or in suspension of payments (*surséance van betaling*) or in emergency regulation (*noodregeling*) (irrespective of whether that procedure is provisional or final) or (iii) the Issuer or any of its Material Subsidiaries offers or enters into a composition with all its creditors generally (*buitengerechtelijk akkoord*); or

(g) *Winding-up*

if an order is made or an effective resolution passed for the winding-up or dissolution (*ontbinding*) of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or (in the opinion of the Trustee) substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of the Issuer's Subsidiaries, or (iii) in the case of a Material Subsidiary, pursuant to a voluntary solvent winding-up where surplus assets are available for distribution; or

(h) *Analogous Events*

if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (d) to (g).

For the purposes of the Conditions:

**"Group"** means the Issuer and its Subsidiaries for the time being.

**"Material Subsidiary"** means, at any time, a Subsidiary of the Issuer whose net turnover on ordinary activities (excluding intra-Group items) accounts for at least 10 per cent. of the consolidated net turnover on ordinary activities of the Group.

For this purpose:

- (i) the net turnover on ordinary activities of a Subsidiary of the Issuer will be determined by its financial statements (on a consolidated basis if that Subsidiary itself has Subsidiaries) upon which the latest audited financial statements of the Group have been based;
- (ii) if a Subsidiary of the Issuer becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the net turnover on ordinary activities of that Subsidiary (calculated on a consolidated basis if that Subsidiary itself has Subsidiaries) will be determined from its latest financial statements;
- (iii) the net turnover on ordinary activities of the Group will be determined from its latest audited financial statements; and
- (iv) if a Material Subsidiary disposes of all or (in the opinion of the Trustee) substantially all of its assets to another Subsidiary of the Issuer, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary and the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

As provided in the Trust Deed, the Issuer shall give to the Trustee within 14 days of its annual audited financial statements being made available to its shareholders and also within 14 days of a request being made by the Trustee a certificate signed by any member of the Executive Board of the Issuer listing those Subsidiaries which as at the last day of the last financial year of the Issuer or as at the date specified in such request were Material Subsidiaries.

**"substantial part"**, in Conditions 9.1(d) and (e) above, means 20 per cent. or more of the whole, as reasonably determined by the Trustee. In the case of assets of the Issuer or a Material Subsidiary, this shall be determined by reference to the total assets of the Issuer or the relevant Material Subsidiary, as the case may be, on a consolidated basis. In the case of revenues of the Issuer or a Material Subsidiary, this shall be determined by reference to net turnover on ordinary activities of the Issuer or the relevant Material Subsidiary, as the case may be, on a consolidated basis. In the case of both assets and revenues of the Issuer or a Material Subsidiary, the determination as to whether something is a "substantial part" shall be made by reference to the latest audited financial statements of the Issuer (for the Issuer) or the latest financial statements (audited, if available, and on a consolidated basis if that Subsidiary itself has Subsidiaries) of the Material Subsidiary (for a Material Subsidiary).

**"Total Group Assets"** shall have the meaning ascribed to such term in Condition 3.

## 9.2 **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or provided with security to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## 10. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 11. **PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will, save where it may from time to time be otherwise agreed with the Trustee that it is unduly onerous or not current market practice at the relevant time to do so, at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.



In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. **NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London or (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London or the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except

that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

In addition, a resolution in writing signed by or on behalf of not less than 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (other than in respect of Reserved Matters (as defined in the Trust Deed)), or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of a Successor in Business (as defined in the Trust Deed) subject to certain conditions in the Trust Deed being complied with.

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer or a Holding Company (as defined in the Trust Deed) of the Issuer, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or Couponholder, as the case may be, except to the extent provided for in Condition 7 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

15. **INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction and to be paid its costs and expenses in priority to the claims of the Noteholders.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

18.1 **Governing law**

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, English law.

18.2 **Submission to jurisdiction**

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising therefrom or in connection therewith) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 **Appointment of process agent**

The Issuer has appointed an agent for service of process in respect of any Proceedings, and undertakes to maintain a person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

## FORMS OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €100,000 (or its equivalent in another currency).

[Date]

### HEINEKEN N.V.

(incorporated with limited liability in the Netherlands)

#### Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the €10,000,000,000 Euro Medium Term Note Programme

#### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 March 2015 [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, during normal business hours, from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [8 September 2008][8 September 2009][13 September 2010][7 March 2012][7 March 2013][7 March 2014] which are incorporated by reference in the Base Prospectus dated 12 March 2015 (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Base Prospectus. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, during normal business hours, from [address].]

1. (a) Series Number: [ ]
  - (b) Tranche Number: [ ]
  - (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]] [Not Applicable]
2. Specified Currency or Currencies: [ ]
  3. Aggregate Nominal Amount:
    - (a) Series: [ ]
    - (b) Tranche: [ ]

4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount  
[plus accrued interest from *[insert date]*]
5. (a) Specified Denomination(s): [ ]  
(b) Calculation Amount: [ ]
6. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
7. Maturity Date: [*Fixed rate – specify date*/*Floating rate – Interest Payment Date falling in or nearest to [specify date]*]
8. Interest Basis: [[ ] per cent. Fixed Rate]  
[[*Reference Rate*] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[(further particulars specified below)]
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis or Redemption/Payment Basis: [ ]/[Not Applicable]
11. Put/Call Options: [Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[Not Applicable]
12. Date [Board] approval for issuance of Notes obtained: [ ]/[Not Applicable]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] [and [ ]] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year]/[Not Applicable]
14. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs)*

of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s): [ ]/[Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]/[Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [currency] [LIBOR/EURIBOR/SIBOR/SOR-VWAP/TIBOR/[ ]]
  - Relevant Time: [[ ]] in the Relevant Financial Centre
  - Relevant Financial Centre: [London/Brussels/Singapore/Tokyo/[ ]]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ] [for SIBOR Notes – Reuters Screen ABSIRFIX01 Page under the heading "SGD SIBOR"] [for Swap Rate Notes - Reuters Screen ABSFIX01 Page under the heading "SGD SOR rates"]
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- (k) Maximum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis]

- [30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]
15. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

16. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]/[Any date from and including [ ] to but excluding [ ]]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount][Make Whole Redemption Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [[ ] per Calculation Amount]/[Not Applicable]
- (ii) Maximum Redemption Amount: [[ ] per Calculation Amount]/[Not Applicable]
- (d) Notice period (if other than as set out in the Conditions): [ ]/[Not Applicable]
- (e) Make Whole Redemption Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Quotation Agent: [ ]
- (ii) Discounting basis for the purposes of calculating the sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-Whole Redemption Amount: [Annual]/[Semi-annual]
- (iii) Benchmark Security/Securities: [ ]  
*(Specify details of benchmark security/securities, with appropriate securities identification number)*
- (iv) Make-Whole Margin: [ ] per cent. per annum
- (v) Timing for calculation of Benchmark Security Rate: [ ] [a.m.][p.m.] on [ ]



17. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): [ ]/[Not Applicable]
18. Change of Control Put: [Applicable/Not Applicable]  
*(If not applicable, delete the subparagraph below)*
- Optional Redemption Amount: [ ] per Calculation Amount
19. Final Redemption Amount: [ ] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

21. Form of the Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]]
- [Temporary Global Note exchangeable for Definitive Notes]
- [Permanent Global Note exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]]
- [Definitive Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or another institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005 on the abolition of securities in bearer form.] *(Consider including this wording if the Notes are being offered in Belgium)*
- (b) New Global Note: [Yes]/[No]
22. Additional Financial Centre(s): [ ]/[Not Applicable]
23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of Heineken N.V.:

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING:

Listing and admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].]

[Not Applicable]

### 2. RATINGS:

Ratings:

[Not Applicable] / [The Notes to be issued have been rated [ ] by [ ]]

[[ ] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such [ ] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[ ] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [ ] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[ ] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [ ] in accordance with the CRA Regulation. [ ] is established in the European Union and registered under the CRA Regulation. As such [ ] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] [The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [ ] may be used in the EU by the relevant market participants.]

[[ ] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:]

although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [ ] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[ ] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [ ] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[ ] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [ ], which is established in the European Union, disclosed the intention to endorse credit ratings of [ ] [ , although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [ ] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [ ] may be used in the EU by the relevant market participants.]

*[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider]*

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]/[ ]/[Not Applicable]

**4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:**

- (i) Reasons for the offer: [ ]
- (ii) Estimated net proceeds: [ ]
- (iii) Estimated total expenses: [ ]

5. **YIELD:** (*Fixed Rate Notes only*)

Indication of yield: [ ]/[Not Applicable]

6. **HISTORIC INTEREST RATES:** (*Floating Rate Notes only*)

[Details of historic [LIBOR/EURIBOR/SIBOR/SOR-VWAP/TIBOR] rates can be obtained from [Reuters].]/[Not Applicable]

7. **OPERATIONAL INFORMATION:**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (together with the address of each such clearing system) and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

(iv) Names and addresses of additional Paying Agent(s) (if any): [ ]/[Not Applicable]

(v) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. **DISTRIBUTION:**

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated, names and addresses of Managers and underwriting commitments: [ ]/[Not Applicable]

(iii) Date of Subscription Agreement: [ ]/[Not Applicable]

(iv) Stabilising Manager(s) (if any): [ ]/[Not Applicable]

- (v) If non-syndicated, name and address of relevant Dealer: [ ]/[Not Applicable]
- (vi) Total commission and concession: [[ ] per cent. of the Aggregate Nominal Amount]/[Not Applicable]
- (vii) U.S. selling restrictions: [TEFRA D Rules/TEFRA C Rules/TEFRA not applicable]
- (viii) Public Offer of Notes: [Not Applicable] [An offer of the Notes may be made by the Managers [, *insert names of financial intermediaries receiving consent (specific consent)*] (the "**Initial Authorised Offerors**") [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Public Offer of Notes and who are identified on the Issuer's website at <http://www.theheinekencompany.com> as an Authorised Offeror] (together, being persons to whom the issuer has given consent, the "**Authorised Offerors**") other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) from those identified in the inside cover as being the Member States where the issuer intends to make Public Offers of Notes, which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (the "**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date or such other means to determine the end of the Offer Period, such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"*] (the "**Offer Period**"). See further paragraph 9 below.
- General Consent: [Not Applicable]/[Applicable]
- Other clear and objective conditions to consent: [Not Applicable] [*Add here any other conditions to which the consent given is subject*]

## 9. TERMS AND CONDITIONS OF THE OFFER:

- Offer Price: [Issue Price/Not Applicable/*specify*]
- Conditions to which the offer is subject: [Not Applicable/*give details*]
- Offer Period: See paragraph 8(viii) above.
- Description of the application process: [Not Applicable/*give details*]
- Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]
- Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/*give details*]
- Manner in and date on which results of the

offer are to be made public:

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

Whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/*give details*/The Authorised Offerors identified in paragraph 8 above]

**10. THIRD PARTY INFORMATION:**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

**ANNEX TO THE FINAL TERMS – SUMMARY OF THE ISSUE**

*[Base Prospectus summary to be inserted and the options given as placeholders in the summary to be completed in respect of the Notes being issued.]*



Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency).

[Date]

**HEINEKEN N.V.**

(incorporated with limited liability in the Netherlands)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €10,000,000,000  
Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 March 2015 [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, during normal business hours, from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [8 September 2008][8 September 2009][13 September 2010][7 March 2012][7 March 2013][7 March 2014] which are incorporated by reference in the Base Prospectus dated 12 March 2015 (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Base Prospectus. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, during normal business hours, from [address].]

1. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]] [Not Applicable]
2. Specified Currency or Currencies: [ ]
3. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]
4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]]

5. (a) Specified Denomination(s): [ ] [[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].]
- (b) Calculation Amount: [ ]
6. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
7. Maturity Date: [*Fixed rate – specify date*/Floating rate – Interest Payment Date falling in or nearest to [*specify date*]]
8. Interest Basis: [[ ] per cent. Fixed Rate]  
[[*Reference Rate*] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
  
[[further particulars specified below]]
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis or Redemption/Payment Basis: [ ]/[Not Applicable]
11. Put/Call Options: [Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[Not Applicable]
12. Date [Board] approval for issuance of Notes obtained: [ ]/[Not Applicable]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] [and [ ]] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year]/[Not Applicable]

14. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s): [ ]/[Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]/[Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [currency] [LIBOR/EURIBOR/SIBOR/SOR-VWAP/TIBOR/[ ]]
  - Relevant Time: [[ ]] in the Relevant Financial Centre
  - Relevant Financial Centre: [London/Brussels/Singapore/Tokyo/[ ]]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ] [*for SIBOR Notes – Reuters Screen ABSIRFIX01 Page under the heading "SGD SIBOR"*] [*for Swap Rate Notes - Reuters Screen ABSFIX01 Page under the heading "SGD SOR rates"*]
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- (k) Maximum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]

[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]

15. Zero Coupon Note Provisions

[Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

16. Issuer Call:

[Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [ ]/[Any date from and including [ ] to but excluding [ ]]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount][Make Whole Redemption Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [[ ] per Calculation Amount]/[Not Applicable]
- (ii) Maximum Redemption Amount: [[ ] per Calculation Amount]/[Not Applicable]
- (d) Notice period (if other than as set out in the Conditions): [ ]/[Not Applicable]
- (e) Make Whole Redemption Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Quotation Agent: [ ]
- (ii) Discounting basis for the purposes of calculating the sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-Whole Redemption Amount: [Annual]/[Semi-annual]
- (iii) Benchmark Security/Benchmark Securities: [ ]  
*(Specify details of benchmark security/securities, with appropriate securities identification number)*
- (iv) Make-Whole Margin: [ ] per cent. per annum
- (v) Timing for calculation of Benchmark Security Rate: [ ] [a.m.][p.m.] on [ ]

17. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): [ ]/[Not Applicable]
18. Change of Control Put: [Applicable/Not Applicable]  
*(If not applicable, delete the subparagraph below)*
- Optional Redemption Amount: [ ] per Calculation Amount
19. Final Redemption Amount: [ ] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

21. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]]
- [Temporary Global Note exchangeable for Definitive Notes]
- [Permanent Global Note exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]]
- [Definitive Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or another institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005 on the abolition of securities in bearer form.] *(Consider including this wording if the Notes are being offered in Belgium)*
- (b) New Global Note: [Yes]/[No]
22. Additional Financial Centre(s): [ ]/[Not Applicable]
23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of Heineken N.V.:

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING:

(i) Listing and admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].]

[Not Applicable]

(ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS:

Ratings:

[Not Applicable] / [The Notes to be issued have been rated [ ] by [ ]]

[[ ] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such [ ] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[ ] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [ ] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[ ] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [ ] in accordance with the CRA Regulation. [ ] is established in the European Union and registered under the CRA Regulation. As such [ ] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] [The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [ ] may be used in the EU by the relevant market participants.]

[ ] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [ [EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [OR:] although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [ ] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[ ] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [ ] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[ ] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [ ], which is established in the European Union, disclosed the intention to endorse credit ratings of [ ] [ ], although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [ ] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [ ] may be used in the EU by the relevant market participants.]

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]/[ ]/[Not Applicable]

**4. YIELD: (Fixed Rate Notes only)**

Indication of yield: [ ]/[Not Applicable]



**5. OPERATIONAL INFORMATION:**

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (together with the address of each such clearing system) and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [ ]/[Not Applicable]
- (v) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
  
[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

**6. DISTRIBUTION:**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [ ]/[Not Applicable]
- (iii) Date of Subscription Agreement: [ ]/[Not Applicable]
- (iv) Stabilising Manager(s) (if any): [ ]/[Not Applicable]
- (v) If non-syndicated name and address of relevant Dealer: [ ]/[Not Applicable]
- (vi) U.S. selling restrictions: [TEFRA D Rules/TEFRA C Rules/TEFRA not applicable]

**7. THIRD PARTY INFORMATION:**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

## HEINEKEN N.V.

### Group business description

Heineken N.V. ("**Heineken**" or the "**Company**" and, together with its subsidiaries, the "**Heineken Group**" or the "**Group**") is a leading international brewer, tracing its roots back to 1864, when Mr. Gerard Adriaan Heineken purchased a brewery in Amsterdam. Following this acquisition, Heineken was incorporated under the laws of the Netherlands on 27 January 1873.

Heineken is a public company with limited liability (*naamloze vennootschap*). The Company is domiciled in the Netherlands and operates under the laws of the Netherlands. Heineken's subsidiaries, where applicable, operate under the laws of the various jurisdictions in which they carry on business.

Heineken's shares were listed for the first time on the Amsterdam Stock Exchange (NYSE Euronext in Amsterdam) on 6 January 1939. The Company is headquartered in Amsterdam, the Netherlands, and is registered at the Chamber of Commerce of Amsterdam, the Netherlands, under number 33011433. The Company's registered office address is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, the Netherlands. The Company's telephone number is: +31 20 523 92 39. The Company's internet address is: <http://www.theheinekencompany.com>.

The principal object of the Company, which is set out in Article 2 of its Articles of Association, is to participate in and manage other enterprises, companies and consortiums, the financing thereof and to provide security for debts of Group companies and everything connected therewith, all in the broadest sense.

### Mission, Strategy and Goals

Heineken is a proud, independent global brewer committed to surprising and exciting consumers with its brands and products. The brand that bears the founder's family name – Heineken® – is available in almost every country and is a world leader in the international premium segment. The Company's aim is to be a leading brewer in each of the markets in which it operates and to have the world's most valuable brand portfolio. Heineken is the world's third largest brewer by volume.<sup>2</sup>

Heineken's key focus is driving the growth of its brands and improving its financial performance by ensuring that all directly controlled operations and partnerships create value. The Company is also focused on enabling its employees to use their potential and building a true performance-based culture by offering training to employees and improving the organisation.

Heineken aims for sustainable growth and to be a leading brewer in each of the markets in which it operates and to have the world's most prominent brand portfolio. The Heineken® brand plays an important part in this. Heineken also establishes broad leadership by innovation and by acquiring strong brands, which are combined into a new, larger portfolio. This results in economies of scale for both local beers and the Heineken brand. If a premium segment does not yet exist in a certain market, Heineken devotes all its energy to develop such segment. Heineken aims at achieving strong number one or number two positions in the markets where it chooses to operate. Heineken is committed to the responsible marketing and consumption of its more than 250 international premium, regional, local and specialty beers and ciders.

Heineken has long-term credit ratings of Baa1 and BBB+ from Moody's Investors Service Ltd ("**Moody's**") and Standard & Poor's Credit Market Services France SAS ("**Standard & Poor's**"), respectively, as at the date of this Base Prospectus.<sup>3</sup>

Heineken remains focused on cash flow generation and disciplined working capital management, with a commitment to a long-term target net debt/EBITDA (beia) ratio of below 2.5. Despite the impact of the strong appreciation of the U.S. dollar a net debt/EBITDA ratio (beia) of 2.5 was achieved at the end of 2014.

Heineken's goal is to grow its business in a sustainable and consistent manner, while constantly improving profitability. Heineken abides by a number of governing business principles, and has three core values: Respect, Enjoyment and Passion for Quality.

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<sup>2</sup> Based on Canadian Global Brewer Analyser report (September 2014 edition).

<sup>3</sup> See "*Glossary*" below for a description of the meaning of the ratings

## Business Overview

The Company is among the largest brewers in the world with total consolidated beer volume of 181.3 million hectolitres in 2014<sup>4</sup>. Heineken produces beer in over 70 countries through more than 160 breweries and also through other brewers under licence. The Company also has a strong export business, which is carried out mainly from the Netherlands, Mexico and Singapore. The production and sale of beer represents the Company's main source of income and cash flow. The Company is also engaged in complementary businesses to its manufacturing brewing activities, such as beverage distribution and the production of cider, soft drinks and other alcohol products. Heineken enjoys strong market positions and an efficient cost structure in many countries by combining the production, marketing and sale of the Company's international brands and products with that of a range of prominent local beer brands.

The Company is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a powerful portfolio of more than 250 international, regional, local and specialty beers and ciders. The international brands (Heineken®, Amstel, Desperados, Affligem, Sol and Strongbow) are supplemented and supported by national and regional brands, and a range of specialty beers, light beers (low-calorie beers) and alcohol-free beers. Market leading positions have been built by developing a cohesive portfolio of strong brands, which offer high added value for the Company's customers and consumers.

The Heineken® brand is the leading brand across the world in the international premium segment having two times more market share than the second biggest brand in this market<sup>5</sup>. Throughout all of the Company's international markets, the quality and image of the Heineken® brand enables it to be positioned as a premium product. The Company always looks to position its products at the higher added value end of the marketplace and it has limited presence in the range of low-priced products. Heineken is committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business and delivers value for all stakeholders.

In terms of distribution, Heineken seeks to achieve optimum availability of its products in each market through alliances with independent distributors and/or via Heineken's own beverage wholesalers. Heineken has strong networks of owned wholesalers in Europe (i.e. the Netherlands, France, Italy, Poland, Austria and, to a lesser extent, Spain, Switzerland and Ireland), which also supply (in addition to beer) a range of soft drinks, wines and spirits to the on-trade channel (i.e. restaurants, hotels, bars and cafeterias). The wholesale subsidiary companies specialise in distributing a full range of beverages which enables the Company to forge a direct link with the on-premises outlets. Heineken also produces soft drinks, generally where this manufacturing activity complements the production and distribution of its beers. Innovation in products and draught systems is supporting the competitive position of the corporate brands. In pursuit of its commitment to quality, sustainability, lower production cost, greater safety and lower environmental impact, the Company is constantly working to improve all the technical processes involved in brewing, packaging and supply chain management. Activities in these areas are co-ordinated by the Company's research and development centre in the Netherlands. This centre makes its services available to Heineken and its associated breweries across six continents.

Heineken has a well-balanced geographic footprint with leadership positions in both developed and developing markets. The Company employs approximately 81,000 people across the world. Heineken N.V. and Heineken Holding N.V. shares trade on the NYSE Euronext in Amsterdam. Heineken has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY).

Finally, the Heineken Group attaches great importance to having a policy on alcohol abuse and good social and environmental policies. This is reflected in the Group's marketing campaigns around the world (<http://www.enjoyheinenresponsibly.com>) and its corporate behaviour.

## Total Cost Management 2 Programme ("TCM 2")

Heineken announced with the results for the financial half-year ending 30 June 2014 that the TCM 2 cost savings program had completed ahead of schedule and delivered above the original target (EUR637 million

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<sup>4</sup> Based on Canadean, Global Brewer Analyser report (September 2014 edition)

<sup>5</sup> Canadean, IPS Lager Report (April 2013 edition)

compared to target EUR625 million). Heineken continues to realise further ongoing productivity improvements across the global supply chain function, as well as focusing on right-sizing and restructuring initiatives to optimise the cost structure.

### **Global Business Services ("GBS")**

GBS was established following a review by Heineken of its business model to better leverage its increased global scale. GBS was created to achieve the most effective and efficient delivery of purchasing, business process and technology services across the Company and to explore opportunities to centralise financial transactional services.

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

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

### **Focus for 2015 and beyond**

The goal of Heineken is to grow the business in a sustainable and consistent manner, while constantly improving profitability. The global economic downturn may pose challenges for Heineken and it is not over yet. It may therefore continue to negatively impact consumer confidence and spending.

Heineken is focused on six strategic priorities:

– *Grow the Heineken® brand*

The Heineken® brand is a key strategic asset and is a leader in the international premium segment. Heineken® has consistently outperformed the overall beer market and the international premium segment over the past several years. Heineken aims to appeal to consumers with effective global marketing platforms, such as the current 'Open Your World' campaign. Heineken continues to explore opportunities to introduce the Heineken® brand in new markets in response to a growing consumer demand for high quality, premium beer brands around the world.

– *Consumer-inspired, customer-oriented and brand-led*

Heineken is committed to being part of the conversation with consumers and recognised as the preferred partner for its customers. Heineken has more than 250 international, regional, local and speciality beer and other beverages, meeting a diverse range of consumer tastes and preferences. Heineken is investing in the expansion of its global brands including Desperados, Amstel, Strongbow Apple Ciders, Affligem and Sol and increasing the rate of innovation to drive top-line growth. Strong customer management capabilities, world class in-store execution and a strong innovation pipeline enable Heineken to create value for its customers and drive long-term business success.

– *Capture the opportunities in emerging markets*

Heineken has transformed its emerging market presence in recent years through a clear acquisition strategy, strong organic growth and joint venture partnerships. Heineken spent a significant part of its CAPEX on investing in capacity across the emerging markets in 2014. Heineken continues to target future profit growth through exploiting the enormous potential offered in emerging markets.

– *Leverage the benefits of Heineken's global scale*

As the world's most international brewer, Heineken is investing in new business initiatives aimed at better leveraging the scale of its global operations across all functions. HGSS in Kraków, HGP in the Netherlands

and Excellent Outlet Execution programme are recent examples of this. These initiatives will enable Heineken to deliver high quality services to the business, while also delivering operational cost efficiencies.

– *Drive personal leadership*

Heineken employs approximately 81,000 people in over 70 countries. As the business continues to grow in scale and complexity, people are a main source of competitive advantage. Heineken requires its people to think globally, work collaboratively together and to inspire and develop. Speaking a common language and building capabilities – from marketing and sales to finance and human resources – Heineken is harnessing the power of a geographically diverse team.

– *Embed and integrate sustainability*

Brewing a Better World is about creating real sustainable value for all our stakeholders. It is integral to enabling the Company to achieve its business objectives. There are four areas of focus, namely protecting water resources, reducing CO2 emissions, sourcing sustainably and advocating responsible consumption.

### Regional Business Overview

Heineken divides its global operations into six geographic segments: Western Europe, Central and Eastern Europe, the Americas, Africa and the Middle East, Asia Pacific and Head Office. In 2014, Europe accounted for 46.8 per cent. of the Company's consolidated beer volume. The Company has a good spread in source of profit generation and cash flow. In 2014, emerging markets in the Africa Middle East, Americas and Asia Pacific regions contributed 50 per cent. of the Group's revenue and 61 per cent. of the Group's profit. The largest operational company is in Mexico, contributing slightly over 10 per cent. of the Group's revenue. The main profit generating markets of the Heineken Group are (in alphabetical order): France, Mexico, Nigeria, Slovakia, Spain, Taiwan, the Netherlands, the United Kingdom, the United States and Vietnam.

The overview of revenue, EBIT (beia) and consolidated beer volume (see "Glossary") per regional business segment is shown below.

### Geographical segments

<i>(Full year figures)</i>	<i>2014</i>	<i>2013</i>
<b>Consolidated Revenue</b>		
<i>(In millions of EUR)</i>		
Western Europe .....	7,478	7,456
Central and Eastern Europe .....	2,868	3,097
The Americas.....	4,631	4,495
Africa and the Middle East.....	2,643	2,554
Asia Pacific .....	2,088	2,037
Head Office / Eliminations .....	-451	-436
	<b>19,257</b>	<b>19,203</b>
<b>EBIT (beia)**</b>		
<i>(In millions of EUR)</i>		
Western Europe .....	852	854
Central and Eastern Europe .....	293	306
The Americas.....	841	790
Africa and the Middle East.....	683	645
Asia Pacific .....	582	565
Head Office / Eliminations .....	17	-69
	<b>3,268</b>	<b>3,091</b>
<b>Consolidated beer volume (mhl)**</b>		
Western Europe .....	42.5	42.2
Central Eastern Europe .....	42.3	44.3

<i>(Full year figures)</i>	2014	2013
The Americas.....	53.2	51.2
Africa and the Middle East.....	25.0	23.3
Asia Pacific .....	18.3	17.3
	<b>181.3</b>	<b>178.3</b>

\* Unaudited.

#### *Africa Middle East*

In 2014, consolidated revenue grew 4.4 per cent. organically with strong volume growth of 7.5 per cent., partly offset by lower revenue per hectolitre of 3.1 per cent. Over half of the decline in revenue per hectolitre was due to the faster growth of volume licensed to third parties. Consolidated operating profit (beia) grew by 8.8 per cent. organically in 2014; whereas consolidated operating profit (beia) margins expanded by 100 basis points reflecting operational cost efficiencies during the same year.

In 2014, group beer volume increased by 6.7 per cent. organically with solid volumes performance across key markets namely Nigeria, Cameroon, Ethiopia, Burundi, Democratic Republic of Congo, Egypt, Republic of South Africa, and Tunisia. This was slightly offset by lower volume in Sierra Leone, primarily due to the Ebola epidemic during the same year. In 2014, strengthened investments to support the Coca-Cola franchise in Central Africa enabled sustained growth in most markets and the region saw broad based market share growth across all key markets.

In Nigeria, volume grew in the mid-single digits led by solid performances of Goldberg and 33 Export brands, and malted beverages with Maltina in 2014. After high single digit volume growth in the first half of 2014, the second half of 2014 saw volume down slightly, adversely impacted by weaker consumer confidence due to falling global oil prices. Strong high single digit profit growth in 2014 was supported by positive operating leverage and cost savings. On 4 December 2014, the majority owned subsidiaries, Nigerian Breweries plc and Consolidated Breweries plc, received shareholder approval to merge the two businesses through a scheme of merger. The two companies are now operating as a combined entity following relevant regulatory and other approvals received at the end of 2014.

Volume in Ethiopia grew double digits in 2014 benefiting from the new brewery, which opened in July 2014. Bedele and Walia, the new local high quality beer brand launched in September 2014, drove strong volume growth resulting in increased market share.

In Egypt despite the increase in excise duties, volume grew due to better tourism trends in 2014.

In a challenging beer market during 2014, volume of the Brandhouse joint venture in South Africa grew in the low-single digits, with growth across the premium portfolio with Heineken® and Amstel brands.

#### *Americas*

In 2014, consolidated revenue grew 6.9 per cent. organically, with positive volume and revenue per hectolitre growth, up 3.7 per cent. and a 3.2 per cent. respectively driven by improved brand mix and pricing. Reported revenue was up 3 per cent. impacted by the adverse currency trends (Brazilian Real and Mexican Peso) during the same year.

Consolidated operating profit (beia) increased 16 per cent. organically, primarily benefiting from another year of double-digit growth in Mexico, strong performance in Brazil, combined with growth from the Caribbean and export markets.

A healthy second half of the year and a particularly strong December trading in Mexico and Brazil, as well as South Americas supported group beer volume growth of 3.7 per cent..

Mexican beer volumes benefited from effective marketing programmes, strong sales execution and successful activations in all key channels. This resulted in positive volume growth across all regions. Heineken® and Dos Equis continued to deliver double digit growth in the period, and the Tecate brand was

up mid-single digits driven by strong Tecate Light performance. Higher pricing, improved sales mix and ongoing cost efficiencies all contributed to profit growth and 200 basis points of operating margin expansion.

In Brazil, despite a soft economic environment beer volume grew in the mid-single digits. Value adding sales and marketing programs resulted in strong performance of Heineken® which contributed to double digit revenue per hectolitre growth. Kaiser Radler continues to perform well and the roll out of global brands including Desperados also contributed to growth in 2014.

In the U.S., the success of the portfolio strategy resulted in further improved market share in 2014. Sales and depletions were both up by approximately 1 per cent., ahead of the overall market, which was down slightly impacted by unfavourable weather in the first quarter of 2014 and continued on-trade pressure. Overall volume benefited from continued double digit growth of Dos Equis and Tecate Light, and encouraging positive Heineken® performance in the final quarter of the year. Innovation volume accelerated driven by strong growth of Strongbow Gold Apple Cider, supported by favourable market trends.

### *Asia Pacific*

In 2014, consolidated revenue in the Asia Pacific region grew 5.3 per cent. organically despite a challenging start to the year with softer economic conditions and excise duty increases in a number of key markets. Total consolidated volume increased 4.9 per cent. organically with revenue per hectolitre up 0.4 per cent during the same year; whereas reported revenue increased 2.5 per cent., impacted adversely by currency translation movements. In the same year, consolidated operating profit (beia) increased 5.4 per cent. organically reflecting increased profitability in Vietnam, China, Cambodia and export markets.

Group beer volume grew 5.0 per cent. organically in 2014 reflecting solid growth in India, Vietnam, Cambodia, China and Taiwan. The Tiger brand increased double digits driven by a successful commercial activation in the region during 2014. Successful innovation including the introduction of Radler and roll out of global brands helped drive market share gains in a number of countries in 2014.

Given the continued positive long term regional outlook production capacity is being expanded in a number of key markets including Vietnam, China and Cambodia. Heineken is also investing in new breweries in the promising new markets of Myanmar and East Timor.

After a weaker start to 2014 volume in Vietnam increased in the high single digits driven by significant Tiger brand growth and Biere Larue. These volume gains offset lower Heineken® volume and led to overall market share gain in 2014.

Despite an increase in excise duties at the start of the year volume in Indonesia increased in the low single digits in 2014, led by strong performance of the Bintang brand. A new soft drinks plant was built and inaugurated in the second half of 2014.

Successful commercial initiatives and strong brand equity continue to deliver growth for the Heineken® brand in China, with volume up 24 per cent. in 2014. The planned additional capacity through a new brewery in Shanghai remains on schedule.

Volume in India was up 5.5 per cent. in 2014, driven by continued growth of the leading Kingfisher brand. United Breweries Limited reported share gains in several key regions.

In key export markets Heineken® volume saw healthy growth in Taiwan, South Korea and Japan in 2014.

### *Central and Eastern Europe*

Performance was negatively impacted by unfavourable weather particularly in the second and third quarters of 2014, and continued challenging trading conditions in a number of markets. Consolidated revenue declined 3.7 per cent. organically in 2014, with total consolidated volume down 5.1 per cent. offset by improved revenue per hectolitre of 1.4 per cent. during the same period. Adverse foreign currency movements, mainly the Russian Rouble, reduced revenues by 3.7 per cent. in 2014. Operating profit (beia) declined organically 4.5 per cent. in the same year, however 2013 included a one-off EUR17 million operating profit (beia) from the sale of the Pago juice business. Reported consolidated operating profit (beia) declined by 6.3 per cent. in 2014. Heineken's strategy in Central and Eastern Europe remains focused on



value growth through investment in the premium brand portfolio and innovation, supported by ongoing cost efficiencies.

In 2014, group beer volume declined organically 4.2 per cent., with higher volume in Serbia, Germany, Austria and Hungary more than offset by lower volume in Russia, Poland, Romania and Czech Republic. Heineken®, Zywiec and Desperados performance helped drive premium brand growth. Significant growth was also realised in non-alcoholic beers during the same year.

The beer market in Russia remains challenging and was adversely impacted by the excise increase in 2014, a softening economic environment and the impact of self-regulation on strong beers. Volume in Russia declined in the low double digits in 2014. Premium brands Heineken®, Amstel Premium Pilsner and Krusovice saw growth, improving revenue per hectolitre and overall profitability during the same period.

In 2014, volume in Poland declined due to sustained competitive pricing pressure. Heineken®, Zywiec and Desperados however saw positive volume growth in the same year. Impact of lower volume was only partially offset by ongoing cost saving initiatives in 2014.

Romania saw volume down mid single digits in 2014 due to weaker weather and a sluggish economy. Profitability improved due to portfolio and revenue management initiatives, and cost efficiencies during 2014.

In Greece, domestic volume declined slightly, with Alfa and Zorbas brands growing strongly despite a challenging market in 2014.

Volume in Austria grew slightly in 2014 despite the impact of the bad weather particularly in the third quarter. Higher volumes of Gösser and Heineken® resulted in market share gain.

#### *Western Europe*

Despite a difficult macro-economic environment and trading conditions, consolidated revenue in the region improved 2.2 per cent. organically in 2014 supported by a 1.7 per cent. increase in volume and revenue per hectolitre up 0.5 per cent.. The region saw continued broad based market share gains in 2014 due to the consistent execution of the "Not an Inch Back" strategy. Positive top line performance in 2014 supported by disciplined cost management resulted in an organic 4.5 per cent. increase in operating profit (beia). Reported operating profit (beia) was impacted by the divestment of Oy Hartwall Ab (Finland) in 2014.

Group beer volume grew 2.3 per cent. organically in 2014 reflecting outperformance in the key markets, higher brand investment, innovations and assertive commercial competitiveness.

In 2014, volume in the UK was flat and in line with the overall market. Following a particularly stronger first half of 2014 the UK beer market experienced some pressure from unfavourable weather conditions, and destocking following the football World Cup. Despite this, Heineken® and Amstel saw volume up double digits, whilst new brands and flavour extensions including Old Mout and Strongbow Dark Fruit boosted cider volume during 2014.

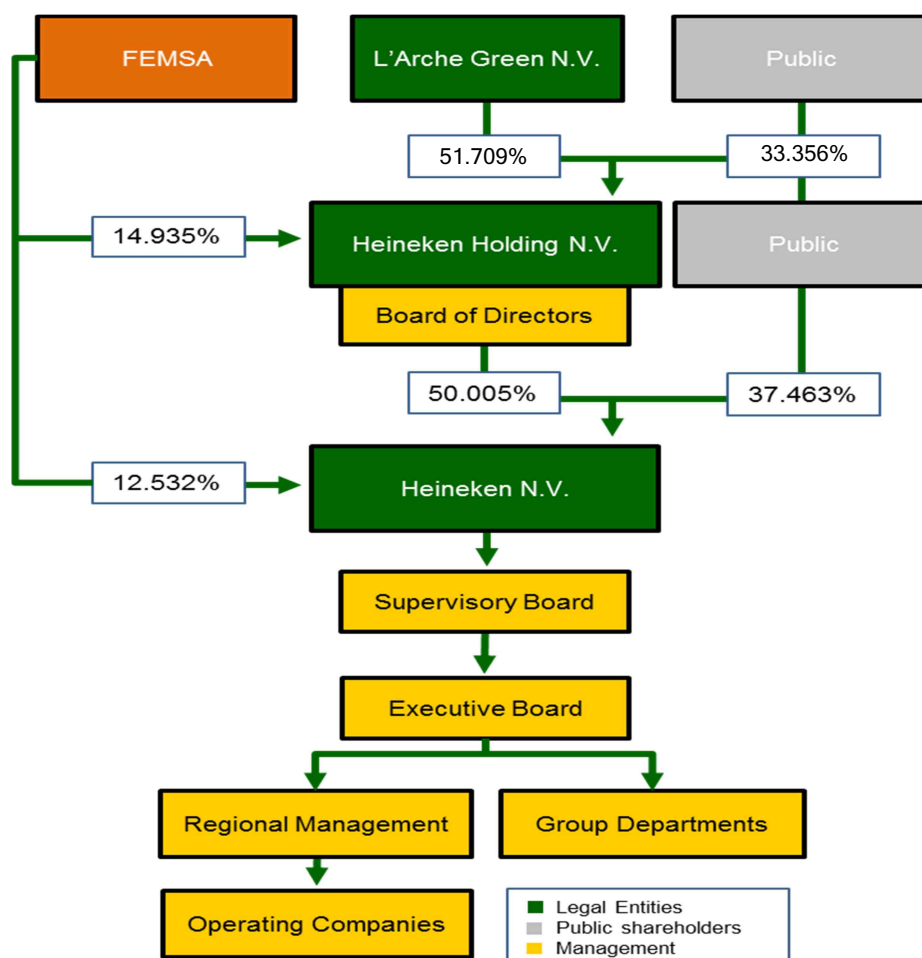
In France volume grew in the high single digits in 2014 due to improved off-trade performance and the benefit from cycling destocking from the excise duty increase in 2013. Excluding this destocking effect volume would have increased in the mid-single digits during 2014. Heineken® brand leadership was reinforced by sustained brand marketing investments as well as innovation such as the introduction of THE SUB®. Desperados continued to deliver healthy growth rates in 2014. Profitability improved on an underlying basis during 2014.

Volume in Spain grew in the mid-single digits with positive trends for all key brands and improved profitability in 2014. Effective commercial programmes and innovation drove improved market share.

In the Netherlands overall market share improved with domestic beer volume up in the low single digits in 2014, primarily in the off-trade and supported by promotional activities in modern trade and the football World Cup. In 2014, Heineken® grew in the low single digits with Amstel growth in the mid-single digits driven by the ongoing success of Radler.

## Organisational Structure

The organisational and ownership structure of Heineken Holding N.V. and the Company as at 31 December 2014 is outlined in the following chart:



Together, FEMSA's shares in Heineken Holding N.V. and in Heineken N.V. represent a 20 per cent. economic interest in the Heineken Group.

Heineken N.V. is the parent company of the Heineken Group. The following companies are the most significant fully consolidated subsidiaries of Heineken as reported in the annual report for 2014 according to the IFRS12 Disclosure Requirements:

<i>Company</i>	<i>Country of incorporation</i>	<i>Percentage interest</i>
Heineken International B.V.	The Netherlands	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0
Heineken Nederland B.V.	The Netherlands	100.0
Brau Union Österreich AG	Austria	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0
Heineken France S.A.S.	France	100.0
Heineken Italia S.p.A.	Italy	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0
Nigerian Breweries Plc.	Nigeria	54.3
Grupa Zywiec S.A.	Poland	65.2
LLC Heineken Breweries	Russia	100.0
Heineken España S.A.	Spain	99.8
Heineken UK Ltd.	United Kingdom	100.0
Heineken USA Inc.	United States	100.0
Vietnam Brewery Ltd.	Vietnam	60.0

## **Developments in 2014**

### ***Acquisitions and disposals***

On 10 September 2014, Heineken sold a majority stake of 80 per cent. of Brasserie Lorraine to Antilles Glaces. Heineken retains a 20 per cent. shareholding in Brasserie Lorraine.

On 27 October 2014, Heineken acquired the indirect shareholding of Coca-Cola HBC in Zagorka AD, the Bulgarian brewer, increasing its ownership to a controlling stake of 98.86%.

In 2014, Heineken acquired various stakes from minority interest holders. As a result, equity attributable to equity holders of Heineken decreased by EUR181 million. This mainly relates to the Asia Pacific region.

### ***Financing activity in 2014***

On 30 January 2014, Heineken privately placed 15.5 year notes in an aggregate principal amount of EUR200 million with a coupon of 3.50 per cent. On 28 March 2014, Heineken privately placed 5.5 year notes for an amount of U.S.\$200 million with a floating rate coupon. Both issuances of notes were under Heineken's Euro Medium Term Note Programme. The proceeds of the notes were used for general corporate purposes.

On 1 July 2014, Heineken extended and amended its EUR2 billion revolving credit facility maturing in May 2018. The facility has been increased to EUR2.5 billion and is now due to mature in May 2019. The facility is committed by a group of 19 banks and has two further one-year extension options.

## **Developments in 2015**

On 18 February 2015, Heineken sold its Mexican packaging business EMPAQUE to Crown Holdings Inc. ("Crown"). The total enterprise value<sup>6</sup> of the transaction amounts to approximately U.S.\$1.225 billion (EUR956 million based on hedged rate).

Heineken will deploy up to EUR750 million of the proceeds for a share buyback programme. The purpose of the programme is to return the majority of the proceeds from the EMPAQUE disposal to the shareholders whilst maintaining a strong balance sheet and financial flexibility.

The sale of EMPAQUE is now expected to result in a post-tax book gain of approximately EUR375 million, which will be reported as an exceptional item.

## **Information and Communication Technology ("IT")**

Heineken's worldwide operations are highly dependent on the availability and integrity of its (common) information systems. IT processes and infrastructures are to a large extent centralised and outsourced to professional outsourcing partners. Structured IT risk monitoring processes are in place, which includes clear agreements on assurance from IT outsourcing partners. The harmonisation, centralisation and outsourcing of IT has a positive impact on the overall control environment.

## **Material Contracts**

Heineken has not entered into any material contracts which are not in the ordinary course of Heineken's business, and which could result in any Group member being under an obligation or entitlement that is material to Heineken's ability to meet its obligations to the Noteholders.

## **Share Capital and Shareholders**

The authorised share capital of the Company amounts to EUR2,500,000,000, divided into 1,562,500,000 ordinary shares with a nominal value of EUR1.60 each. In 2014, the average trading volumes of Heineken shares was 865,209 shares. The issued share capital of the Company is divided into 576,002,613 ordinary shares with a nominal value of EUR1.60 each. All issued shares are fully paid up. The ordinary shares in the Company are listed on NYSE Euronext in Amsterdam. In December 2012, the Company established a

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<sup>6</sup> Consists of the sum of the equity purchase price plus net debt and net debt equivalents assumed by Crown.

sponsored 'Level 1' American Depositary Receipt (ADR) programme<sup>7</sup> in order to facilitate the trading of Heineken stock in the US.

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

- Mrs. C.L. de Carvalho-Heineken (indirectly 50.005 per cent.; the direct 50.005 per cent. shareholder is Heineken Holding N.V.);
- Voting Trust FEMSA (indirectly 10.14 per cent.; the direct 10.14 per cent. shareholder is CB Equity LLP); as at 31 December 2014 CB Equity LLP holds 12.53 per cent.; and
- 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)).

#### *Heineken Holding N.V.*

The ordinary shares of Heineken Holding N.V. are listed on NYSE Euronext in Amsterdam and a sponsored 'Level 1' ADR programme was established in the US in December 2012. In 2014, the average daily trading volume of Heineken Holding N.V. shares was 141,510 shares. The issued share capital of the Company consists of 288,030,168 ordinary shares with a nominal value of EUR1.60 each and 250 priority shares of EUR2.00 nominal value. Heineken Holding N.V. engages in no activities other than those relating to the ownership of the Company. Heineken Holding N.V. does not carry out any operational activities, unlike the Company and other companies in the Heineken Group.

The Company is responsible for the development and implementation of the strategy of Heineken, whereas Heineken Holding N.V. is concerned primarily with safeguarding the continuity, independence and stability of Heineken's activities in the long term.

The net asset values of the shares in the Company and the ordinary shares in Heineken Holding N.V. as well as the dividend policies of both companies are identical. Pursuant to the Dutch Financial Markets Supervision Act (*Wet op het Financieel Toezicht*) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen*), the Financial Markets Authority has been notified about the following substantial shareholdings regarding Heineken Holding N.V.:

- Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L' Arche Holding S.A.<sup>8</sup> has disclosed an interest of 51.709 per cent. in Heineken Holding N.V.);
- Voting Trust (FEMSA), through its affiliate CB Equity LLP has disclosed an interest of 14.94 per cent. in Heineken Holding N.V. ; and
- Harris Associates L.P. (a capital and voting interest of 3.05 per cent., held indirectly).

#### **Management Structure**

An Executive Board, consisting at any time of two or more members, is responsible for the management of Heineken under the supervision of a Supervisory Board, consisting at any time of three or more members. The members of the Executive Board and the Supervisory Board are appointed by the General Meeting of Shareholders subject to non-binding nominations from the Supervisory Board. Members of the Supervisory and Executive Boards are appointed for a maximum period of four years. A retiring member of the Supervisory Board may only be re-appointed twice. This restriction does not apply to: (i) relations by blood or

<sup>7</sup> On 27 January 2014, ADRs started to trade on OTCQX International Premier, a segment of the OTCQX marketplace reserved for non-U.S. companies that are listed on a qualified international exchange and provide their home country disclosure to US investors.

<sup>8</sup> The Heineken family holds 88.67 per cent. of L'Arche Green N.V. The remaining 11.33 per cent. of L'Arche Green N.V. is held by the Hoyer family.

affinity of Mr. A.H. Heineken, former chairman of the Executive Board; and (ii) persons that are also members of the Board of Directors of Heineken Holding N.V. The General Meeting of Shareholders resolves on all significant corporate matters within Heineken.

### Executive Board

The current members of the Executive Board of Heineken are:

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group<sup>(1)</sup></i>
J.F.M.L. van Boxmeer (1961)	Chairman/CEO	Other: <ul style="list-style-type: none"> <li>– Mondeléz International, USA</li> <li>– Henkel AG &amp; Co., Germany</li> <li>– The Dutch Opera</li> </ul>
D.R. Hooft Graafland (1955)	Member/CFO	Supervisory directorships: <ul style="list-style-type: none"> <li>– Wolters Kluwer N.V.</li> <li>– Koninklijke Ahold N.V. (as of 1 January 2015).</li> </ul> Chairman: <ul style="list-style-type: none"> <li>– Royal Theatre Carre</li> </ul>

### Supervisory Board

The current members of the Supervisory Board of Heineken are:

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group<sup>(1)</sup></i>
Hans (G.J.) Wijers (1951)	Appointed in 2012, Chairman as of 2013  Chairman of the Preparatory Committee and the Selection & Appointment Committee; Member of the Remuneration Committee	Supervisory directorships: <ul style="list-style-type: none"> <li>– AFC Ajax N.V. (Chairman)</li> </ul> Other: <ul style="list-style-type: none"> <li>– GlaxoSmithKline plc.</li> <li>– Royal Dutch Shell Plc (Deputy-Chairman)</li> <li>– Natuurmonumenten (Chairman)</li> <li>– HAL Holding N.V.</li> <li>– Concertgebouw N.V.</li> </ul>
Jose Antonio (J.A.) Fernández Carbajal (1954)	Vice-Chairman  Appointed in 2010; reappointed	Executive Chairman of FEMSA  Supervisory directorships:

Name (Year of Birth)	Function/responsibilities	Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group <sup>(1)</sup>
	<p>in 2014</p> <p>Chairman of the Americas Committee; Member of the Preparatory Committee and the Selection &amp; Appointment Committee</p>	<p>– Heineken Holding N.V.</p> <p>Other:</p> <p>– Fundación FEMSA (Chairman)</p> <p>– Coca-Cola Femsa S.A.B. de C.V. (Chairman)</p> <p>– Tecnológico de Monterrey (Chairman)</p> <p>– Grupo Televisa</p> <p>– Industrias Peñoles</p>
Maarten (M.) Das (1948)	<p>Appointed in 1994, last reappointed in 2013</p> <p>Delegated Member<sup>(2)</sup></p> <p>Chairman of the Remuneration Committee; Member of the Preparatory Committee and the Selection &amp; Appointment Committee</p>	<p>Supervisory directorships:</p> <p>– Heineken Holding N.V. (Chairman)</p> <p>– Groene Energie Administratie B.V. (Chairman)</p> <p>Other positions:</p> <p>– Greenfee B.V. (Chairman)</p> <p>– L'Arche Green N.V. (Chairman)</p> <p>– Stichting Administratiekantoor Piores</p> <p>– LAC B.V.</p>
Michel (M.R.) de Carvalho (1944)	<p>Appointed in 1996, last reappointed in 2011</p> <p>Member of the Preparatory Committee, the Selection &amp; Appointment Committee, the Remuneration Committee and the Americas Committee</p>	<p>Other positions:</p> <p>– L'Arche Green N.V.</p>
Annemiek (A.M.) Fentener van Vlissingen (1961)	<p>Appointed in 2006; last reappointed in 2014</p> <p>Member of the Selection &amp; Appointment Committee and the Audit Committee</p>	<p>Supervisory directorships:</p> <p>– SHV Holdings N.V. (Chairman)</p> <p>– De Nederlandsche Bank N.V. (Vice Chairman)</p> <p>– University Medical Centre Utrecht</p> <p>Other:</p>

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group<sup>(1)</sup></i>
		– Lhoist, Belgium
Mary (M.E.) Minnick (1959)	Appointed in 2008, last reappointed in 2012  Member of the Americas Committee and the Remuneration Committee	Partner in Lion Capital LLP
Christophe Navarre (1958) (V.C.O.B.J.)	Appointed in 2009, last reappointed in 2013  Member of the Americas Committee	Chairman and CEO of Moët Hennessy, LVMH Wines & Spirits Brands
Javier (J.G.) Sanjinés (1959) Astaburuaga	Appointed in 2010; last reappointed in 2014  Member of the Audit Committee	Vice President Corporate Development Fomento Económico Mexicano S.A.B. de C.V. (FEMSA)
Hendrik (H.) Scheffers (1948)	Appointed in 2013  Chairman of the Audit Committee	Supervisory directorships:  – Aalberts Industries N.V. (Chairman)  – Royal BAM Group N.V. (Vice-Chairman)
Jean Marc (R.J.M.S.) Huët (1969)	Appointed in 2014  Member of the Audit Committee	CFO and Executive Director of Unilever plc.  Other:  – Delta Topco Limited

Notes:

<sup>(1)</sup> Only significant directorships and other positions are listed here.

<sup>(2)</sup> Appointed by the General Meeting as Delegated Member. The Supervisory Board intends to effect a more intensive supervision and advice and more regular consultation with the Executive Board by having a delegated member.

On 4 November 2014, Heineken announced that the Supervisory Board will nominate Laurence Debroux, former Chief Financial and Administrative Officer and member of the Executive Board at JC DECAUX SA, as member of the Executive Board and Chief Financial Officer at the company's Annual General Meeting of Shareholders (AGM) on 23 April 2015. Subject to shareholder appointment, Mrs. Debroux will succeed Mr. Hooft Graafland on 24 April 2015. Mrs. Debroux is a French national, 45 years of age and has been in her role with JC Decaux since 1 July 2010. Prior to this, Mrs. Debroux spent 14 years with global healthcare company SANOFI in a variety of senior management positions including both the Group CFO and Chief Strategic Officer roles. Mrs. Debroux began her career in banking and has previously lived and worked in the UK and the USA. Mrs. Debroux is also currently an Independent Director of NATIXIS (Member of the Audit Committee and Chair of the Strategic Committee) and of Bpifrance Participations - a French state-owned investment fund (Chair of the Investment Committee). Mrs. Debroux joined Heineken on 1 March 2015 and is working alongside Mr. Hooft Graafland to ensure a smooth and effective transition.

The business address of all of the members of the Supervisory Board and the Executive Board is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, the Netherlands.

Heineken is not aware of any potential conflicts of interest between the duties to Heineken of the persons listed as members of the Executive Board or the Supervisory Board above and their private interests or other duties.

## **Corporate Governance**

The Company endorses the principles of the Code of December 2008 ("**Code 2008**"), an amendment of the Code of December 2003 and applies virtually all best practice provisions. In particular, the structure of Heineken, and specifically the relationship between Heineken Holding N.V. and the Company, prevents the Company from applying a small number of best practice provisions.

The Annual General Meeting of 22 April 2010 discussed the Company's departure from the Code 2008. The following best practice provisions are not (fully) applied or applied with an explanation:

### **II The Executive Board**

#### **II.2 Remuneration**

*II.2.8 The remuneration in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a member of the Executive Board who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.*

Heineken will apply this best practice provision. For the present members of the Executive Board, in view of their long term in service (over 25 years) the limitation of the severance payment to a maximum of one year will only apply in case of dismissal for cause.

### **III Supervisory Board**

#### **III.2 Independence**

*III.2.1 All Supervisory Board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.*

Four members of the Supervisory Board do not meet the applicable criteria (see III 2.2 (c), (e) and (f)). However, the Supervisory Board has ascertained that these four members in fact act critically and independently.

*III.2.2 A Supervisory Board member shall be deemed to be independent if the following criteria of dependence do not apply to him. These criteria are that the Supervisory Board member concerned or his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law:*

*(c) has had an important business relationship with the company, or a company associated with it, in the year prior to the appointment. This includes the case where the Supervisory Board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary and lawyer) and the case where the supervisory board member is a management board member or an employee of any bank with which the company has a lasting and significant relationship;*

Mr Das was a partner in a law firm, which advised Heineken N.V. the year before his appointment in 1994.

*(e) holds at least ten per cent. of the shares in the company (including the shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);*

Mr. de Carvalho is married to Mrs. de Carvalho-Heineken. Mrs. de Carvalho indirectly holds more than 10 per cent. of the shares in Heineken N.V.



- (f) *holds at least ten per cent. of the shares in the company (including the shares held by a member of the management board or supervisory board or is a representative in some other way of a legal entity which holds at least ten per cent. of the shares in the company, unless such entity is a member of the same group as the company);*

Mr. Fernandez is the Executive Chairman and Mr. Astaburuaga is the Vice President Corporate Development Fomento Económico Mexicano S.A.B. de C.V. (FEMSA), which holds more than 10 per cent. of the shares in Heineken N.V.

- III.2.3 The report of the Supervisory Board shall state that, in the Board's view, best practice provision III.2.1 has been fulfilled, and shall also state which Supervisory Board member is not considered to be independent, if any.*

The report of the Supervisory Board will state that four members of the Supervisory Board do not meet the criteria of III.2.2 and that the Supervisory Board has ascertained that these four members in fact act critically and independently.

### **III.3 Expertise and composition**

- III.3.5 A person may be appointed to the Supervisory Board for a maximum of three 4-year terms.*

Given the structure of the Heineken Group, the maximum appointment period will not be applied to members who are related by blood or marriage to Mr. A.H. Heineken (former chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V. For all other members Heineken applies the best practice provision.

### **III.5 Composition and role of three key committees of the Supervisory Board**

- III.5.1 The Supervisory Board shall draw up terms of reference for each committee. The terms of reference shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference may provide that a maximum of one member of each committee may not be independent within the meaning of best practice provision III.2.2. The terms of reference and the composition of the committees shall be posted on the company's website.*

The regulations of the Audit Committee, the Remuneration Committee and the Selection & Appointment Committee permit that more than one committee member is not independent within the meaning of best practice provision III.2.2.

### **III.6 Conflicts of interest**

- III.6.6 A delegated Supervisory Board member is a Supervisory Board member who has a special duty. The delegation may not extend beyond the duties of the Supervisory Board itself and may not include the management of the company. It may entail more intensive supervision and advice and more regular consultation with the Executive Board.*

The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the Supervisory Board. The delegated Supervisory Board member remains a member of the Supervisory Board.

As regulated in the Articles of Association of Heineken N.V., the delegated Supervisory Board member, a position currently held by Mr. Das (Chairman of the Board of Directors of Heineken Holding N.V.), is consistent with this best practice provision, except insofar that the position is not temporary and is held for the term for which the member concerned is appointed by the General Meeting of Heineken N.V. Heineken considers that, as regulated by the Articles of Association of Heineken N.V., the post of delegated Supervisory Board member, which has been in existence since 1952, befits the structure of the Heineken Group.

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

II.2.4 (Remuneration Options), II.2.6 (Remuneration Option Exercise Price) and II.2.7 (Modification Option Exercise Price): the Company does not grant options on shares.

III.4.1 (g) (contacts with Central Works Council): the Central Works Council operates at the level of Heineken Nederlands Beheer B.V., a subsidiary of Heineken N.V. with its own supervisory board.

III.8 (One-tier Management Structure): the Company does not have a one-tier management structure.

IV.1.2 (Voting Rights Attached to Financing Preference Shares): the Company has no financing preference shares.

IV.2 (Depository Receipts for Shares): the Company has no depository receipts of shares, nor a trust office.

IV.3.11 (Survey of Existing or Potential Takeover Measures): the Company has no anti-takeover measures.

IV.4 (Responsibility of Shareholders): this principle and best practice provision relates to shareholders.

V.3.3 (Recommendation Internal Audit Function): the Company has an internal audit function.

The Comply or Explain report is also available at [www.theheinekencompany.com](http://www.theheinekencompany.com). The Dutch corporate Governance Code can be downloaded at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

### **Committees of the Supervisory Board**

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

The function of these committees is to prepare the Supervisory Board to make decisions. The Supervisory Board has drawn up regulations for each committee, which indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. These regulations are available on [www.theheinekencompany.com](http://www.theheinekencompany.com).

#### **Preparatory Committee**

The Preparatory Committee is responsible for preparing the Supervisory Board to make decisions on matters not handled by any of the other committees, such as in relation to acquisitions and investments.

#### **Audit Committee**

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

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

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

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

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

#### **Remuneration Committee**

The Remuneration Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board or by a Supervisory Board member who is a member of the management board of another listed company. However, given the structure of the Heineken Group and the character of

the Board of Directors of Heineken Holding N.V., the regulations of the Remuneration Committee permit that the Remuneration Committee is chaired by a Supervisory Board member who is a member of the Board of Directors of Heineken Holding N.V. The current Chairman of the Remuneration Committee, Mr. Maarten Das, is a Non-Executive Director (and Chairman) of Heineken Holding N.V. No more than one member of the Remuneration Committee may be a member of the management board of another Dutch listed company.

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

### **Selection & Appointment Committee**

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

### **Americas Committee**

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

### **Management reporting lines**

Management responsibility within the Heineken Group is centralised at Heineken's Executive Board level. The two members of the Executive Board, the five Regional Presidents and five Chief Officers form the Executive Committee. The Executive Committee is responsible for the implementation of key priorities and strategies across the organisation.

Three-year strategic plans together with one-year operational plans are prepared annually with targets set by means of, for example, key performance indicators (such as revenue growth, gross profit growth, EBIT, FOCF, market shares and volumes by brand).

Reporting takes place on a weekly basis with respect to volumes (for the larger operating companies in the Heineken Group), on a monthly basis, excluding the month of January, with respect to profit and loss accounts, cash flow and balance sheet items. Other key performance indicators are reported upon on a quarterly basis.

## SELECTED FINANCIAL INFORMATION

The table below shows Heineken's full year key figures for the financial years ending 31 December 2014 and 31 December 2013.

<b>Key Financial Figures</b>	<b>2014*</b>	<b>2013*</b>
<i>(In millions of EUR)</i>		
<b>Income Statement Data</b>		
Revenue .....	19,257	19,203
EBIT (beia).....	3,268	3,091
EBIT (beia) margin** .....	16.9 per cent.	16.1 per cent.
Net interest expense*** .....	409	532
Net profit (attributable to equity holders of the Company) .....	1,516	1,364
<b>Balance Sheet Data</b>		
Cash and cash equivalents .....	668	1,290
Total assets .....	34,830	33,337
Net interest bearing debt .....	11,076	10,868
Total equity .....	13,452	12,356

**Notes:**

\* The EBIT (beia) margins have been calculated by dividing EBIT (beia) by revenue.

\*\* Net interest expense: interest income less interest expense.

## TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

### NETHERLANDS TAXATION

#### General

This Netherlands Taxation section is intended as general information only and it does not present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a Noteholder. For Dutch tax purposes, a Noteholder may include an individual who or an entity that does not have the legal title of the Notes, but to whom nevertheless the Notes are attributed, based either on such individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions. These include statutory provisions pursuant to which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

This paragraph is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "**Dutch Taxes**" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

The statements below are based on the assumption that the Final Terms of any Series of Notes will not materially deviate from the Terms and Conditions as described in this Base Prospectus, in particular with regard to the status and ranking of the Notes.

#### Withholding Tax

Any payments made under the Notes will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

#### Taxes on income and capital gains

This section does not describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder:

- (i) who has a (fictitious) substantial interest (*aanmerkelijk belang*) in the Issuer within the meaning of chapter 4 of the Dutch Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*),
- (ii) who is an individual and for who the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- (iii) that is an entity which is, pursuant to the Dutch Corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*, "**CITA**"), not subject to Dutch corporate income tax or are in full or in part exempt from Dutch corporate income tax (such as pension funds);
- (iv) that is an investment institution (*beleggingsinstelling*) as described in article 6a or 28 CITA; or
- (v) that is an entity resident in Aruba, Curaçao or Sint Maarten which carries on an enterprise on Bonaire, Sint Eustatius or Saba through a permanent establishment (*vaste inrichting*) or

permanent representative (*vaste vertegenwoordiger*) on Bonaire, Sint Eustatius or Saba to which permanent establishment, or permanent representative, the Notes are attributable.

(a) **Residents in the Netherlands**

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) Individuals who are resident or deemed to be resident in the Netherlands for Dutch income tax purposes ("**Dutch Individuals**"); and
- (ii) entities that are subject to the CITA and are resident or deemed to be resident in The Netherlands for Dutch corporate income tax purposes, ("**Dutch Corporate Entities**").

*Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities*

Dutch Individuals are generally subject to income tax at statutory progressive rates with a maximum of 52 per cent. (2015). with respect to any benefits derived or deemed to be derived from the Notes (including any capital gains realised on the disposal thereof) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), or attributable to miscellaneous activities (*resultaat uit overige werkzaamheden*), including, without limitation, activities which are beyond the scope of active portfolio investment activities.

*Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities*

Generally, a Dutch Individual who holds Notes (i) that are not attributable to an enterprise from which he derives profits as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, and (ii) from which he derives benefits which are not taxable as benefits from miscellaneous activities, will be subject annually to an income tax imposed on a fictitious yield on such Notes. The Notes held by such Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a fixed amount. The fixed amount equals 4 per cent. (2015) of the fair market value of the assets reduced by the liabilities and measured, in general, at the beginning of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30 per cent. (2015).

*Dutch Corporate Entities*

Dutch Corporate Entities are generally subject to corporate income tax at the statutory rate of 25 per cent. (2015) with respect to any benefits derived or deemed to be derived (including any capital gains realised on the disposal thereof) of the Notes. A reduced rate of 20 per cent. applies to the first EUR200,000 of taxable profits.

(b) **Non-residents in the Netherlands**

A Noteholder who is not a Dutch Individual or that is not a Dutch Corporate Entity will not be subject to any Dutch Taxes on income or capital gains in respect of the ownership and disposal of the Notes, except if:

- (i) the Noteholder, whether an individual or not, derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Notes are attributable;
- (ii) the Noteholder is an individual and derives benefits from miscellaneous activities carried out in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities;

- (iii) the Noteholder is not an individual and is, other than by way of securities, entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable; or
- (iv) the Noteholder is an individual and is, other than by way of securities, entitled to a share in the profits of an enterprise, that is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

### **Gift and Inheritance Tax**

No Dutch gift tax or inheritance tax is due in respect of any gift of the Notes by, or inheritance of the Notes on the death of, a Noteholder, except if:

- (a) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;
- (b) the Noteholder passes away within 180 days after the date of the gift of the Notes and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of his death, resident in the Netherlands;
- (c) the gift of the Notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

### **Other Taxes and Duties**

No other Dutch Taxes, including turnover tax (value added tax) and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a Noteholder by reason only of the issue, acquisition or transfer of the Notes.

### **LUXEMBOURG TAXATION**

*The following overview is of a general nature and is included here solely for information purposes. It is based on the laws in force in Luxembourg as at the date of this Base Prospectus, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.*

#### **Withholding Tax – resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg (within the meaning of the Law) to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg

paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

## AUSTRIA TAXATION

*This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described.*

*It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.*

### General

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### Income taxation of the Notes

Pursuant to sec. 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and broken-period interest; and
- income from derivatives (*Einkünfte aus Derivat*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Notes from a bank deposit (*Depotentnahme*) and circumstances leading to a loss of Austria's taxation right regarding the Notes vis-à-vis other countries, e.g. a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (cf. sec. 27(6)(1) of the Austrian Income Tax Act).



Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) of 25 per cent.; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the investor's income tax return and is subject to tax at a flat rate of 25 per cent. In both cases upon application the option exists to tax all income subject to tax at the flat rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Sec. 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may be neither offset against interest and other claims vis-à-vis credit institutions nor against income from private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*); income subject to tax at a flat rate of 25 per cent. may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus the income is subject to withholding tax of 25 per cent. While withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless tax at a flat rate of 25 per cent.). In case of investment income without an Austrian nexus, the income must always be included in the investor's income tax return (generally at a flat rate of 25 per cent.). In both cases upon application the option exists to tax all income subject to tax at the flat rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to tax at the flat rate of 25 per cent., are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income (and carried forward).

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Notes at a rate of 25 per cent. In case of investment income with an Austrian nexus the income is subject to withholding tax of 25 per cent., which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Income from the alienation of the Notes is subject to corporate income tax of 25 per cent. Losses from the alienation of the Notes can be offset against other income (and carried forward).

Private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding the Notes as non-business assets are subject to interim taxation at a rate of 25 per cent. on interest income, income from realised increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Interim tax does not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. In case of investment income with an Austrian nexus income is in general subject to withholding tax of 25 per cent., which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on investment income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes are attributable to such permanent establishment (cf. sec. 98(1)(3) of the Austrian Income Tax Act, sec. 21(1)(1) of the Austrian Corporate Income Tax Act). Individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*, see below) from the Notes if withholding tax is levied on such interest (this does not apply, *inter alia*, if the Issuer has neither its place of management nor its legal seat in Austria and is not

acting through an Austrian branch, which condition we understand to be fulfilled in the case at hand; cf. sec. 98(1)(5)(b) of the Austrian Income Tax Act).

Pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent is obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent. If negative and at the same time or later positive income is earned, then the negative income is to be offset against the positive income. If positive and later negative income is earned, then withholding tax on the positive income is to be credited, with such tax credit being limited to 25 per cent. of the negative income. In certain cases the offsetting is not permissible. The custodian agent has to issue a written confirmation on each offsetting of losses.

### **EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act – implementing Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent (*Zahlstelle*) to a beneficial owner who is an individual resident in another EU Member State (or in certain dependent or associated territories, which currently include Anguilla, Aruba, the British Virgin Islands, Curaçao, Guernsey, the Isle of Man, Jersey, Montserrat, St Maarten and the Turks and Caicos Islands) are subject to EU withholding tax (*EU-Quellensteuer*) of 35 per cent. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from EU withholding tax if the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her EU Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years. It is expected that changes to the EU Withholding Tax Act – implementing Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments – will enter into effect by 1 January 2017. However, in connection with a planned amendment of Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, interest, dividends and other income as well as account balances and sales proceeds from financial assets shall be brought within the scope of the automatic exchange of information provisions of Council Directive 2011/16/EU, which will most likely at some point in time lead to a repeal of Council Directive 2003/48/EC.

### **Tax treaties Austria/Switzerland and Austria/Liechtenstein**

The Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets and the Treaty between the Republic of Austria and the Principality of Liechtenstein on Cooperation in the Area of Taxation provide that a Swiss, respectively Liechtenstein, paying agent has to withhold a tax amounting to 25 per cent., on, *inter alia*, interest income, dividends and capital gains from assets booked with an account or deposit of such Swiss, respectively Liechtenstein, paying agent if the relevant holder of such assets (i.e. in general individuals on their own behalf and as beneficial owners of assets held by a domiciliary company [*Sitzgesellschaft*]) is tax resident in Austria. The same applies to such income from assets managed by a Liechtenstein paying agent if the relevant holder of the assets (i.e. in general individuals as beneficial owners of a transparent structure) is tax resident in Austria. For Austrian income tax purposes, this withholding tax has the effect of final taxation regarding the underlying income if the Austrian Income Tax Act provides for the effect of final taxation for such income. The treaties, however, do not apply to interest covered by the agreements between the European Community and the Swiss Confederation, respectively the Principality of Liechtenstein, regarding Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss, respectively Liechtenstein, paying agent to disclose to the competent Austrian authority the income, which subsequently has to be included in the income tax return.

### **Austrian inheritance and gift tax**

Austria does not levy inheritance or gift tax.

Certain gratuitous transfers of assets to private law foundations and comparable legal estates are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*) if the transferor and/or the transferee at the time of transfer have a domicile,

their habitual abode, their legal seat or their place of management in Austria. Certain exemptions apply in cases of transfers mortis causa of financial assets within the meaning of sec. 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at the flat rate of 25 per cent. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate generally is 2.5 per cent., with a higher rate of 25 per cent. applying in special cases. Special provisions apply to transfers of assets to entities falling within the scope of the tax treaty between Austria and Liechtenstein.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Transfer Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may trigger fines of up to 10 per cent. of the fair market value of the assets transferred.

Further, gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to sec. 27(6)(1) of the Austrian Income Tax Act (see above).

## **BELGIUM TAXATION**

*The following description is only a summary of current Belgian tax law which can change over time. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of the Notes including tax considerations that arise from rules of general application or that are generally assumed to be known to holders of the Notes. It is not intended to be, nor should it be construed as, legal or tax advice. Prospective holders of the Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than Belgium should seek their own professional advice.*

### **Withholding Tax and Income Tax**

#### ***Tax rules applicable to individuals resident in Belgium***

Individuals who are Belgian residents for tax purposes, i.e. who are subject to Belgian personal income tax (*Personenbelasting/Impôt des personnes physiques*) and who hold the Notes as a private investment, are subject to the following tax treatment in Belgium with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are classified as "interest": (i) periodic interest income; (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date); and (iii) if the Notes qualify as "fixed income securities" (within the meaning of article 2, §1, 8° of the Belgian Income Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. Fixed income securities are defined as bonds, specific debt certificates issued by banks (*kasbon/bon de caisse*) and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

Payments of interest on the Notes which qualify as interest (as defined above under (i) and (ii)) made through an intermediary established in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). The Belgian withholding tax constitutes the final tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided that Belgian withholding tax was levied on the interest payments, save where declaring the interest and crediting the withholding tax would be more beneficial for the investor.

If the interest is paid without the intervention of a financial intermediary established in Belgium, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the individual's personal income tax return and will in principle be taxed by way of assessment at a flat rate of 25 per cent.

Capital gains realised on a transfer of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the normal management of the individual's private estate or unless and to the extent the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

### **Belgian resident companies**

Corporations that are Belgian residents for tax purposes, i.e. that are subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*), are subject to the following tax treatment in Belgium with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes (on an accrual basis) and capital gains realised on the Notes will in principle be subject to Belgian corporate income tax of 33.99 per cent. If non-Belgian withholding tax has been levied on the interest, a foreign tax credit will be applied on the Belgian tax due. The foreign tax credit is determined by reference to a fraction where the numerator is equal to the rate of the foreign tax with a maximum of 15 and the denominator is equal to 100 minus the amount of the numerator (with a number of additional limitations). Capital losses are in principle deductible.

Interest payments on the Notes made through an intermediary established in Belgium to Belgian corporate investors will in principle be subject to a 25 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). However, an exemption can apply (except for Zero Coupon Notes) provided that certain formalities are fulfilled. Any Belgian withholding tax that has been levied is creditable and refundable in accordance with the applicable legal provisions.

### **Belgian legal entities**

Legal entities that are Belgian residents for tax purposes, i.e. that are subject to Belgian legal entities' tax (*Rechtspersonenbelasting/Impôt des personnes morales*), are subject to the following tax treatment in Belgium with respect to the Notes.

Payments of interest (as defined above in the section "Tax rules applicable to individuals resident in Belgium") on the Notes made through a financial intermediary established in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium and no further legal entities' tax will be due on the interest.

However, if the interest is paid without the intervention of a financial intermediary established in Belgium and without the deduction of Belgian withholding tax, the legal entity itself is required to declare and pay the 25 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, except to the extent the capital gain qualifies as interest (as defined above) in which case the legal entity is the debtor of the Belgian withholding tax. Capital losses are in principle not tax deductible.

### **Organization for Financing Pensions**

Belgian pension fund entities that have the form of an Organization for Financing Pensions ("OFP") are subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*). OFPs are subject to the following tax treatment in Belgium with respect to the Notes.

Interest derived by OFPs on the Notes and capital gains realised on the Notes will in principle not be subject to Belgian corporate income tax. Capital losses are in principle not tax deductible.

Any Belgian withholding tax that has been levied is creditable and refundable in accordance with the applicable legal provisions.

### **Belgian non-residents**

Individuals, companies and legal entities that are not Belgian residents for tax purposes, i.e. that are subject to Belgian non-resident income tax (*Belasting van niet-inwoners / Impôt des non-résidents*), are subject to the following tax treatment in Belgium with respect to the Notes.

Payments of interest on the Notes made to a non-resident investor through a financial intermediary established in Belgium will, in principle, be subject to a 25 per cent. withholding tax, unless a reduced rate or an exemption applies on the basis that the investor is resident in a country with which Belgium has concluded a double taxation agreement which is in effect and delivers the requested affidavit. If the interest is not collected through an intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors who have not allocated the Notes to a Belgian permanent establishment can also obtain a Belgian withholding tax exemption for interest on the Notes (not allocated by the Issuer to the results of any Belgian establishment) paid through a Belgian credit institution, a Belgian stock market company or a Belgian recognised clearing or settlement institution, provided that they deliver an affidavit to such institution or company confirming that: (i) they are non-residents, (ii) the Notes are held in full ownership or in usufruct and (iii) the Notes are not allocated to the exercise of a professional activity in Belgium.

Non-resident investors who have allocated the Notes to the exercise of a professional activity in Belgium through a permanent establishment are subject to the same tax rules as Belgian resident companies (see above).

Non-resident holders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax. However, such non-residents may still be liable to Belgian income tax on capital gains realised on the Notes, if the following three conditions are cumulatively met, i.e. (i) the capital gain would have been taxable if the investor were a Belgian tax resident, (ii) the capital gain is realised upon a transfer of the Notes to a Belgian resident individual, company or other (legal) entity with its registered office or principal place of business in Belgium, a Belgian public authority or a Belgian establishment of a non-resident and (iii) the capital gain is taxable in Belgium pursuant to an applicable bilateral tax treaty or, in the absence thereof, where the investor does not bring evidence that the capital gain has been effectively taxed in his state of residence.

### **Tax on stock exchange transactions**

The issue of the Notes (primary market) is not subject to the Belgian tax on stock exchange transactions (*Taks op de beursverrichtingen/Taxe sur les opérations de bourse*). The transfer for consideration of Notes (secondary market) is subject to the tax on stock exchange transactions if executed in Belgium through a professional intermediary. The tax is generally due at a rate of 0.09 per cent. on each transfer and acquisition of the Notes separately, with a maximum of EUR650.00 per party and per transaction, and is collected by the professional intermediary.

However, this tax will not be payable by exempt persons acting for their own account, including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status, and certain Belgian institutional investors as defined in Article 126.1, 2° of the Code of miscellaneous duties and taxes (*Wetboek diverse rechten en taksen/Code des droits et taxes divers*).

### **Inheritance and Gift Tax**

Inheritance tax is levied on the value of the Notes transferred as part of a Belgian resident's estate.

Gifts of securities in Belgium are normally subject to gift tax, save in case of hand or bank gifts. Given the fact that no Definitive Notes in bearer form will be available to investors in Belgium, a hand gift by way of a purely physical delivery will not be possible. In general, inheritance tax on donated Notes (not subject to gift tax) is avoided only if a person can demonstrate that the gift occurred more than three years preceding the death of the grantor.

## **GERMANY TAXATION**

### **Tax Residents**

The following paragraphs apply to persons resident in Germany, i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany.

### **Taxation of interest income and capital gains**

#### ***Notes held as private assets***

Private income derived from capital investments (*Einkünfte aus Kapitalvermögen*) is subject to the flat tax (*Abgeltungsteuer*) regime. Such income from capital investments includes, *inter alia*, any interest received including interest having accrued up to the disposition of a Note and credited separately (the "**Accrued Interest**"; *Stückzinsen*), if any, and capital gains from the disposal, redemption, repayment or assignment of Notes held as non-business assets irrespective of a holding period. The taxable capital gain is the difference between the proceeds from the disposition, redemption, repayment or assignment on the one hand and the direct acquisition and disposal costs (including lump sum fees payable to banks for the administration of a depository account or of assets provided they are documented as covering transaction costs and not current management fees and subject to further requirements) on the other hand. If Notes are issued in a currency other than Euro, the disposal proceeds and the acquisition costs each will be converted into Euro using the exchange rates as at the relevant dates, to the effect that currency gains and losses will also be taken into account in determining taxable income.

Related expenses (*Werbungskosten*) are not deductible, however, an annual tax allowance (*Sparer-Pauschbetrag*) of up to Euro 801 is granted in relation to all income from capital investments (up to Euro 1,602 for married couples filing a joint tax return).

Accrued Interest paid upon the acquisition of a privately held Note may give rise to negative income from capital investments. Such negative income and losses from capital investments may only be set off with income from capital investments. Any losses not offset in a given year may be carried forward to future years and may only be deducted from positive income from capital investments.

Income from capital investments is subject to German income tax at a special tax rate of 25 per cent. (plus a solidarity surcharge (*Solidaritätszuschlag*) thereon at a rate of 5.5 per cent., arriving at a tax rate of 26.375 per cent. plus, as the case may be, church tax at a rate of 8 or 9 per cent. (depending on the residence of the Noteholder). The assessment base of the church tax is as a rule the personal income tax which is however subject to certain adjustments for church tax purposes. As a rule, the tax is imposed by way of withholding (*Kapitalertragsteuer*). The withheld tax amounts settle the personal income tax liability. In the event that no withholding tax was withheld (for example in cases where the Notes were kept in custody abroad), the relevant income has to be declared in the personal tax return and income tax is assessed on the gross income from capital investments at the special tax rate of 25 per cent. (plus solidarity surcharge thereon and, if applicable, church tax). An assessment may also be applied for in order to set off losses or to take advantage of the tax allowance if this was not done within the withholding process. An assessment may further be applied for if a taxation at the personal progressive rates applicable to the relevant tax payer would lead to a lower tax burden (so-called favourableness test – *Günstigerprüfung*). A deduction of related cost exceeding the above-mentioned lump sum deduction (which applies once to all items of investment income) is not possible in the assessment procedure.

Where the income from the Notes qualifies as income from letting and leasing of property, the flat tax is not applicable. The Noteholder will have to report income and related expenses on his tax return and the balance will be taxed at the Noteholder's applicable personal progressive tax rate of up to 45 per cent. plus solidarity surcharge of 5.5 per cent. and church tax of 8 or 9 per cent. (depending on the residency of the Noteholder) thereon. Any withholding tax withheld is credited against the personal income tax liability subject to certain documentation being filed alongside the tax return.

### **Notes held as business assets**

Where Notes are held as business assets, any income derived therefrom is taxed as income from agriculture or forestry, business income, or as income from a self-employed activity (*selbständige Arbeit*), as the case may be. The flat tax regime is not applicable.

In the event that Notes are held by an individual, the income is subject to income tax at the personal progressive tax rates of up to 45 per cent. (plus solidarity surcharge thereon of 5.5 per cent. and, if applicable, church tax). In addition, the income – to the extent it is business income – is subject to trade tax (trade tax rates ranging from approx. 7 to 17 per cent. depending on the trade tax multiplier of the municipality concerned). Trade tax may in principle be (partially) credited against the income tax by way of a lump sum procedure.

If the Noteholder is a corporation, the income is subject to corporate income tax of 15 per cent. plus solidarity surcharge thereon of 5.5 per cent. and trade tax at the above rates.

If the Note is held by a partnership, the income derived therefrom is allocated directly to the partners. Depending on if they are individuals or corporations, the income is subject to income tax or to corporate income tax at the level of the partner. The income – to the extent it is business income – is further subject to trade tax at the above rates at the level of the partnership. In case of a partner who is an individual, the trade tax may in principle (partially) be credited against the income tax by way of a lump sum procedure.

### **Withholding Tax**

Withholding tax, if applicable, is levied at a uniform rate of 25 per cent. (in all cases plus solidarity surcharge thereon of 5.5 per cent. and church tax at the above rates, if applicable). A German branch of a German or non-German bank or of a German or non-German financial services institution, or a German securities trading bank or business (each a "**German Disbursing Agent**", *auszahlende Stelle*) is in principle obliged to withhold withholding tax and pay it to the German tax authorities for the account of the Noteholder.

Where Notes are held in a custodial account that the Noteholder maintains with a German Disbursing Agent, withholding tax will be levied on the gross interest payments. In the event that the disposition, redemption, repayment or assignment of a Note is made or commissioned through a German Disbursing Agent effecting such disposition, redemption, repayment or assignment commission, withholding tax is levied on the capital gains from the transaction. To the extent the Notes have not been kept in a custodial account with the German Disbursing Agent since the time of acquisition, upon the disposal, redemption, repayment or assignment, the withholding tax rate is applied to 30 per cent. of the disposal proceeds (substitute assessment base – *Ersatzbemessungsgrundlage*), unless the Noteholder provides evidence of the actual acquisition cost by submitting a certificate of the previous German Disbursing Agent or a foreign credit or financial services institution within the European Economic Area. In computing the withholding tax base, the German Disbursing Agent will take into account (the following each derived from private capital investments) Accrued Interest paid to it and, according to a specific procedure, settle losses from the disposal of capital investments (other than stocks (*Aktien*)) from other transactions entered into through or with the same German Disbursing Agent. If, in this context, losses cannot be offset in full against positive income from capital investments, the German Disbursing Agent will upon request issue a certificate stating the losses in order for them to be offset or carried forward in the assessment procedure. The request must reach the German Disbursing Agent by 15 December of the current year and is irrevocable.

In general, no withholding tax will be levied if the Noteholder is an individual (i) whose Notes are held as private assets and are not allocated to income from leasing and letting of certain property, and (ii) who files an exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the interest income derived from the Notes together with the other income from capital investment does not exceed the exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Holder has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

If Notes are held as private assets and the income derived therefrom is not allocable to income from the leasing and letting of certain property, the personal income tax liability is, in principle, settled by the tax withheld. A tax assessment may be applied for in the cases outlined above. In assessment cases and in cases where the Note is held as a business asset or is allocable to other types of income, the withholding tax is credited against the income tax or corporate income tax liability of the Noteholder, or is refunded.

Withholding tax, as a rule, does not have to be deducted or withheld if the Noteholder is a German branch of a German or non-German bank or of a German or non-German financial services institution or a German capital investment company (*Kapitalanlagegesellschaft/Kapitalverwaltungsgesellschaft*).

Taxes on the capital gains from the disposal of Notes derived by a private law corporation that is subject to unlimited taxation in Germany and which is not exempt from corporate income tax, and that is neither a German branch of a German or non-German bank or of a German or non-German financial services institution nor a German capital investment company, are not collected in the form of withholding tax. In the case of certain specific kinds of corporations, this applies only if they provide evidence of falling under this group of taxpayers by a certificate from their competent tax office.

To the extent that the capital gains represent business income of a domestic business and the sole proprietor declares this to be so to the German Disbursing Agent on the officially required standard form, the German Disbursing Agent must not deduct an amount as withholding tax.

Income from capital investments that is paid to a Noteholder who is a member of a congregation that levies church tax, is subject to withholding in respect of church tax, subject to the exemptions described above if the Note is held in custody with a German Disbursing Agent. The German Disbursing Agent will be informed by the Federal Tax Agency (*Bundeszentralamt für Steuern*) about the membership of the Noteholder in a congregation that levies church tax. Such Noteholder may, however, elect to file a blocking notice (*Sperrvermerk*) with the Federal Tax Agency. In this case, the German Disbursing Agent holding the Note in custody for the Noteholder is not informed about the Noteholder's membership in a congregation. However, the income from the Note needs to be included in the income tax return of the Noteholder and church tax will be levied by way of assessment.

## **Non-residents**

### ***Taxation of interest income and capital gains***

Income from capital investments (including interest, Accrued Interest, and capital gains) is not subject to German taxation, unless (i) the Notes form part of the business assets of a permanent establishment (including a permanent representative) or a fixed base maintained in Germany by the Noteholder; or (ii) the income otherwise constitutes German-source income creating German limited tax liability (such as income from the letting and leasing of certain property located in Germany). In cases (i) and (ii), a regime similar to that explained above under "*Tax Residents*" applies.

### ***Withholding Tax***

Non-residents are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon of 5.5 per cent. However, where the interest is subject to German taxation as set forth in the preceding paragraph and Notes are held in a custodial account with a German Disbursing Agent, withholding tax is levied as explained above under "*Tax Residents*". The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

### **Inheritance and Gift Tax**

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of an inheritance *mortis causa*, neither the decedent nor the beneficiary, or, in the case of an endowment *intra vivos*, neither the donor nor the donee has its residence or habitual abode or, as the case may be, its place of management or seat in Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply for example to certain German citizens who previously maintained a residence in Germany. Otherwise, inheritance and gift tax may apply.

Inheritance or gift tax may apply *inter alia* – without any transfer – in intervals of 30 years, if the Notes are held by a qualifying family foundation (*Stiftung*) or a family association (*Verein*) having its statutory seat or place of management in Germany.

### **Other Taxes**

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.



## UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes and payments of principal may be made without deduction of or withholding on account of United Kingdom income tax.

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not generally exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2015. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained by HMRC may, in certain circumstances, be provided to the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

## EU SAVINGS DIRECTIVE

Under the Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria is instead required (unless during that period it elects to provide information in accordance with the Savings Directive) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). As of 1 January 2015, Luxembourg has abolished the withholding system in favour of automatic information exchange under the Savings Directive. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the "**Amending Directive**"). EU member states are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in an EU member state must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

## THE PROPOSED FINANCIAL TRANSACTIONS TAX

On February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a Dealer Agreement dated 7 March 2013 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination or appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the distribution of the Notes comprising the relevant Tranche, as determined and certified to the Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Public Offer Selling Restriction Under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Public Offer of Notes**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant

Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Public Offer of Notes, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable, and the Issuer has consented in writing to its use for the purposes of that Public Offer of Notes;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

#### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("**AMF**"), on the date of such publication, or (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented Directive 2003/71/EC (as amended), on or after the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the base prospectus, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or
- (b) it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

## Selling Restrictions Addressing Additional Laws of the Netherlands

Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of NYSE Euronext in Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Dutch Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with. As used herein, "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

## Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **General**

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has complied and will comply, to the best of its knowledge and belief, in all material respects, with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

## GENERAL INFORMATION

### 1. Listing and Admission to Trading

Application has been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued which will not be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange as the Issuer and the relevant Dealer(s) may agree.

### 2. Authorisation

The establishment and the update of the Programme was authorised by resolutions of the Executive Board of the Issuer passed on 25 August 2008 and 25 February 2015 and resolutions of the Supervisory Board of the Issuer passed on 4 September 2008. The increase of the size of the Programme to EUR10,000,000,000 was authorised by resolution of the Executive Board of the Issuer passed on 28 February 2012. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### 3. Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Heineken Group.

### 4. Significant/Material Adverse Change

Since 31 December 2014, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Heineken Group.

### 5. Auditors

The consolidated financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014 have been audited without qualification by KPMG Accountants N.V., Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands, independent accountants. Each audit partner of KPMG Accountants N.V. is a member of the Royal Dutch Institute of Chartered Accountants (*Koninklijk Nederlands Instituut voor Registeraccountants*).

### 6. Documents on Display

Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the specified offices of the Paying Agents for the time being in Luxembourg and London for 12 months from the date of this Base Prospectus:

- (a) the constitutional documents of the Issuer;
- (b) the audited annual consolidated financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014;
- (c) the Agency Agreement;
- (d) the Trust Deed (which contains the forms of the Notes in global and definitive form);
- (e) the Programme Manual;
- (f) the Issuer-ICSDs Agreement; and

- (g) this Base Prospectus, any supplement to this Base Prospectus, each document incorporated by reference in this Base Prospectus from time to time and each Final Terms (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospective Directive will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity).

In addition, copies of this Base Prospectus, any supplement to this Base Prospectus, each document incorporated by reference in this Base Prospectus from time to time and each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market will also be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

In the case of Floating Rate Notes for which ISDA Determination is specified in the applicable Final Terms, a copy of the ISDA Definitions may be available on a request in writing to the specified offices of the Paying Agent in London or Luxembourg for as long as such Notes remain outstanding.

## 7. Pricing

The price and nominal amount of the Notes of any Tranche to be issued will be determined by the Issuer and the relevant Dealer(s) at the time of issue thereof in accordance with the prevailing market conditions.

## 8. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the relevant Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## 9. Passporting

The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in Luxembourg to be issued by the CSSF to the competent authority in any host Member State.

## 10. Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

## 11. Yield

The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes. The Final Terms in respect of any Floating Rate Notes will not include any indication of yield.

$$Issue\ Price = \frac{Coupon}{m} * \frac{1 - \left[ \frac{1}{\left(1 + \frac{Yield}{m}\right)^{n*m}} \right]}{\frac{Yield}{m}} + \left[ Final\ Amount * \frac{1}{\left[ \frac{1}{\left(1 + \frac{Yield}{m}\right)^{n*m}} \right]} \right]$$



Where:

"**Coupon**" means the annual coupon as specified in the applicable Final Terms;

"**Yield**" means the annual yield to maturity;

"**m**" means the number of interest payments in a year; and

"**n**" means the number of years to maturity.

Set out below is a worked example illustrating how the yield on a Series of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication of prediction of the yield for any Series of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

"**m**" = 2

"**n**" = 6

"**Coupon**" = 3.875%

Issue Price = 99.392%

Final Redemption Amount = 100%

$$99.392 = \frac{3.875}{2} * \frac{1 - \left[ \frac{1}{\left(1 + \frac{Yield}{2}\right)^{6*2}} \right]}{\frac{Yield}{2}} + 100 * \left[ \frac{1}{\left[ \frac{1}{\left(1 + \frac{Yield}{2}\right)^{6*2}} \right]} \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

## GLOSSARY

Definitions of terms and phrases used in this Base Prospectus

<b>Baa1</b>	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such possess certain speculative characteristics. The modifier "1" indicates that the obligation ranks in the higher end of its generic rating category.
<b>BBB+</b>	An obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The modifier "+" shows an obligor's relative standing within its rating category.
<b>Beia</b>	Before exceptional items and amortisation of acquisition related intangible assets.
<b>EBIT</b>	Earnings before interest and taxes and net finance expenses. EBIT includes Heineken's share in net profit of associates and joint ventures.
<b>EBITDA</b>	Earnings before interest and taxes and net finance expenses before depreciation and amortisation. EBITDA includes Heineken's share in net profit of joint ventures and associates.
<b>Exceptional Items</b>	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.
<b>Fixed costs</b>	Fixed costs include personnel costs, depreciation and amortisation, repair and maintenance costs, energy and water, and other fixed costs. Exceptional items are excluded from these costs.
<b>Free operating cash flow (FOCF)</b>	This represents the total of cash flow from operating activities, and cash flow from operational investing activities.
<b>Net profit</b>	Profit after deduction of non-controlling interests (profit attributable to equity holders of the Company).
<b>Net debt</b>	Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.
<b>Net debt/EBITDA (beia) ratio</b>	The ratio is based on a twelve month rolling calculation for EBITDA (beia).
<b>Organic growth</b>	Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items, amortisation of acquisition related intangible assets.
<b>Organic volume growth</b>	Growth in volume, excluding the effect of consolidation changes.
<b>Profit</b>	Total profit of the Group before deduction of non-controlling interests.
<b>®</b>	All brand names mentioned herein, including those brand names not marked by an ®, represent registered trademarks and are legally protected.

<b>Region</b>	A region is defined as Heineken's managerial classification of countries into geographical units.
<b>Revenue</b>	Net realised sales proceeds in Euros.
<b>Top-line growth</b>	<p><i>Consolidated revenue</i></p> <p>Net realised sales proceeds.</p> <p><i>Group revenue (beia)</i></p> <p>Consolidated revenue plus attributable share of revenue from joint ventures and associates.</p>
<b>Volume</b>	<p><i>Consolidated beer volume</i></p> <p>100 per cent. of beer volume produced and sold by consolidated companies.</p> <p><i>Group beer volume</i></p> <p>Consolidated beer volume plus attributable share of beer volume from joint ventures and associates.</p> <p><i>Heineken® volume</i></p> <p>100 per cent. of beer volume sold of the Heineken® brand by consolidated companies, joint ventures and associates and produced and sold under licence by third parties.</p> <p><i>Heineken® volume in premium segment</i></p> <p>Heineken® volume excluding Heineken® volume in the Netherlands.</p> <p><i>Total consolidated volume</i></p> <p>100 per cent. of volume produced and sold by consolidated companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of Heineken's brands produced and sold under licence by third parties.</p>

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\* EBIT, EBITDA, EBIT (beia) and net profit (beia) are not financial measures calculated in accordance with IFRS. Accordingly, it should not be considered as an alternative to 'results from operation activities' or 'profits' as indicators of Heineken's performance. However, Heineken believes that 'EBIT, EBITDA, EBIT (beia) and net profit (beia)' are measures commonly used by investors and as such useful for disclosure. The presentation on 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.

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## FINANCIAL STATEMENTS

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The consolidated financial statements of Heineken N.V. have been derived from the statutory financial statements of Heineken N.V. for the year ended 31 December 2014 dated 10 February 2015 as included in the 2014 Annual Report. The 2014 financial statements have not yet been adopted by the General Meeting of shareholders of Heineken N.V. The adoption of the 2014 financial statements is scheduled on the agenda of the next Annual General Meeting of Shareholders on 23 April 2015.

KPMG Accountants N.V. has issued an Independent Auditor's Report on the statutory financial statements of Heineken N.V. for the year ended 31 December 2014 on 10 February 2015, including an unqualified opinion with respect to the consolidated financial statements. This Auditor's Report is included on F-83 to F-85. For the purposes of this Base Prospectus, the parts of the Independent Auditor's Report relating to the consolidated financial statements only, as included on F-1 to F-72, are applicable.



## Financial statements

# Consolidated Income Statement

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

# Consolidated Statement of Comprehensive Income

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

# Consolidated Statement of Financial Position

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

# Consolidated Statement of Cash Flows

	Note	2014	2013
<b>For the year ended 31 December</b>			
In millions of EUR			
<b>Operating activities</b>			
Profit		1,708	1,587
Adjustments for:			
Amortisation, depreciation and impairments	11	1,437	1,581
Net interest expenses	12	409	532
Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates	8	(93)	(226)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on available-for-sale and held-for-trading investments		(158)	(160)
Income tax expenses	13	732	520
Other non-cash items		244	156
<b>Cash flow from operations before changes in working capital and provisions</b>		<b>4,279</b>	<b>3,990</b>
Change in inventories		(104)	(42)
Change in trade and other receivables		(325)	5
Change in trade and other payables		456	88
<b>Total change in working capital</b>		<b>27</b>	<b>51</b>
Change in provisions and employee benefits		(166)	(58)
<b>Cash flow from operations</b>		<b>4,140</b>	<b>3,983</b>
Interest paid		(522)	(557)
Interest received		60	56
Dividends received		125	148
Income taxes paid		(745)	(716)
<b>Cash flow related to interest, dividend and income tax</b>		<b>(1,082)</b>	<b>(1,069)</b>
<b>Cash flow from operating activities</b>		<b>3,058</b>	<b>2,914</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		144	152
Purchase of property, plant and equipment	14	(1,494)	(1,369)
Purchase of intangible assets	15	(57)	(77)
Loans issued to customers and other investments		(117)	(143)
Repayment on loans to customers		40	41
<b>Cash flow (used in)/from operational investing activities</b>		<b>(1,484)</b>	<b>(1,396)</b>
<b>Free operating cash flow</b>		<b>1,574</b>	<b>1,518</b>
Acquisition of subsidiaries, net of cash acquired	6	(159)	(17)
Acquisition of/additions to associates, joint ventures and other investments		(7)	(53)
Disposal of subsidiaries, net of cash disposed of	6/7	(27)	460
Disposal of associates, joint ventures and other investments		4	165
<b>Cash flow (used in)/from acquisitions and disposals</b>		<b>(189)</b>	<b>555</b>
<b>Cash flow (used in)/from investing activities</b>		<b>(1,673)</b>	<b>(841)</b>

## Consolidated Statement of Cash Flows continued

	Note	2014	2013
<b>For the year ended 31 December</b>			
In millions of EUR			
<b>Financing activities</b>			
Proceeds from loans and borrowings		858	1,663
Repayment of loans and borrowings		(2,443)	(2,474)
Dividends paid		(723)	(710)
Purchase own shares		(9)	(21)
Acquisition of non-controlling interests		(137)	(209)
Other		1	(1)
<b>Cash flow (used in)/from financing activities</b>		<b>(2,453)</b>	<b>(1,752)</b>
<b>Net cash flow</b>			
Cash and cash equivalents as at 1 January		1,112	846
Effect of movements in exchange rates		29	(55)
<b>Cash and cash equivalents as at 31 December</b>	21	<b>73</b>	<b>1,112</b>

# Consolidated Statement of Changes in Equity

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

## Consolidated Statement of Changes in Equity continued

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

# Notes to the Consolidated Financial Statements

## 1. Reporting entity

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

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

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

## 2. Basis of preparation

### (a) Statement of compliance

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

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 10 February 2015 and will be submitted for adoption to the Annual General Meeting of Shareholders on 23 April 2015.

### (b) Basis of measurement

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

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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

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



## Notes to the consolidated financial statements continued

### 2. Basis of preparation continued

#### (e) Changes in accounting policies

HEINEKEN has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39)
- IFRIC 21 Levies

#### Offsetting Financial Assets and Financial liabilities (amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting rules for financial assets and financial liabilities on the statement of financial position. The clarifications of the offsetting principle in IAS 32 did not result in any changes to the financial assets and liabilities compared with the practice adopted before these amendments.

#### Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)

HEINEKEN will comply with the extended disclosure requirements on the recoverable amount of non-financial assets, when applicable.

#### Novation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39)

As the result of this amendment, HEINEKEN has changed its accounting policy for novation of derivatives and continuation of hedge accounting. These amendments, however, did not have an impact on the consolidated financial statements of HEINEKEN.

#### IFRIC 21 Levies

IFRIC 21, Levies, clarifies that a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. HEINEKEN has reassessed the timing of when to accrue levies imposed by legislation and concluded that the interpretation does not have a material impact on the consolidated financial statements.

### 3. Significant accounting policies

#### General

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

#### (a) Basis of consolidation

##### (i) Business combinations

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

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

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

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

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

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

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

#### **(iii) Subsidiaries**

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

#### **(iv) Loss of control**

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

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

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

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

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

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

#### **(vi) Transactions eliminated on consolidation**

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

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### (b) Foreign currency

##### (i) Foreign currency transactions

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

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

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

##### (ii) Foreign operations

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

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

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

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

In EUR	Year-end 2014	Year-end 2013	Average 2014	Average 2013
BRL	0.3105	0.3070	0.3202	0.3486
GBP	1.2839	1.1995	1.2403	1.1775
MXN	0.0560	0.0553	0.0566	0.0590
NGN	0.0049	0.0047	0.0048	0.0049
PLN	0.2340	0.2407	0.2389	0.2382
RUB	0.0138	0.0221	0.0196	0.0236
SGD	0.6227	0.5743	0.5943	0.6017
USD	0.8237	0.7251	0.7527	0.7530
VND in 1,000	0.0387	0.0345	0.0355	0.0358

### (iii) Reporting in hyperinflationary economies

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

In 2013, hyperinflation accounting was applicable to our operations in Belarus. No hyperinflation accounting was applied in 2014.

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

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

## (c) Non-derivative financial instruments

### (i) General

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

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

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

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

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

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

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

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

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

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

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

#### (iv) Other

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

#### (d) Derivative financial instruments (including hedge accounting)

##### (i) General

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

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

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

##### (ii) Cash flow hedges

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

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

##### (iii) Fair value hedges

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

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

**(iv) Separable embedded derivatives**

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

**(e) Share capital****(i) Ordinary shares**

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

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

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

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

**(iii) Dividends**

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

**(f) Property, plant and equipment****(i) Owned assets**

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

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

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

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

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### (ii) Leased assets

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

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

#### (iii) Subsequent expenditure

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

#### (iv) Depreciation

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

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

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

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

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

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

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

### (g) Intangible assets

#### (i) Goodwill

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

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

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

#### (ii) Brands

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

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

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

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

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

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

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

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

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

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

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

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

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



## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### (v) Subsequent expenditure

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

#### (vi) Amortisation

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

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

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

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

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

#### (h) Inventories

##### (i) General

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

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

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

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

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

#### (i) Impairment

##### (i) Financial assets

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

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

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

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

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

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

#### (ii) Non-financial assets

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

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

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

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

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

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

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### (j) Non-current assets held for sale

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

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

#### (k) Employee benefits

##### (i) Defined contribution plans

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

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

##### (ii) Defined benefit plans

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

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

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

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

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

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

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

**(iv) Termination benefits**

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

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

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

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

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

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

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

**(vi) Matching share entitlement**

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

**(vii) Short-term employee benefits**

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

**(l) Provisions****(i) General**

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

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### (ii) Restructuring

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

#### (iii) Onerous contracts

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

#### (iv) Other

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

#### (m) Loans and borrowings

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

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

#### (n) Revenue

##### (i) Products sold

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

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

##### (ii) Other revenue

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

#### (o) Other income

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

#### (p) Expenses

##### (i) Operating lease payments

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

**(ii) Finance lease payments**

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

**(q) Government grants**

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

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

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

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

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

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

Other net finance income and expenses comprises dividend income, gains and losses on the disposal of available-for-sale investments, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments, changes in fair value of hedging instruments that are recognised in profit or loss, unwinding of the discount on provisions, impairment losses recognised on investments and interest on the net defined benefit obligation. Dividend income is recognised in the income statement on the date that HEINEKEN's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

**(s) Income tax**

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

**(i) Current tax**

Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

**(ii) Deferred tax**

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

Deferred tax is not recognised for:

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

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

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

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

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

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

#### (iii) Uncertain tax positions

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

#### (t) Discontinued operations

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

#### (u) Earnings per share

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

#### (v) Cash flow statement

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

### (w) Operating segments

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

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

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

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

### (x) Emission rights

Emission rights are related to the emission of CO<sub>2</sub>, which relates to the production of energy. These rights are freely tradable. Bought emission rights and liabilities due to production of CO<sub>2</sub> are measured at cost, including any directly attributable expenditure. Emission rights received for free are also recorded at cost, i.e. with a zero value.

### (y) Recently issued IFRS

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014, which HEINEKEN has not applied in preparing these consolidated financial statements.

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective on or after 1 January 2017, with early adoption permitted. HEINEKEN is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

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

- Bearer Plants (amendments to IAS 16 and IAS 41)
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)
- Classification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)
- Defined Benefit Plans: Employee Contributions (amendments to IAS 19)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle



## Notes to the consolidated financial statements continued

### 4. Determination of fair values

#### General

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

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

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

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

##### (ii) Intangible assets

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

##### (iii) Inventories

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

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

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

#### Fair value from normal business

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

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

##### (ii) Derivative financial instruments

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

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

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

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

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

## 5. Operating segments

HEINEKEN distinguishes the following six reportable segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa Middle East
- Asia Pacific
- Head Office and Other/eliminations.

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

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

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

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

## Notes to the consolidated financial statements continued

### 5. Operating segments continued

Information about reportable segments

In millions of EUR	Note	Western Europe		Central and Eastern Europe		The Americas	
		2014	2013	2014	2013	2014	2013
<b>Revenue</b>							
Third party revenue <sup>1</sup>		6,765	6,800	2,853	3,082	4,626	4,486
Interregional revenue		713	656	15	15	5	9
<b>Total revenue</b>		<b>7,478</b>	<b>7,456</b>	<b>2,868</b>	<b>3,097</b>	<b>4,631</b>	<b>4,495</b>
Other income	8	16	50	60	119	7	56
<b>Results from operating activities</b>		<b>781</b>	<b>737</b>	<b>287</b>	<b>231</b>	<b>660</b>	<b>681</b>
Net finance expenses	12						
Share of profit of associates and joint ventures and impairments thereof	16	–	2	33	15	60	70
Income tax expense	13						
<b>Profit</b>							
Attributable to:							
Equity holders of the Company (net profit)							
Non-controlling interests							
<b>EBIT reconciliation</b>							
EBIT <sup>2</sup>		781	739	320	246	720	751
Eia <sup>2</sup>		71	115	(27)	60	121	39
<b>EBIT (beia)<sup>2</sup></b>	27	<b>852</b>	<b>854</b>	<b>293</b>	<b>306</b>	<b>841</b>	<b>790</b>
<b>Beer volumes (in million hectolitres)</b>							
Consolidated beer volume <sup>2</sup>		42,454	42,224	42,319	44,261	53,210	51,209
Attributable share of joint ventures & associates volume <sup>2</sup>		–	–	3,712	3,743	3,775	3,717
<b>Group beer volume<sup>2</sup></b>		<b>42,454</b>	<b>42,224</b>	<b>46,031</b>	<b>48,004</b>	<b>56,985</b>	<b>54,926</b>
Current segment assets		2,467	2,036	892	982	1,668	1,236
Non-current segment assets		7,370	7,262	3,045	3,128	5,382	5,193
Investment in associates and joint ventures		25	43	276	194	792	823
<b>Total segment assets</b>		<b>9,862</b>	<b>9,341</b>	<b>4,213</b>	<b>4,304</b>	<b>7,842</b>	<b>7,252</b>
Unallocated assets							
<b>Total assets</b>							
Segment liabilities		4,291	3,571	1,275	1,242	1,195	1,027
Unallocated liabilities							
<b>Total equity and liabilities</b>							
Purchase of P, P & E	14	345	264	201	191	291	261
Acquisition of goodwill	15	–	9	100	–	–	–
Purchases of intangible assets	15	8	24	5	6	13	12
Depreciation of P, P & E	14	(325)	(329)	(213)	(235)	(219)	(211)
(Impairment) and reversal of impairment of P, P & E	14	(2)	(7)	(1)	(9)	–	(1)
Amortisation intangible assets	15	(42)	(65)	(18)	(17)	(92)	(97)
(Impairment) and reversal of impairment of intangible assets	15	–	(17)	–	(99)	–	–

<sup>1</sup>Includes other revenue of EUR377 million in 2014 and EUR375 million in 2013.

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

	Africa Middle East		Asia Pacific		Head Office & Other/Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	2,643	2,554	2,087	2,036	283	245	19,257	19,203
	-	-	1	1	(734)	(681)	-	-
	<b>2,643</b>	<b>2,554</b>	<b>2,088</b>	<b>2,037</b>	<b>(451)</b>	<b>(436)</b>	<b>19,257</b>	<b>19,203</b>
	10	1	-	-	-	-	93	226
	606	606	407	376	39	(77)	<b>2,780</b>	2,554
							(488)	(593)
	28	37	29	26	(2)	(4)	148	146
							(732)	(520)
							<b>1,708</b>	<b>1,587</b>
							1,516	1,364
							192	223
							<b>1,708</b>	<b>1,587</b>
	634	643	436	402	37	(81)	2,928	2,700
	49	2	146	163	(20)	12	340	391
	<b>683</b>	<b>645</b>	<b>582</b>	<b>565</b>	<b>17</b>	<b>(69)</b>	<b>3,268</b>	<b>3,091</b>
	25,003	23,281	18,296	17,347	-	-	181,282	178,322
	4,282	4,119	5,748	5,345	-	-	17,517	16,924
	<b>29,285</b>	<b>27,400</b>	<b>24,044</b>	<b>22,692</b>	<b>-</b>	<b>-</b>	<b>198,799</b>	<b>195,246</b>
	1,162	939	752	757	(868)	(475)	6,073	5,475
	2,527	2,216	6,881	6,254	845	1,400	26,050	25,453
	253	238	621	476	66	109	2,033	1,883
	<b>3,942</b>	<b>3,393</b>	<b>8,254</b>	<b>7,487</b>	<b>43</b>	<b>1,034</b>	<b>34,156</b>	<b>32,811</b>
							674	526
							<b>34,830</b>	<b>33,337</b>
	972	853	600	449	421	319	8,754	7,461
							12,624	13,520
							13,452	12,356
							<b>34,830</b>	<b>33,337</b>
	425	461	243	142	14	50	1,519	1,369
	-	-	-	-	-	-	100	9
	2	2	1	5	28	28	57	77
	(213)	(183)	(83)	(80)	(27)	(35)	(1,080)	(1,073)
	(3)	-	(2)	2	-	(1)	(8)	(16)
	(6)	(6)	(148)	(179)	(25)	(12)	(331)	(376)
	(18)	-	-	-	-	-	(18)	(116)

## Notes to the consolidated financial statements continued

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

#### Accounting for the acquisition of Zagorka

On 27 October 2014, HEINEKEN acquired a 98.86 per cent direct stake in Zagorka AD from Brewmasters Holdings. Prior to the transaction, HEINEKEN did not have control over the entity as it owned an indirect stake of 49.43 per cent through Brewmasters Holdings, of which HEINEKEN owns 50 per cent.

The Previously Held Equity Interest (PHEI) in the acquired business is accounted for at fair value as per the acquisition date. The fair value of the PHEI compared to HEINEKEN's carrying amount results in a non-cash gain of EUR51 million, recognised in other income.

Non-controlling interests are measured based on the proportional interest in the recognised assets and liabilities of the acquired business. HEINEKEN recognised EUR0.4 million in respect of a 1.14 per cent non-controlling interest.

The following table summarises the major classes of assets acquired and liabilities assumed as of the acquisition date. Provisional goodwill is recognised in Bulgarian lev and has been allocated to the CEE region since that is the level at which the goodwill will be monitored. Goodwill includes synergies, namely related to cost synergies within sales and distribution, workforce and relationships with suppliers.

In millions of EUR <sup>1</sup>	
Property, plant and equipment	39
Intangible assets	15
Inventories	4
Trade and other receivables	3
<b>Assets acquired</b>	<b>61</b>
Loans and borrowings, current	5
Bank overdraft	5
Deferred tax liabilities	2
Trade and other current liabilities	14
<b>Liabilities assumed</b>	<b>26</b>
<b>Total net identifiable assets</b>	<b>35</b>
In millions of EUR <sup>1</sup>	
Consideration transferred <sup>2</sup>	77
Fair value of previously held equity interest in the acquiree	58
Non-controlling interests	–
Net identifiable assets acquired	(35)
<b>Goodwill on acquisition (provisional)</b>	<b>100</b>

<sup>1</sup>Amounts were converted to Euros at the rate of EUR/BGN1.96 for the statement of financial position.

<sup>2</sup>This amount only reflects the consideration transferred for the stake not yet owned by HEINEKEN.

Acquisition-related costs of EUR0.1 million have been recognised in the income statement for the period ended 31 December 2014.

In accordance with IFRS 3R, the amounts recorded for the transaction are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

#### Acquisitions of non-controlling interests

In 2014, HEINEKEN acquired various stakes from minority interest holders. As a result, equity attributable to equity holders of HEINEKEN decreased by EUR181 million. This mainly relates to our Asia Pacific region.

#### Disposals

##### Disposal of 80 per cent of Brasserie Lorraine in Martinique

On 10 September 2014, HEINEKEN sold a majority stake of 80 per cent of Brasserie Lorraine to Antilles Glaces. HEINEKEN retains a 20 per cent shareholding in Brasserie Lorraine. A EUR1 million pre-tax book gain on the disposal was recorded in other income.

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

The assets and liabilities below are classified as held for sale following the commitment of HEINEKEN to a plan to sell these assets and liabilities and mainly relate to HEINEKEN's packaging business EMPAQUE in Mexico. On 1 September 2014, HEINEKEN announced that a binding agreement was signed for the sale of EMPAQUE to Crown Holdings Inc. The transaction is expected to close in the first quarter of 2015. Empaque is included in reportable segment Head Office and Other/Eliminations in note 5. Efforts to sell the other assets and liabilities classified as held for sale have also commenced and are expected to be completed during 2015.

A forward exchange contract was entered into to hedge the expected US dollar proceeds to Euro. Upon rollover of the forward contract in December 2014, a EUR33 million settlement payment was made. This is presented on the line 'Disposal of subsidiaries, net of cash disposed of' in the consolidated statement of cash flows and included in the hedge reserve until the consideration is received.

### Assets and liabilities classified as held for sale

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

## 8. Other income

In millions of EUR	2014	2013
Gain on sale of property, plant and equipment	41	87
Gain on sale of subsidiaries, joint ventures and associates	52	139
	<b>93</b>	<b>226</b>

Included in other income is the gain of HEINEKEN's PHEI in Zagorka, amounting to EUR51 million (refer to note 6).

## 9. Raw materials, consumables and services

In millions of EUR	2014	2013
Raw materials	1,782	1,868
Non-returnable packaging	2,551	2,502
Goods for resale	1,495	1,551
Inventory movements	(15)	2
Marketing and selling expenses	2,447	2,418
Transport expenses	1,050	1,031
Energy and water	548	564
Repair and maintenance	458	482
Other expenses	1,737	1,768
	<b>12,053</b>	<b>12,186</b>

Other expenses mainly include rentals of EUR291 million (2013: EUR282 million), consultant expenses of EUR179 million (2013: EUR166 million), telecom and office automation of EUR199 million (2013: EUR183 million), distribution expenses of EUR122 million (2013: EUR128 million), travel expenses of EUR143 million (2013: EUR155 million) and other taxes of EUR124 million (2013: EUR129 million).

## Notes to the consolidated financial statements continued

### 10. Personnel expenses

In millions of EUR	Note	2014	2013
Wages and salaries		2,107	2,125
Compulsory social security contributions		337	346
Contributions to defined contribution plans		42	41
Expenses related to defined benefit plans	28	(31)	41
Expenses related to other long-term employee benefits		8	11
Equity-settled share-based payment plan	29	48	10
Other personnel expenses		569	534
		<b>3,080</b>	<b>3,108</b>

In other personnel expenses, restructuring costs are included for an amount of EUR101 million (2013: EUR80 million). In 2014, these costs are primarily related to the restructuring of operations in Spain, the United Kingdom, Poland and Nigeria.

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

	2014	2013
The Netherlands	3,897	4,054
Other Western Europe	13,137	13,924
Central and Eastern Europe	14,839	15,946
The Americas	22,610	23,951
Africa Middle East	12,975	14,062
Asia Pacific	8,678	8,996
	<b>76,136</b>	<b>80,933</b>

### 11. Amortisation, depreciation and impairments

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

## 12. Net finance income and expense

### Recognised in profit or loss

In millions of EUR	2014	2013
<b>Interest income</b>	<b>48</b>	<b>47</b>
<b>Interest expenses</b>	<b>(457)</b>	<b>(579)</b>
Dividend income from available-for-sale investments	10	15
Net change in fair value of derivatives	173	16
Net foreign exchange gain/(loss)	(205)	(31)
Unwinding discount on provisions	(5)	(5)
Interest on the net defined benefit obligation	(49)	(56)
Other	(3)	–
<b>Other net finance income/(expenses)</b>	<b>(79)</b>	<b>(61)</b>
<b>Net finance income/(expenses)</b>	<b>(488)</b>	<b>(593)</b>

## 13. Income tax expense

### Recognised in profit or loss

In millions of EUR	2014	2013
<b>Current tax expense</b>		
Current year	666	740
Under/(over) provided in prior years	(9)	13
	<b>657</b>	<b>753</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	21	(173)
Previously unrecognised deductible temporary differences	(5)	–
Changes in tax rate	10	(32)
Utilisation/(benefit) of tax losses recognised	32	(13)
Under/(over) provided in prior years	17	(15)
	<b>75</b>	<b>(233)</b>
<b>Total income tax expense in profit or loss</b>	<b>732</b>	<b>520</b>



## Notes to the consolidated financial statements continued

### 13. Income tax expense continued

#### Reconciliation of the effective tax rate

In millions of EUR	2014	2013
Profit before income tax	2,440	2,107
Share of net profit of associates and joint ventures and impairments thereof	(148)	(146)
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)	<b>2,292</b>	<b>1,961</b>

	%	2014	%	2013
Income tax using the Company's domestic tax rate	25.0	573	25.0	490
Effect of tax rates in foreign jurisdictions	3.8	87	4.1	79
Effect of non-deductible expenses	2.7	61	4.6	90
Effect of tax incentives and exempt income	(4.0)	(93)	(8.3)	(162)
Recognition of previously unrecognised temporary differences	(0.2)	(5)	–	–
Utilisation or recognition of previously unrecognised tax losses	(0.1)	(3)	(0.6)	(11)
Unrecognised current year tax losses	0.7	17	1.3	26
Effect of changes in tax rate	0.4	10	(1.6)	(32)
Withholding taxes	2.6	60	2.1	42
Under/(over) provided in prior years	0.3	8	(0.1)	(2)
Other reconciling items	0.7	17	–	–
	<b>31.9</b>	<b>732</b>	<b>26.5</b>	<b>520</b>

The reported tax rate 2014 includes two substantial one-off items. The write-off of a deferred tax asset (EUR105 million) following an agreement with tax authorities limiting its recoverability. In addition, non-recognised losses were offset against a non-current income tax liability, acquired as part of a prior acquisition, leading to a tax benefit (EUR85 million). The reported rate 2013 included a one-off tax item with a positive impact (EUR46 million) regarding the re-measurement of a deferred tax position following a tax rate change.

#### Income tax recognised in other comprehensive income

In millions of EUR	Note	2014	2013
Changes in fair value reserve		3	10
Changes in hedging reserve		11	(2)
Changes in translation reserve		108	(43)
Changes as a result of actuarial gains and losses		96	(66)
Other		–	(1)
	24	<b>218</b>	<b>(102)</b>

## 14. Property, plant and equipment

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
<b>Cost</b>						
Balance as at 1 January 2013		5,267	6,927	4,494	526	17,214
Changes in consolidation		(204)	(138)	(28)	12	(358)
Purchases		60	162	375	772	1,369
Transfer of completed projects under construction		77	288	202	(567)	–
Transfer (to)/from assets classified as held for sale		(24)	(25)	(5)	–	(54)
Disposals		(90)	(86)	(290)	–	(466)
Effect of hyperinflation		–	2	1	–	3
Effect of movements in exchange rates		(152)	(225)	(133)	(38)	(548)
<b>Balance as at 31 December 2013</b>		<b>4,934</b>	<b>6,905</b>	<b>4,616</b>	<b>705</b>	<b>17,160</b>
<b>Balance as at 1 January 2014</b>		<b>4,934</b>	<b>6,905</b>	<b>4,616</b>	<b>705</b>	<b>17,160</b>
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
<b>Balance as at 31 December 2014</b>		<b>4,989</b>	<b>7,305</b>	<b>5,051</b>	<b>793</b>	<b>18,138</b>
<b>Depreciation and impairment losses</b>						
Balance as at 1 January 2013		(1,753)	(3,678)	(2,939)	–	(8,370)
Changes in consolidation		17	59	40	–	116
Depreciation charge for the year	11	(163)	(416)	(494)	–	(1,073)
Impairment losses	11	(3)	(15)	(5)	–	(23)
Reversal impairment losses	11	1	2	4	–	7
Transfer to/(from) assets classified as held for sale		7	16	3	–	26
Disposals		70	119	229	–	418
Effect of movements in exchange rates		35	86	72	–	193
<b>Balance as at 31 December 2013</b>		<b>(1,789)</b>	<b>(3,827)</b>	<b>(3,090)</b>	<b>–</b>	<b>(8,706)</b>
<b>Balance as at 1 January 2014</b>		<b>(1,789)</b>	<b>(3,827)</b>	<b>(3,090)</b>	<b>–</b>	<b>(8,706)</b>
Changes in consolidation		4	11	3	–	18
Depreciation charge for the year	11	(154)	(415)	(511)	–	(1,080)
Impairment losses	11	(5)	(3)	–	–	(8)
Transfer to/(from) assets classified as held for sale		2	42	(8)	–	36
Disposals		30	79	210	–	319
Effect of movements in exchange rates		6	14	(19)	–	1
<b>Balance as at 31 December 2014</b>		<b>(1,906)</b>	<b>(4,099)</b>	<b>(3,415)</b>	<b>–</b>	<b>(9,420)</b>
<b>Carrying amount</b>						
As at 1 January 2013		3,514	3,249	1,555	526	8,844
As at 31 December 2013		3,145	3,078	1,526	705	8,454
As at 1 January 2014		3,145	3,078	1,526	705	8,454
As at 31 December 2014		3,083	3,206	1,636	793	8,718

## Notes to the consolidated financial statements continued

### 14. Property, plant and equipment continued

#### Impairment losses

In 2014, a total impairment loss of EUR8 million (2013: EUR23 million) was charged to profit or loss.

#### Financial lease assets

HEINEKEN leases P, P & E under a number of finance lease agreements. At 31 December 2014, the net carrying amount of leased P, P & E was EUR15 million (2013: EUR9 million). During the year, HEINEKEN acquired leased assets of EUR1 million (2013: EUR13 million).

#### Security to authorities

Certain P, P & E amounting to EUR91 million (2013: EUR122 million) has been pledged to the authorities in a number of countries as security for the payment of taxes, particularly import and excise duties on beers, non-alcoholic beverages and spirits. This mainly relates to the Netherlands and Brazil.

#### Property, plant and equipment under construction

P, P & E under construction mainly relates to expansion of the brewing capacity in various countries.

#### Capitalised borrowing costs

During 2014, borrowing costs amounting to EUR5 million have been capitalised (2013: EUR8 million).

### 15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
<b>Cost</b>							
Balance as at 1 January 2013		11,040	4,332	2,304	780	502	18,958
Changes in consolidation		(167)	(153)	(46)	(1)	(9)	(376)
Purchased/internally developed		–	–	–	(7)	84	77
Disposals		–	–	–	(4)	(38)	(42)
Transfers to assets held for sale		–	–	–	–	(1)	(1)
Effect of movements in exchange rates		(466)	(328)	(148)	(88)	(32)	(1,062)
Balance as at 31 December 2013		10,407	3,851	2,110	680	506	17,554
Balance as at 1 January 2014		10,407	3,851	2,110	680	506	17,554
Changes in consolidation and other transfers		98	15	17	30	(47)	113
Purchased/internally developed		–	–	1	–	56	57
Disposals		–	(2)	–	–	(2)	(4)
Transfers to assets held for sale		(259)	–	(85)	–	–	(344)
Effect of movements in exchange rates		557	208	131	63	1	960
Balance as at 31 December 2014		10,803	4,072	2,174	773	514	18,336
<b>Amortisation and impairment losses</b>							
Balance as at 1 January 2013		(297)	(289)	(382)	(23)	(279)	(1,270)
Changes in consolidation		–	22	27	–	7	56
Amortisation charge for the year	11	–	(101)	(176)	(62)	(37)	(376)
Impairment losses	11	(94)	(5)	–	–	(17)	(116)
Disposals		–	–	–	4	30	34
Transfers to assets held for sale		–	–	–	–	1	1
Effect of movements in exchange rates		–	14	20	10	7	51
Balance as at 31 December 2013		(391)	(359)	(511)	(71)	(288)	(1,620)

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
<b>Balance as at 1 January 2014</b>		<b>(391)</b>	<b>(359)</b>	<b>(511)</b>	<b>(71)</b>	<b>(288)</b>	<b>(1,620)</b>
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)
<b>Balance as at 31 December 2014</b>		<b>(407)</b>	<b>(462)</b>	<b>(650)</b>	<b>(143)</b>	<b>(333)</b>	<b>(1,995)</b>
<b>Carrying amount</b>							
As at 1 January 2013		10,743	4,043	1,922	757	223	17,688
As at 31 December 2013		10,016	3,492	1,599	609	218	15,934
As at 1 January 2014		<b>10,016</b>	<b>3,492</b>	<b>1,599</b>	<b>609</b>	<b>218</b>	<b>15,934</b>
As at 31 December 2014		<b>10,396</b>	<b>3,610</b>	<b>1,524</b>	<b>630</b>	<b>181</b>	<b>16,341</b>

The carrying amount of our CGU in Tunisia has been reduced to its recoverable amount through recognition of a EUR16 million impairment loss against goodwill and EUR2 million against brands.

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

The main brands capitalised are the brands acquired in 2008: Scottish & Newcastle (Fosters and Strongbow), 2010: Cervecería Cuauhtémoc Moctezuma (Dos Equis, Tecate and Sol) and 2012: Asia Pacific Breweries (Tiger, Anchor and Bintang). The main customer-related and contract-based intangibles were acquired in 2010 and 2012 and relate to customer relationships with retailers in Mexico and Asia Pacific (constituted either by way of a contractual agreement or by way of non-contractual relations) and reacquired rights.

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

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

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

In millions of EUR	2014	2013
Western Europe	3,377	3,246
Central and Eastern Europe (excluding Russia)	1,499	1,419
The Americas (excluding Brazil)	1,862	1,707
Brazil	83	82
Africa Middle East (aggregated)	491	482
Asia Pacific	2,604	2,364
Head Office and other (aggregated)	480	716
	<b>10,396</b>	<b>10,016</b>

## Notes to the consolidated financial statements continued

### 15. Intangible assets continued

Throughout the year, goodwill increased mainly due to the acquisition of Zagorka and net foreign currency differences, partly offset by the transfer of Empaque to assets held for sale and an impairment in Tunisia.

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

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

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

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

In per cent	Pre-tax WACC	Expected annual long-term inflation 2018-2024	Expected volume growth rates 2018-2024
Western Europe	9.3	1.8	0.1
Central and Eastern Europe (excluding Russia)	9.8	2.2	(0.1)
The Americas (excluding Brazil)	15.7	3.5	1.0
Brazil	13.5	4.4	2.1
Africa Middle East	13.8-23.1	3.6-9.1	3.6-7.4
Asia Pacific	16.1	4.7	3.6
Head Office and other	10.5	3.9	2.9

The high inflation on costs combined with pressure in pricing as a result of affordability issues resulted in a deterioration of the outlook of the beer and soft drinks businesses in Tunisia. Consequently, a goodwill impairment of EUR16 million before tax has been recognised in 2014. The recoverable amount is based on the value in use.

### Sensitivity to changes in assumptions

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

### 16. Investments in associates and joint ventures

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

HEINEKEN holds a 75 per cent equity interest in Sedibeng Brewery Pty Ltd, but based on the contractual arrangements HEINEKEN has joint control. As a result, this investment is accounted for using the equity method.

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

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

In millions of EUR	Joint ventures		Associates	
	2014	2013	2014	2013
Carrying amount of interests	1,964	1,814	69	69
Share of:				
Profit or loss from continuing operations	135	130	13	16
Other comprehensive income	(7)	5	–	–
	128	135	13	16

### 17. Other investments and receivables

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

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

The decrease in indemnification receivable primarily relates to the settlement of certain indemnified tax liabilities, originating from the acquisition of the beer operations of FEMSA.

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

The main available-for-sale investments are S.A. Des Brasseries du Cameroun, Desnoes & Geddes Ltd and Sabeco Ltd. As far as these investments are listed, they are measured at their quoted market price. For others, multiples are used. Debt securities (which are interest-bearing) with a carrying amount of EUR14 million (2013: EUR14 million) are included in available-for-sale investments.

#### Sensitivity analysis – equity price risk

As at 31 December 2014, an amount of EUR99 million (2013: EUR120 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. An increase or decrease of 1 per cent in the share price at the reporting date would not result in a material impact on HEINEKEN's financial position.

## Notes to the consolidated financial statements continued

### 18. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

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

In millions of EUR	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	80	119	(607)	(655)	(527)	(536)
Intangible assets	83	84	(1,340)	(1,318)	(1,257)	(1,234)
Investments	131	128	(8)	(9)	123	119
Inventories	20	19	(1)	–	19	19
Loans and borrowings	1	1	(10)	–	(9)	1
Employee benefits	366	317	(1)	(2)	365	315
Provisions	112	113	(20)	(12)	92	101
Other items	288	261	(113)	(202)	175	59
Tax losses carry forward	177	220	–	–	177	220
<b>Tax assets/(liabilities)</b>	<b>1,258</b>	<b>1,262</b>	<b>(2,100)</b>	<b>(2,198)</b>	<b>(842)</b>	<b>(936)</b>
Set-off of tax	(597)	(754)	597	754	–	–
<b>Net tax assets/(liabilities)</b>	<b>661</b>	<b>508</b>	<b>(1,503)</b>	<b>(1,444)</b>	<b>(842)</b>	<b>(936)</b>

Of the total net deferred tax assets of EUR661 million as at 31 December 2014 (2013: EUR508 million), EUR196 million (2013: EUR280 million) is recognised in respect of subsidiaries in various countries where there have been tax losses in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise these deferred tax assets.

#### Tax losses carry forward

HEINEKEN has tax losses carry forward for an amount of EUR1,493 million as at 31 December 2014 (2013: EUR1,906 million), which expire in the following years:

In millions of EUR	2014	2013
2014	–	16
2015	30	33
2016	40	28
2017	14	29
2018	33	23
2019	51	–
After 2019 respectively 2018 but not unlimited	277	330
Unlimited	1,048	1,447
	<b>1,493</b>	<b>1,906</b>
Recognised as deferred tax assets gross	(786)	(978)
Unrecognised	<b>707</b>	<b>928</b>

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses. The decrease in available tax losses, compared to 2013, includes an offset of non-recognised tax losses (EUR340 million) against a non-current income tax liability, acquired as part of a prior acquisition.

### Movement in deferred tax balances during the year

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

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

### 19. Inventories

In millions of EUR	2014	2013
Raw materials	297	271
Work in progress	181	176
Finished products	398	388
Goods for resale	240	218
Non-returnable packaging	166	171
Other inventories and spare parts	352	288
	<b>1,634</b>	<b>1,512</b>

During 2014 and 2013, no write-down of inventories to net realisable value was made.



## Notes to the consolidated financial statements continued

### 20. Trade and other receivables

In millions of EUR	Note	2014	2013
Trade receivables		2,017	1,804
Other receivables		580	556
Trade receivables due from associates and joint ventures		24	22
Derivatives		122	45
	32	<b>2,743</b>	<b>2,427</b>

A net impairment loss of EUR19 million (2013: EUR34 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

### 21. Cash and cash equivalents

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

### 22. Capital and reserves

#### Share capital

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

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

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

#### Share premium

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

#### Translation reserve

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

#### Hedging reserve

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

### Fair value reserve

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

### Other legal reserves

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

### Reserve for own shares

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

### LTV

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

### Dividends

The following dividends were declared and paid by HEINEKEN:

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

HEINEKEN has widened the pay-out ratio for its annual dividend from 30-35 per cent to 30-40 per cent of net profit (beia). For 2014, a payment of a total cash dividend of EUR1.10 per share (2013: EUR0.89) will be proposed at the AGM. If approved, a final dividend of EUR0.74 per share will be paid on 6 May 2015, as an interim dividend of EUR0.36 per share was paid on 2 September 2014. The payment will be subject to 15 per cent Dutch withholding tax.

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

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

### Non-controlling interests

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

## Notes to the consolidated financial statements continued

### 23. Earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

The calculation of diluted earnings per share for the period ended 31 December 2014 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,516 million (2013: EUR1,364 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the effects of all dilutive potential ordinary shares of 576,002,613 (2013: 576,002,613). Diluted earnings per share for the year amounted to EUR2.63 (2013: EUR2.37).

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

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

### 24. Income tax on other comprehensive income

In millions of EUR	2014			2013		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
<b>Other comprehensive income</b>						
Actuarial gains and losses	(440)	96	(344)	263	(66)	197
Currency translation differences	590	107	697	(1,244)	(38)	(1,282)
Recycling of currency translation differences to profit or loss	–	–	–	1	–	1
Effective portion of net investment hedges	(6)	1	(5)	18	(5)	13
Effective portion of changes in fair value of cash flow hedges	(108)	9	(99)	17	(1)	16
Effective portion of cash flow hedges transferred to profit or loss	(5)	2	(3)	(3)	(1)	(4)
Net change in fair value available-for-sale investments	(4)	3	(1)	(63)	10	(53)
Share of other comprehensive income of associates/joint ventures	(7)	–	(7)	6	(1)	5
<b>Total other comprehensive income</b>	<b>20</b>	<b>218</b>	<b>238</b>	<b>(1,005)</b>	<b>(102)</b>	<b>(1,107)</b>

## 25. Loans and borrowings

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

### Non-current liabilities

In millions of EUR	Note	2014	2013
Unsecured bond issues		7,802	8,083
Unsecured bank loans		481	422
Secured bank loans		45	16
Finance lease liabilities	26	10	5
Other non-current interest-bearing liabilities		1,153	1,271
<b>Non-current interest-bearing liabilities</b>		<b>9,491</b>	<b>9,797</b>
Non-current derivatives		8	47
Non-current non-interest-bearing liabilities		–	9
<b>Non-current liabilities</b>		<b>9,499</b>	<b>9,853</b>

### Current interest-bearing liabilities

In millions of EUR	Note	2014	2013
Current portion of unsecured bonds issued		967	904
Current portion of unsecured bank loans		3	261
Current portion of secured bank loans		11	12
Current portion of finance lease liabilities	26	5	4
Current portion of other non-current interest-bearing liabilities		121	471
<b>Total current portion of non-current interest-bearing liabilities</b>		<b>1,107</b>	<b>1,652</b>
Deposits from third parties (mainly employee loans)		564	543
		<b>1,671</b>	<b>2,195</b>
Bank overdrafts	21	595	178
<b>Current interest-bearing liabilities</b>		<b>2,266</b>	<b>2,373</b>

## Notes to the consolidated financial statements continued

### 25. Loans and borrowings continued

#### Net interest-bearing debt position

In millions of EUR	Note	2014	2013
Non-current interest-bearing liabilities		9,491	9,797
Current portion of non-current interest-bearing liabilities		1,107	1,652
Deposits from third parties (mainly employee loans)		564	543
		<b>11,162</b>	<b>11,992</b>
Bank overdrafts	21	595	178
		<b>11,757</b>	<b>12,170</b>
Cash, cash equivalents and current other investments	17/21	(681)	(1,302)
<b>Net interest-bearing debt position</b>		<b>11,076</b>	<b>10,868</b>

#### Non-current liabilities

In millions of EUR	Unsecured bond issues	Unsecured bank loans	Secured bank loans	Finance lease liabilities	Other non-current interest- bearing liabilities	Non-current derivatives	Non-current non- interest- bearing liabilities	Total
Balance as at 1 January 2014	<b>8,083</b>	<b>422</b>	<b>16</b>	<b>5</b>	<b>1,271</b>	<b>47</b>	<b>9</b>	<b>9,853</b>
Consolidation changes	–	–	–	–	(6)	–	–	(6)
Effect of movements								
in exchange rates	12	9	2	–	5	2	1	31
Transfers to current liabilities	(916)	(4)	(8)	(3)	(353)	(2)	(3)	(1,289)
Charge to/(from) equity								
in relation to derivatives	31	–	–	–	117	(1)	–	147
Proceeds	355	521	33	1	110	–	–	1,020
Repayments	(137)	(476)	–	–	3	–	(3)	(613)
Other	374	9	2	7	6	(38)	(4)	356
<b>Balance as at 31 December 2014</b>	<b>7,802</b>	<b>481</b>	<b>45</b>	<b>10</b>	<b>1,153</b>	<b>8</b>	<b>–</b>	<b>9,499</b>

### Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Unsecured bond	issue under EMTN programme	EUR	7.1	2014	–	–	906	906
Unsecured bond	issue under EMTN programme	GBP	7.3	2015	508	508	479	480
Unsecured bond	issue under EMTN programme	SGD	2.7	2015	47	47	41	43
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	399	400	399	400
Unsecured bond	issue under EMTN programme	SGD	2.3	2017	61	62	57	57
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	99	100	99	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	59	59	54	55
Unsecured bond	issue under EMTN programme	EUR	0.7	2018	–	–	60	60
Unsecured bond	issue under EMTN programme	USD	1.1	2019	164	165	–	–
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	844	850	843	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	996	1,000	995	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	497	500	496	500
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	496	500
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	741	750	741	750
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	–	–
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	179	180	179	180
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	91	100	90	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under APB MTN programme	SGD	3.0-4.0	2014-2020	24	24	75	75
Unsecured bond	issue under 144A/RegS	USD	0.8	2015	411	412	361	363
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,026	1,030	901	906
Unsecured bond	issue under 144A/RegS	USD	3.4	2022	614	618	539	543
Unsecured bond	issue under 144A/RegS	USD	2.8	2023	819	824	720	725
Unsecured bond	issue under 144A/RegS	USD	4.0	2042	402	412	353	363
Unsecured bond issues	n.a.	various	various	various	17	17	28	28
Unsecured bank loans	bank facilities	PLN	3.2	2014	–	–	46	46
Unsecured bank loans	bank facilities	EUR	5.1	2016	207	207	207	207
Unsecured bank loans	bank facilities	NGN	13.0	2013-2016	121	121	110	110
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2014	–	–	202	206

## Notes to the consolidated financial statements continued

### 25. Loans and borrowings continued

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.2	2016	110	111	111	111
Unsecured bank loans	bank facilities	PGK	4.7	2019	35	35	–	–
Unsecured bank loans	bank facilities	BIF	10.0- 15.0	2017	10	10	–	–
Unsecured bank loans	various	various	various	various	1	1	7	7
Secured bank loans	bank facilities	GBP	1.8	2016	8	8	9	9
Secured bank loans	bank facilities	HTG	8.5	2019	16	16	–	–
Secured bank loans	bank facilities	ETB	10	2021	20	20	–	–
Secured bank loans	various	various	various	various	12	12	19	19
Other interest-bearing liabilities	2002 S&N US private placement	USD	5.6	2014	–	–	452	435
Other interest-bearing liabilities	2005 S&N US private placement	USD	5.4	2015	–	–	229	218
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	43	43	38	38
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	74	74	65	65
Other interest-bearing liabilities	2008 US private placement	GBP	7.3	2016	32	32	30	30
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	41	41	38	38
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	597	597	526	526
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	321	321	282	282
Other interest-bearing liabilities	facilities from JV's	EUR	various	various	150	150	61	61
Other interest-bearing liabilities	various	various	various	various	16	16	21	21
Deposits from third parties	n.a.	various	various	various	564	564	543	543
Finance lease liabilities	n.a.	various	various	various	15	15	9	9
					<b>11,162</b>	<b>11,227</b>	<b>11,992</b>	<b>12,040</b>

#### Financing headroom<sup>1</sup>

As at 31 December 2014, no amounts were drawn on the existing revolving credit facility of EUR2,500 million. This revolving credit facility was extended and amended in May 2014 and now matures in 2019. The committed financing headroom at Group level was EUR2,169 million as at 31 December 2014 and consisted of undrawn revolving credit facility and centrally available cash, minus centrally managed overdraft balances.

#### Incurrence covenant<sup>1</sup>

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt by EBITDA (beia) (both based on proportional consolidation of joint ventures and including acquisitions made in 2014 on a pro-forma basis). As at 31 December 2014 this ratio was 2.4 (2013: 2.5). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent us from conducting further significant debt financed acquisitions.

<sup>1</sup>Non-GAAP measures: unaudited

## 26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2014		Present value of minimum lease payments 2014	Future minimum lease payments 2013		Present value of minimum lease payments 2013
		Interest 2014			Interest 2013	
Less than one year	5	–	5	4	–	4
Between one and five years	8	–	8	5	–	5
More than five years	2	–	2	–	–	–
	<b>15</b>	<b>–</b>	<b>15</b>	<b>9</b>	<b>–</b>	<b>9</b>

## 27. Non-GAAP measures

In the internal management reports, HEINEKEN measures its performance primarily based on EBIT and EBIT beia (before exceptional items and amortisation of acquisition-related intangible assets). Both are non-GAAP measures not calculated in accordance with IFRS. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Beia adjustments are also applied on operating profit and net profit metrics.

The table below presents the relationship between IFRS measures, being results from operating activities and net profit, and HEINEKEN non-GAAP measures, being EBIT, EBIT (beia), consolidated operating profit (beia), Group operating profit (beia) and net profit (beia).

In millions of EUR	2014 <sup>1</sup>	2013 <sup>1</sup>
Results from operating activities	<b>2,780</b>	2,554
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	148	146
EBIT	<b>2,928</b>	2,700
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	340	391
EBIT (beia)	<b>3,268</b>	3,091
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(139)	(150)
Consolidated operating profit (beia)	<b>3,129</b>	2,941
Attributable share of operating profit from joint ventures and associates and impairments thereof	230	251
Group operating profit (beia)	<b>3,359</b>	3,192
Profit attributable to equity holders of the Company (net profit)	<b>1,516</b>	1,364
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	340	391
Exceptional items included in finance costs	(1)	(11)
Exceptional items included in income tax expense	(52)	(151)
Exceptional items included in non-controlling interest	(45)	(8)
Net profit (beia)	<b>1,758</b>	1,585

<sup>1</sup>Unaudited

The 2014 exceptional items included in EBIT contain the amortisation of acquisition-related intangibles for EUR291 million (2013: EUR329 million), restructuring expenses of EUR111 million (2013: EUR99 million), the settlement of indemnified tax liabilities of EUR39 million and the impairment of intangible assets and P, P & E in Tunisia for EUR21 million. These items are partly offset by past service benefit in the Netherlands due to a change in pension legislation of EUR88 million and the gain on revaluation of our PHEI in Zagorka of EUR51 million.



## Notes to the consolidated financial statements continued

### 27. Non-GAAP measures continued

The exceptional items in income tax expense include the tax impact on amortisation of acquisition-related intangible assets of EUR72 million (2013: EUR84 million) and the tax impact on other exceptional items included in EBIT and finance costs of EUR6 million (2013: EUR21 million). These items are partly offset by exceptional income tax items with a negative impact amounting to EUR26 million (2013: EUR46 million positive impact), including the write-off of deferred tax assets of EUR111 million and the release of a non-current income tax liability of EUR85 million.

EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

### 28. Employee benefits

In millions of EUR	2014	2013
Present value of unfunded defined benefit obligations	358	306
Present value of funded defined benefit obligations	8,551	7,368
<b>Total present value of defined benefit obligations</b>	<b>8,909</b>	<b>7,674</b>
Fair value of defined benefit plan assets	(7,547)	(6,553)
<b>Present value of net obligations</b>	<b>1,362</b>	<b>1,121</b>
Asset ceiling items	2	2
<b>Recognised liability for defined benefit obligations</b>	<b>1,364</b>	<b>1,123</b>
Other long-term employee benefits	79	79
	<b>1,443</b>	<b>1,202</b>

HEINEKEN makes contributions to defined benefit plans that provide pension benefits for employees upon retirement in a number of countries. The defined benefit plans in the Netherlands and the UK combined cover 88.6 per cent of the total defined benefit plan assets (2013: 87.5 per cent), 83.0 per cent of the present value of the defined benefit obligations (2013: 82.5 per cent) and 52.1 per cent of the present value of net obligations (2013: 53.0 per cent) as at 31 December 2014.

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. HEINEKEN pays contributions to the fund up to a maximum level agreed with the Board of the pension fund and has no obligation to make additional contributions in case of a funding deficit. In 2014, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level is expected to be paid in 2015.

HEINEKEN's UK plan (Scottish & Newcastle pension plan) was closed to future accrual in 2010 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2013, HEINEKEN has agreed a 10-year funding plan including base Company contributions of GBP21 million per year, with a further Company contribution of between GBP15 million and GBP40 million per year, contingent on the funding level of the pension fund. As at 31 December 2014, the IAS 19 present value of the net obligations of the Scottish & Newcastle pension plan represents a GBP377 million (EUR484 million) deficit. No additional liability has to be recognised as the net present value of the minimum funding requirement does not exceed the net obligation.

Other countries where HEINEKEN offers a defined benefit plan to (former) employees are: Austria (closed in 2007 to new entrants), Belgium, Greece (closed in 2014 to new entrants), Ireland (closed in 2012 to all future accrual), Mexico (plan changed to hybrid defined contribution for majority of employees in 2014), Nigeria (closed to new entrants in 2007), Portugal, Spain (closed to management in 2010) and Switzerland.

The vast majority of benefit payments are from pension funds that are held in trusts (or equivalent); however, there is a small portion where HEINEKEN meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by Trustee Boards composed of HEINEKEN representatives and independent and/or member representation, in accordance with local regulations and practice in each country. The relationship and division of responsibility between HEINEKEN and the Trustee Board (or equivalent) including investment decisions and contribution schedules are carried out in accordance with the plan's regulations.

In other countries, the pension plans are defined contribution plans and/or similar arrangements for employees.

Other long-term employee benefits mainly relate to long-term bonus plans, termination benefits, medical plans and jubilee benefits.

### Movement in net defined benefit obligation

The movement in the defined benefit obligation over the year is as follows:

In millions of EUR	Note	Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
		2014	2013	2014	2013	2014	2013
<b>Balance as at 1 January</b>		<b>7,674</b>	<b>7,844</b>	<b>(6,553)</b>	<b>(6,401)</b>	<b>1,121</b>	<b>1,443</b>
<b>Included in profit or loss</b>							
Current service cost		75	80	–	–	75	80
Past service cost/(credit)		(103)	(42)	–	–	(103)	(42)
Administration expense		–	–	4	3	4	3
Effect of any settlement		(7)	–	–	–	(7)	–
Expense recognised							
in personnel expenses	10	(35)	38	4	3	(31)	41
Interest expense/(income)	12	326	288	(277)	(232)	49	56
		<b>291</b>	<b>326</b>	<b>(273)</b>	<b>(229)</b>	<b>18</b>	<b>97</b>
<b>Included in OCI</b>							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from							
Demographic assumptions		12	16	–	–	12	16
Financial assumptions		1,185	(167)	–	–	1,185	(167)
Experience adjustments		(112)	(6)	–	–	(112)	(6)
Return on plan assets							
excluding interest income		–	–	(645)	(106)	(645)	(106)
Effect of movements							
in exchange rates		257	(100)	(225)	76	32	(24)
		<b>1,342</b>	<b>(257)</b>	<b>(870)</b>	<b>(30)</b>	<b>472</b>	<b>(287)</b>
<b>Other</b>							
Changes in consolidation							
and reclassification		(86)	48	32	5	(54)	53
Contributions paid:							
By the employer		–	–	(195)	(185)	(195)	(185)
By the plan participants		26	26	(26)	(26)	–	–
Benefits paid		(338)	(313)	338	313	–	–
		<b>(398)</b>	<b>(239)</b>	<b>149</b>	<b>107</b>	<b>(249)</b>	<b>(132)</b>
<b>Balance as at 31 December</b>		<b>8,909</b>	<b>7,674</b>	<b>(7,547)</b>	<b>(6,553)</b>	<b>1,362</b>	<b>1,121</b>

The defined benefit plan in the Netherlands was amended to reflect changes in legal requirements. From 1 January 2015, the annual accrual rate was reduced to the legal maximum rate of 1.875 per cent and a salary cap was introduced. As a result, the defined benefit obligation in the Dutch plan decreased by EUR88 million. A corresponding past service credit was recognised in profit or loss during 2014.

## Notes to the consolidated financial statements continued

### 28. Employee benefits continued

#### Defined benefit plan assets

In millions of EUR	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<b>Equity instruments:</b>						
Europe	764	–	764	711	–	711
Northern America	712	–	712	582	–	582
Japan	204	–	204	197	–	197
Asia other	234	–	234	177	–	177
Other	242	1	243	252	–	252
	<b>2,156</b>	<b>1</b>	<b>2,157</b>	<b>1,919</b>	<b>–</b>	<b>1,919</b>
<b>Debt instruments:</b>						
Corporate bonds – investment grade	2,857			2,150		
Corporate bonds – non-investment grade	186			39		
	<b>3,043</b>	<b>35</b>	<b>3,078</b>	<b>2,189</b>	<b>20</b>	<b>2,209</b>
Derivatives	132	(4)	128	423	2	425
Properties and real estate	278	212	490	233	214	447
Cash and cash equivalents	178	16	194	107	12	119
Investment funds	916	309	1,225	979	228	1,207
Other plan assets	210	65	275	184	43	227
	<b>1,714</b>	<b>598</b>	<b>2,312</b>	<b>1,926</b>	<b>499</b>	<b>2,425</b>
<b>Balance as at 31 December</b>	<b>6,913</b>	<b>634</b>	<b>7,547</b>	<b>6,034</b>	<b>519</b>	<b>6,553</b>

The HEINEKEN pension funds monitor the mix of debt and equity securities in their investment portfolios based on market expectations. Material investments within the portfolio are managed on an individual basis. Through its defined benefit pension plans, HEINEKEN is exposed to a number of risks, the most significant which are detailed below:

#### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. Both the Netherlands and the UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term, while providing volatility and risk in the short term.

In the Netherlands, an Asset-Liability Matching (ALM) study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 35 per cent equity securities, 40 per cent bonds, 10 per cent property and real estate and 15 per cent other investments. The objective is to hedge currency risk on the US dollar, Japanese yen and British pound for 50 per cent in the strategic investment mix.

In the UK, an Asset-Liability Matching study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 29 per cent equity securities (including synthetic exposure from derivatives), 35 per cent bonds (including synthetic exposure from derivatives), 5 per cent property and real estate and 31 per cent other investments. The objective is to hedge currency risk on developed non-GBP equity market exposures for 70 per cent, with US dollar currency risk on other investments hedged 100 per cent in the strategic investment mix.

#### Interest rate risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

In the Netherlands, interest rate risk is partly managed through fixed income investments. These investments match the liabilities for 20.1 per cent (2013: 23.4 per cent). In the UK, interest rate risk is partly managed through the use of a mixture of fixed income investments and interest rate swap instruments. These investments and instruments match the liabilities for 24.7 per cent (2013: 29.2 per cent).

### Inflation risk

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

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation sensitivity is based on capped Consumer Price Inflation for deferred members and capped Retail Price Inflation for pensions in payment.

### Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy.

### Principal actuarial assumptions as at the balance sheet date

Based on the significance of the Dutch and UK pension plans compared with the other plans, the table below only includes the major actuarial assumptions for those two plans as at 31 December:

In per cent	The Netherlands		UK*	
	2014	2013	2014	2013
Discount rate as at 31 December	1.8	3.6	3.6	4.6
Future salary increases	2.0	2.0	–	–
Future pension increases	0.3	1.4	2.9	3.2

\* The UK plan closed for future accrual, leading to certain assumptions being equal to zero.

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

In per cent	Other Western, Central and Eastern Europe		The Americas		Africa Middle East	
	2014	2013	2014	2013	2014	2013
Discount rate as at 31 December	1.0-1.9	2.4-3.6	7.3	7.6	15	14.0
Future salary increases	1.0-3.5	1.0-3.5	4.5	3.9	8.4	9.2
Future pension increases	0.2-1.8	1.0-1.8	3.5	2.9	3.2	2.0
Medical cost trend rate	3.5-4.5	3.4-4.5	5.1	5.1	6.8	7.5

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2014', fully generational. Correction factors from Towers Watson are applied on these. For the UK, the rates are obtained from the Continuous Mortality Investigation 2011 projection model.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

HEINEKEN expects the 2015 contributions to be paid for the defined benefit plans to be in line with 2014.

## Notes to the consolidated financial statements continued

### 28. Employee benefits continued

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Effect in millions of EUR	31 December 2014		31 December 2013	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(721)	825	(560)	636
Future salary growth (0.25% movement)	45	(44)	14	(22)
Future pension growth (0.25% movement)	301	(265)	236	(225)
Medical cost trend rate (0.5% movement)	5	(5)	4	(3)
Life expectancy (1 year)	285	(287)	231	(236)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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

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

The performance conditions for LTV 2012-2014, LTV 2013-2015 and LTV 2014-2016 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Revenue growth (Organic Gross Profit beia growth up to LTV 2013-2015), Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow. The performance targets are also the same for the Executive Board and senior management, although for LTV 2012-2014 and LTV 2013-2015 the performance targets for the Executive Board have been set at a higher target level as a result of the recalibration that took place in 2013.

At target performance, 100 per cent of the awarded share rights vests. At threshold performance, 50 per cent of the awarded share rights vests. At maximum performance, 200 per cent of the awarded share rights vests for the Executive Board as well as senior managers in the US, Mexico, Brazil and Singapore, and 175 per cent vests for all other senior managers.

The performance period for the aforementioned plans are:

LTV	Performance period start	Performance period end
2012-2014	1 January 2012	31 December 2014
2013-2015	1 January 2013	31 December 2015
2014-2016	1 January 2014	31 December 2016

The vesting date for the Executive Board is shortly after the publication of the annual results of 2014, 2015 and 2016 respectively and for senior management on 1 April 2015, 2016 and 2017 respectively.

As HEINEKEN will withhold the tax related to vesting on behalf of the individual employees, the number of Heineken N.V. shares to be received will be a net number. The LTV performance shares are not dividend-bearing during the performance period. The fair value has been adjusted for expected dividends by applying a discount based on our dividend policy and historical dividend payouts, during the vesting period.

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

Grant date/employees entitled	Based on share price	
	Number*	price
Share rights granted to Executive Board in 2012	66,746	35.77
Share rights granted to senior management in 2012	703,382	35.77
Share rights granted to Executive Board in 2013	50,278	50.47
Share rights granted to senior management in 2013	560,863	50.47
Share rights granted to Executive Board in 2014	51,702	49.08
Share rights granted to senior management in 2014	597,744	49.08

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

Under the LTV 2011-2013, a total of 24,403 (gross) shares vested for the Executive Board and 191,827 (gross) shares vested for senior management.

Based on the performance conditions, it is expected that approximately 916,724 shares of the LTV 2012-2014 will vest in 2015 for senior management and the Executive Board.

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

	Weighted average share price 2014	Number of share rights 2014	Weighted average share price 2013	Number of share rights 2013
Outstanding as at 1 January	42.41	1,257,106	35.42	1,357,826
Granted during the year	49.08	649,446	50.47	611,141
Forfeited during the year	44.80	(112,593)	40.52	(120,014)
Vested during the year	36.69	(216,229)	33.27	(331,768)
Performance adjustment	–	823,688	–	(260,079)
Outstanding as at 31 December	44.42	2,401,418	42.41	1,257,106

Under the extraordinary share plans for senior management, 17,800 shares were granted and 46,996 (gross) shares vested. These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2014 are EUR1.2 million (2013: EUR1.1 million).

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

### Personnel expenses

In millions of EUR	Note	2014	2013
Share rights granted in 2011		–	(3)
Share rights granted in 2012		20	5
Share rights granted in 2013		17	8
Share rights granted in 2014		11	–
Total expense recognised in personnel expenses	10	48	10

## Notes to the consolidated financial statements continued

### 30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2014		164	32	342	538
Changes in consolidation	6	–	–	(2)	(2)
Provisions made during the year		92	34	87	213
Provisions used during the year		(91)	(13)	(16)	(120)
Provisions reversed during the year		(7)	(1)	(79)	(87)
Effect of movements in exchange rates		2	2	9	13
Unwinding of discounts		2	–	6	8
Balance as at 31 December 2014		162	54	347	563
Non-current		79	41	278	398
Current		83	13	69	165

#### Restructuring

The provision for restructuring of EUR162 million mainly relates to restructuring programmes in the UK, Spain and the Netherlands.

#### Other provisions

Included are, among others, surety and guarantees provided of EUR26 million (2013: EUR25 million) and claims and litigation of EUR182 million (2013: EUR168 million).

#### Greece

The Company's subsidiary Athenian Brewery S.A. has been subject to an investigation and subsequent legal procedure initiated by the Hellenic Competition Commission in relation to a possible abuse of dominance situation in the Greek beer market. Athenian Brewery S.A. denies it is involved in such violation. The outcome of this case cannot be reliably predicted at this moment.

### 31. Trade and other payables

In millions of EUR	Note	2014	2013
Trade payables		2,339	2,140
Accruals and deferred income		1,211	1,047
Taxation and social security contributions		802	804
Returnable packaging deposits		580	507
Interest		132	188
Derivatives		104	149
Dividends		45	36
Other payables		320	260
	32	5,533	5,131

## 32. Financial risk management and financial instruments

### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

### Risk management framework

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

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

### Credit risk

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

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

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



## Notes to the consolidated financial statements continued

### 32. Financial risk management and financial instruments continued

#### Loans to customers

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

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

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

#### Trade and other receivables

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

In monitoring customer credit risk, customers are, on a country basis, grouped according to their credit characteristics, including whether they are an individual or legal entity, which type of distribution channel they represent, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Customers that are graded as high risk are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of management.

HEINEKEN has multiple distribution models to deliver goods to end customers. Deliveries are done in some countries via own wholesalers, in other markets directly and in some others via third parties. As such distribution models are country-specific and diverse across HEINEKEN, the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

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

### Advances to customers

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

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

### Investments

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

### Guarantees

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

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

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of EUR	Note	2014	2013
Trade and other receivables, excluding current derivatives	20	2,621	2,382
Cash and cash equivalents	21	668	1,290
Current derivatives	20	122	45
Investments held for trading	17	13	11
Available-for-sale investments	17	253	247
Non-current derivatives	17	97	67
Loans to customers	17	68	65
Other loans receivable	17	82	50
Indemnification receivable	17	9	113
Held-to-maturity investments	17	3	4
Other non-current receivables	17	141	128
		<b>4,077</b>	<b>4,402</b>

The maximum exposure to credit risk for trade and other receivables (excluding current derivatives) at the reporting date by geographic region was:

In millions of EUR	2014	2013
Western Europe	1,000	956
Central and Eastern Europe	497	466
The Americas	470	428
Africa Middle East	293	237
Asia Pacific	223	178
Head Office/eliminations	138	117
	<b>2,621</b>	<b>2,382</b>

## Notes to the consolidated financial statements continued

### 32. Financial risk management and financial instruments continued

#### Impairment losses

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

In millions of EUR	Impairment		Gross 2013	Impairment 2013
	Gross 2014	2014		
Not past due	2,296	(76)	2,016	(83)
Past due 0 – 30 days	185	(9)	281	(15)
Past due 31 – 120 days	197	(36)	191	(33)
More than 120 days	347	(283)	312	(287)
	<b>3,025</b>	<b>(404)</b>	<b>2,800</b>	<b>(418)</b>

The movement in the allowance for impairment in respect of trade and other receivables (excluding current derivatives) during the year was as follows:

In millions of EUR	2014	2013
Balance as at 1 January	418	461
Changes in consolidation	2	(3)
Impairment loss recognised	85	66
Allowance used	(38)	(66)
Allowance released	(66)	(32)
Effect of movements in exchange rates	3	(8)
Balance as at 31 December	<b>404</b>	<b>418</b>

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

In millions of EUR	2014	2013
Balance as at 1 January	150	158
Changes in consolidation	–	3
Impairment loss recognised	10	–
Allowance used	(21)	5
Allowance released	(6)	(14)
Effect of movements in exchange rates	2	(2)
Balance as at 31 December	<b>135</b>	<b>150</b>

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

The income statement impact of EUR4 million (2013: EUR14 million) in respect of loans to customers and EUR19 million (2013: EUR34 million) in respect of trade and other receivables (excluding current derivatives) were included in expenses for raw materials, consumables and services.

The allowance accounts in respect of trade and other receivables and held-to-maturity investments are used to record impairment losses, unless HEINEKEN is satisfied that no recovery of the amount owing is possible; at that point, the amount considered irrecoverable is written off against the financial asset.

#### Liquidity risk

Liquidity risk is the risk that HEINEKEN will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. HEINEKEN's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to HEINEKEN's reputation.

HEINEKEN has a clear focus on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Financing strategies are under continuous evaluation. In addition, HEINEKEN seeks to align the maturity profile of its long-term debts with its forecasted cash flow generation. Strong cost and cash management and controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

### Contractual maturities

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

In millions of EUR	2014					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>						
Interest-bearing liabilities	(11,757)	(14,202)	(2,831)	(876)	(4,269)	(6,226)
Trade and other payables, excluding interest, dividends and derivatives	(5,252)	(5,252)	(5,252)	–	–	–
<b>Derivative financial assets and (liabilities)</b>						
Interest rate swaps used for hedge accounting (net)	163	238	96	12	130	–
Forward exchange contracts used for hedge accounting (net)	(64)	(66)	(60)	(6)	–	–
Commodity derivatives used for hedge accounting (net)	(11)	(10)	(7)	(3)	–	–
Derivatives not used for hedge accounting (net)	19	19	19	(3)	3	–
	<b>(16,902)</b>	<b>(19,273)</b>	<b>(8,035)</b>	<b>(876)</b>	<b>(4,136)</b>	<b>(6,226)</b>

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

## Notes to the consolidated financial statements continued

### 32. Financial risk management and financial instruments continued

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

#### Market risk

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

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

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

#### Foreign currency risk

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

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

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

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

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on a subsidiary level. The resulting exposure at Group level is hedged by means of forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British pounds, US dollars, Swiss francs and Polish zloty. In some cases, HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

The principal amounts of HEINEKEN's US dollar, British pound, Nigerian naira, Singapore dollar bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies or have functional currencies that are closely correlated. Corresponding interest on these borrowings is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN. This provides an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of the Company and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### Exposure to foreign currency risk

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

In millions	2014			2013		
	EUR	GBP	USD	EUR	GBP	USD
<b>Financial assets</b>						
Trade and other receivables	14	12	44	15	–	37
Cash and cash equivalents	98	1	93	90	–	158
Intragroup assets	14	464	4,727	12	461	4,556
<b>Financial liabilities</b>						
Interest bearing liabilities	(17)	(878)	(5,464)	(12)	(855)	(6,183)
Non-interest-bearing liabilities	(1)	–	(1)	(13)	–	(3)
Trade and other payables	(135)	(9)	(93)	(105)	(1)	(124)
Intragroup liabilities	(728)	1	(706)	(414)	(3)	(282)
Gross balance sheet exposure	<b>(755)</b>	<b>(409)</b>	<b>(1,400)</b>	<b>(427)</b>	<b>(398)</b>	<b>(1,841)</b>
Estimated forecast sales next year	186	–	1,373	167	–	1,408
Estimated forecast purchases next year	(1,739)	(2)	(1,562)	(1,559)	(10)	(1,533)
Gross exposure	<b>(2,308)</b>	<b>(411)</b>	<b>(1,589)</b>	<b>(1,819)</b>	<b>(408)</b>	<b>(1,966)</b>
Net notional amount forward exchange contracts	99	396	950	(373)	397	1,533
Net exposure	<b>(2,209)</b>	<b>(15)</b>	<b>(639)</b>	<b>(2,192)</b>	<b>(11)</b>	<b>(433)</b>
<b>Sensitivity analysis</b>						
Equity	(35)	(1)	(31)	9	–	15
Profit or loss	(6)	(1)	(2)	(1)	–	(6)

Included in the US dollar amounts are intra-HEINEKEN cash flows.

### Sensitivity analysis

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

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

### Interest rate risk

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

HEINEKEN opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Currently, HEINEKEN's interest rate position is more weighted towards fixed than floating. Interest rate instruments that can be used are interest rate swaps, forward rate agreements, caps and floors.

Swap maturity follows the maturity of the related loans and borrowings which have swap rates for the fixed leg ranging from 3.8 to 7.3 per cent (2013: from 3.6 to 7.3 per cent).

## Notes to the consolidated financial statements continued

### 32. Financial risk management and financial instruments continued

#### Interest rate risk – profile

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

In millions of EUR	2014	2013
<b>Fixed rate instruments</b>		
Financial assets	99	96
Financial liabilities	(10,225)	(11,017)
Net interest rate swaps	56	471
	<b>(10,070)</b>	<b>(10,450)</b>
<b>Variable rate instruments</b>		
Financial assets	917	1,488
Financial liabilities	(1,532)	(1,153)
Net interest rate swaps	(56)	(471)
	<b>(671)</b>	<b>(136)</b>

#### Fair value sensitivity analysis for fixed rate instruments

HEINEKEN applies fair value and cash flow hedge accounting on certain fixed rate financial liabilities and designates derivatives (interest rate swaps) as hedging instruments. The fixed rate financial liabilities that were accounted for at fair value through profit and loss and the designated interest rate swaps were repaid/settled in 2014. The termination of these fair value hedges did not have a material impact on profit and loss.

A change of 100 basis points in interest rates would have increased (decreased) equity by EUR nil million (2013: EUR 5 million).

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. The analysis is performed on the same basis as for 2013.

In millions of EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2014</b>				
Variable rate instruments	(5)	5	(5)	5
Net interest rate swaps	–	–	–	–
Cash flow sensitivity (net)	<b>(5)</b>	<b>5</b>	<b>(5)</b>	<b>5</b>
<b>31 December 2013</b>				
Variable rate instruments	3	(3)	3	(3)
Net interest rate swaps	(4)	4	(4)	4
Cash flow sensitivity (net)	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>

### Commodity price risk

Commodity price risk is the risk that changes in commodity prices will affect HEINEKEN's income. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, while optimising the return on risk. The main commodity exposure relates to the purchase of cans, glass bottles, malt and utilities. Commodity price risk is in principle addressed by negotiating fixed prices in supplier contracts with various contract durations. So far, commodity hedging with financial counterparties by HEINEKEN has been limited to aluminium hedging and to a limited extent gas and grains hedging, which are done in accordance with risk policies. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements. As at 31 December 2014, the market value of commodity swaps was EUR10 million negative (2013: EUR26 million negative).

### Sensitivity analysis for aluminium hedges

The table below shows an estimated impact of 10 per cent change in the market price of aluminium.

In millions of EUR	Equity	
	10 per cent increase	10 per cent decrease
31 December 2014		
Aluminium hedges	34	(34)

### Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

In millions of EUR	Carrying amount	Expected cash flows	2014			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Interest rate swaps:</b>						
Assets	166	1,701	605	82	1,014	–
Liabilities	(3)	(1,463)	(509)	(70)	(884)	–
<b>Forward exchange contracts:</b>						
Assets	24	1,541	1,394	147	–	–
Liabilities	(88)	(1,607)	(1,454)	(153)	–	–
<b>Commodity derivatives:</b>						
Assets	5	9	6	2	1	–
Liabilities	(15)	(19)	(13)	(5)	(1)	–
	<b>89</b>	<b>162</b>	<b>29</b>	<b>3</b>	<b>130</b>	<b>–</b>

The periods in which the cash flows associated with forward exchange contracts that are cash flow hedges are expected to impact profit or loss is on average two months earlier than the occurrence of the cash flows as in the above table.

In millions of EUR	Carrying amount	Expected cash flows	2013			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Interest rate swaps:</b>						
Assets	63	1,607	79	561	967	–
Liabilities	(45)	(1,543)	(79)	(509)	(955)	–
<b>Forward exchange contracts:</b>						
Assets	39	643	530	113	–	–
Liabilities	(4)	(607)	(496)	(111)	–	–
<b>Commodity derivatives:</b>						
Assets	–	–	–	–	–	–
Liabilities	(26)	(26)	(24)	(2)	–	–
	<b>27</b>	<b>74</b>	<b>10</b>	<b>52</b>	<b>12</b>	<b>–</b>



## Notes to the consolidated financial statements continued

### 32. Financial risk management and financial instruments continued

#### Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering local currency denominated borrowings, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings are designated as a net investment hedge. The fair value of these borrowings at 31 December 2014 was EUR520 million (2013: EUR273 million), and no ineffectiveness was recognised in profit and loss in 2014 (2013: nil).

#### Capital management

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

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

#### Fair values

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

In millions of EUR	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Bank loans	(540)	(540)	(711)	(711)
Unsecured bond issues	(8,769)	(9,296)	(8,987)	(8,951)
Finance lease liabilities	(15)	(15)	(9)	(9)
Other interest-bearing liabilities	(1,275)	(1,275)	(1,742)	(1,742)

#### Basis for determining fair values

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

#### Fair value hierarchy

The tables below present the financial instruments accounted for at fair value and amortised cost by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

31 December 2013	Level 1	Level 2	Level 3
Available-for-sale investments	120	68	59
Non-current derivative assets	–	67	–
Current derivative assets	–	45	–
Investments held for trading	11	–	–
	<b>131</b>	<b>180</b>	<b>59</b>
Non-current derivative liabilities	–	(47)	–
Loans and borrowings	(8,951)	(2,461)	–
Current derivative liabilities	–	(149)	–
	<b>(8,951)</b>	<b>(2,657)</b>	<b>–</b>

There were no transfers between level 1 and level 2 of the fair value hierarchy during the period ended 31 December 2014.

### Level 2

HEINEKEN determines level 2 fair values for over-the-counter securities based on broker quotes. The fair values of simple over-the-counter derivative financial instruments are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available.

The fair value of derivatives is calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of HEINEKEN and counterparty when appropriate.

### Level 3

Details of the determination of level 3 fair value measurements as at 31 December 2014 are set out below:

In millions of EUR	2014	2013
Available-for-sale investments based on level 3		
Balance as at 1 January	59	134
Fair value adjustments recognised in other comprehensive income	10	16
Disposals	(1)	(1)
Transfers	–	(90)
Balance as at 31 December	<b>68</b>	<b>59</b>

The fair values for the level 3 available-for-sale investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

## Notes to the consolidated financial statements continued

### 33. Off-balance sheet commitments

In millions of EUR	Total 2014	Less than 1 year	1-5 years	More than 5 years	Total 2013
Lease and operational lease commitments	993	155	319	519	701
Property, plant and equipment ordered	158	154	4	–	160
Raw materials purchase contracts	3,400	1,396	1,766	238	4,526
Other off-balance sheet obligations	2,008	530	913	565	2,279
<b>Off-balance sheet obligations</b>	<b>6,559</b>	<b>2,235</b>	<b>3,002</b>	<b>1,322</b>	<b>7,666</b>
Undrawn committed bank facilities	2,871	5	2,866	–	2,397

HEINEKEN leases buildings, cars and equipment in the ordinary course of business.

Raw material contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed based upon predefined price formulas. These contracts mainly relate to malt, bottles and cans.

During the year ended 31 December 2014, EUR291 million (2013: EUR282 million) was recognised as an expense in profit or loss in respect of operating leases and rent.

Other off-balance sheet obligations mainly include distribution, rental, service and sponsorship contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

### 34. Contingencies

#### Brazil

As part of the acquisition of the beer operations of FEMSA in 2010, HEINEKEN inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiaries Cervejarias Kaiser Brasil and Cervejarias Kaiser Nordeste (jointly, Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common to the current economic and legal environment of Brazil. The proceedings have partly been provided for (refer to note 30). The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2014 is EUR620 million. Such contingencies were classified by legal counsel as less than probable of being settled against Heineken Brasil, but more than remote. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies. A significant part of the aforementioned contingencies (EUR355 million) is tax-related and qualifies for indemnification by FEMSA (refer to note 17).

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR399 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

## Guarantees

In millions of EUR	Total 2014	Less than 1 year	1-5 years	More than 5 years	Total 2013
Guarantees to banks for loans (to third parties)	354	152	190	12	280
Other guarantees	592	222	291	79	423
<b>Guarantees</b>	<b>946</b>	<b>374</b>	<b>481</b>	<b>91</b>	<b>703</b>

Guarantees to banks for loans relate to loans to customers, which are given to external parties in the ordinary course of business of HEINEKEN. HEINEKEN provides guarantees to the banks to cover the risk related to these loans.

## 35. Related parties

### Identification of related parties

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

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

### Key management remuneration

In millions of EUR	2014	2013
Executive Board	15.4	10.0
Supervisory Board	1.0	1.0
<b>Total</b>	<b>16.4</b>	<b>11.0</b>

### Executive Board

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay (STV) and a Long-Term Variable award (LTV). The STV is based on financial and operational measures (75 per cent) and on individual leadership measures (25 per cent) as set by the Supervisory Board. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years, HEINEKEN will match the blocked shares 1:1 which we refer to as the matching share entitlement. For the LTV award refer to note 29. The separate Remuneration Report is stated on pages 49-57.

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

## Notes to the consolidated financial statements continued

### 35. Related parties continued

In thousands of EUR	2014			2013		
	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total
Fixed salary	1,150	650	1,800	1,150	650	1,800
Short-Term Variable pay	2,769	1,118	3,887	1,127	455	1,582
Matching share entitlement	640	517	1,157	564	228	792
Long-Term Variable award	2,972	1,690	4,662	475	227	702
APB bonus and retention	750	–	750	3,039	1,300	4,339
Pension contributions	709	387	1,096	470	277	747
Termination benefit <sup>1</sup>	–	2,000	2,000	–	–	–
<b>Total<sup>1</sup></b>	<b>8,990</b>	<b>6,362</b>	<b>15,352</b>	<b>6,825</b>	<b>3,137</b>	<b>9,962</b>

<sup>1</sup>In 2013, the Dutch Government applied an additional tax levy of 16 per cent over 2013 taxable income above EUR150,000. This tax levy related to remuneration over 2013 for the Executive Board is EUR1.5 million. In 2014, an estimated tax penalty of EUR1.5 million by the Dutch tax authorities was recognised in relation to the termination agreement of Mr. René Hooft Graafland. Both taxes are an expense to the employer and therefore not included in the table above.

The matching share entitlements for each year are based on the performance in that year. The CEO and CFO have chosen to invest 25 and 50 per cent, respectively, of their STV for 2014 into Heineken N.V. shares (investment shares); in 2013 both the CEO and CFO invested 50 per cent. The corresponding matching shares vest immediately and as such a fair value of EUR1.2 million was recognised in the 2014 income statement. The matching share entitlements are not dividend-bearing during the five calendar year holding period of the investment shares. The fair value has been adjusted for expected dividends by applying a discount based on our dividend policy and historical dividend payouts, during the vesting period.

In 2013, the CEO and CFO were rewarded with an extraordinary share award of EUR2.52 million for the CEO (45,893 shares gross) and EUR1.3 million for the CFO (23,675 shares gross) for the successful acquisition of Asia Pacific Breweries Limited. The awarded Heineken N.V. shares vested immediately and remain blocked for a period of five years from the grant date. Furthermore, the Supervisory Board granted a retention share award to the CEO in 2013, to the value of EUR1.5 million (27,317 share entitlements gross). Two years after the grant date the share award will vest and be converted into Heineken N.V. shares. A three-year holding restriction then applies to these shares. In 2014, an expense of EUR750,000 is recognised for the retention award.

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

Mr. René Hooft Graafland will resign from the Executive Board as from 24 April 2015 and his employment contract ends 1 May 2015. A severance payment of EUR2 million will be made upon resignation and is recognised in the 2014 income statement. This resignation is considered a retirement under the LTV plan rules, which implies that unvested LTV awards as of 1 May 2015 will continue to vest at their regular vesting dates, insofar and to the extent that predetermined performance conditions are met.

As a result, the expenses for the LTV awards 2013-2015 and 2014-2016 have been accelerated from their usual rate of one-third per year to a rate which ensures full expensing on 1 May 2015 rather than on 31 December 2015 and 2016. The impact of this acceleration in expensing for Mr. René Hooft Graafland is approximately EUR0.2 million.

## Supervisory Board

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

In thousands of EUR	2014	2013 <sup>1</sup>
G.J. Wijers <sup>2</sup>	163	136
C.J.A. van Lede <sup>3</sup>	–	51
J.A. Fernández Carbajal	105	108
M. Das	88	88
M.R. de Carvalho	141	141
J.M. de Jong <sup>4</sup>	25	86
A.M. Fentener van Vlissingen	91	90
M.E. Minnick	83	80
V.C.O.B.J. Navarre	73	75
J.G. Astaburuaga Sanjinés	95	95
H. Scheffers <sup>5</sup>	81	51
J.M. Huët <sup>6</sup>	58	–
<b>Total</b>	<b>1,003</b>	<b>1,001</b>

<sup>1</sup>Updated to include intercontinental travel allowance

<sup>2</sup>Appointed as Chairman as at 25 April 2013

<sup>3</sup>Stepped down as at 25 April 2013

<sup>4</sup>Stepped down as at 24 April 2014

<sup>5</sup>Appointed as at 25 April 2013

<sup>6</sup>Appointed as at 24 April 2014

Mr. Michel de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2014 (2013: 100,008 shares). As at 31 December 2014 and 2013, the Supervisory Board members did not hold any of the Company's bonds or option rights. Mr. Michel de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2014 (2013: 100,008 ordinary shares).

## Other related party transactions

In millions of EUR	Transaction value		Balance outstanding as at 31 December	
	2014	2013	2014	2013
<b>Sale of products, services and royalties</b>				
To associates and joint ventures	75	70	21	26
To FEMSA	857	699	136	129
	<b>932</b>	<b>769</b>	<b>157</b>	<b>155</b>
<b>Raw materials, consumables and services</b>				
Goods for resale – joint ventures	–	–	–	–
Other expenses – joint ventures	–	–	–	–
Other expenses FEMSA	201	142	46	25
	<b>201</b>	<b>142</b>	<b>46</b>	<b>25</b>

## Heineken Holding N.V.

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

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

## Notes to the consolidated financial statements continued

### 35. Related parties continued

#### FEMSA

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

In April, HEINEKEN entered into a sale and leaseback transaction with FEMSA relating to logistics assets in Mexico. The proceeds of the transaction amounted to EUR 15 million. The relating operating lease expenses are included in Other Expenses – FEMSA.

### 36. HEINEKEN entities

#### Control of HEINEKEN

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

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

Pursuant to the provisions of Article 17 (1) of the Republic of Ireland Companies (Amendment) Act 1986, the Company issued irrevocable guarantees in respect of the financial year from 1 January 2014 up to and including 31 December 2014 in respect of the liabilities referred to in Article 5(c)(ii) of the Republic of Ireland Companies (Amendment) Act 1986 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, West Cork Bottling Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

#### Significant subsidiaries

Set out below are HEINEKEN's significant subsidiaries at 31 December 2014. The subsidiaries as listed below are held by the Company and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The country of incorporation or registration is also their principal place of business.

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

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

### Summarised financial information on subsidiaries with material non-controlling interests

On 31 December 2014, Nigerian Breweries Plc. completed the merger with Consolidated Breweries Ltd. HEINEKEN's shareholding in Nigerian Breweries Plc. increased from 54.10 per cent to 54.29 per cent as a result of the merger. The transaction was treated as a common control transaction in the HEINEKEN consolidated financial statements. Locally, the acquisition is accounted for as a business combination, hence there are differences between the values below and the statutory financial statements of Nigerian Breweries Plc. The NCI in Nigerian Breweries Plc. is dispersed without any shareholder having an interest of more than 16 per cent.

Set out below is the summarised financial information for Nigerian Breweries Plc. which has a non-controlling interest material to HEINEKEN.

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

In millions of EUR	2014	2013
<b>Summarised Income Statement</b>		
Revenue	1,281	1,302
Profit before income tax	297	303
Income tax	(97)	(95)
<b>Net profit from continuing operations</b>	<b>200</b>	<b>208</b>
Net profit from discontinuing operations	–	–
Other comprehensive income/(loss)	1	(18)
<b>Total comprehensive income</b>	<b>201</b>	<b>190</b>
<b>Total comprehensive income attributable to NCI</b>	<b>92</b>	<b>87</b>
Dividend paid to NCI	82	42

In millions of EUR	2014	2013
<b>Summarised Cash Flow</b>		
Cash flow from operating activities	405	530
Interest paid	(13)	(25)
Income tax paid	(115)	(81)
<b>Net cash generated from operating activities</b>	<b>277</b>	<b>424</b>
Net cash used in investing activities	(162)	(157)
Net cash used in financing activities	(145)	(268)
<b>Net change in cash and cash equivalents</b>	<b>(30)</b>	<b>(1)</b>
Exchange difference	3	(1)

### 37. Subsequent events

No subsequent events occurred that are significant to HEINEKEN.



# Heineken N.V. Balance Sheet

## Before appropriation of profit

As at 31 December

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

# Heineken N.V. Income Statement

For the year ended 31 December

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

# Notes to the Heineken N.V. Financial Statements

## Reporting entity

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

## Basis of preparation

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

## Significant accounting policies

### Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

### Shareholders' equity

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

### Profit of participating interests

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

## 38. Investments in participating interests

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

## Notes to the Heineken N.V. Financial Statements continued

### 39. Shareholders' equity

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

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

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

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

#### 40. Loans and borrowings

##### Non-current liabilities

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

## Notes to the Heineken N.V. Financial Statements continued

### 40. Loans and borrowings continued

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

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Unsecured bond	issue under EMTN programme	EUR	7.1	2014	–	–	1,000	1,000
Unsecured bond	issue under EMTN programme	GBP	7.3	2015	514	514	479	480
Unsecured bond	issue under EMTN programme	SGD	2.7	2015	47	47	41	43
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	399	400	399	400
Unsecured bond	issue under EMTN programme	SGD	2.3	2017	61	62	57	57
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	99	100	99	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	59	59	54	55
Unsecured bond	issue under EMTN programme	EUR	0.7	2018	–	–	60	60
Unsecured bond	issue under EMTN programme	USD	1.1	2019	164	165	–	–
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	844	850	843	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	996	1,000	995	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	497	500	496	500
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	496	500
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	741	750	740	750
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	–	–
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	179	180	179	180

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	91	100	90	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under 144A/RegS	USD	0.8	2015	411	412	361	363
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,026	1,030	901	906
Unsecured bond	issue under 144A/RegS	USD	3.4	2022	614	618	539	543
Unsecured bond	issue under 144A/RegS	USD	2.8	2023	819	824	720	725
Unsecured bond	issue under 144A/RegS	USD	4.0	2042	402	412	353	363
Unsecured bank loans	German Schuld-schein notes	EUR	1.0–6.0	2014	–	–	202	206
Unsecured bank loans	German Schuld-schein notes	EUR	1.0–6.2	2016	110	111	111	111
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	43	43	38	38
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	74	74	65	65
Other interest-bearing liabilities	2008 US private placement	GBP	7.3	2016	32	32	30	30
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	41	41	38	38
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	597	597	526	526
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	321	321	282	282
					<b>9,952</b>	<b>10,017</b>	<b>10,269</b>	<b>10,346</b>

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

## Notes to the Heineken N.V. Financial Statements continued

### 41. Audit fees

Other expenses in the consolidated financial statements include EUR12.4 million of fees in 2014 (2013: EUR13.7 million) for services provided by KPMG Accountants N.V. and its member firms and/or affiliates. Fees for audit services include the audit of the financial statements of HEINEKEN and its subsidiaries. Fees for other audit services include review of interim financial statements, sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed upon procedures and advisory services.

In millions of EUR	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2014	2013	2014	2013	2014	2013
Audit of HEINEKEN and its subsidiaries	1.9	2.1	7.4	8.2	9.3	10.3
Other audit services	0.5	0.4	0.5	0.7	1.0	1.1
Tax services	–	–	1.5	1.4	1.5	1.4
Other non-audit services	0.1	0.1	0.5	0.8	0.6	0.9
<b>Total</b>	<b>2.5</b>	<b>2.6</b>	<b>9.9</b>	<b>11.1</b>	<b>12.4</b>	<b>13.7</b>

### 42. Off-balance sheet commitments

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

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

### Fiscal unity

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

### 43. Subsequent events

For subsequent events, refer to note 37.

#### 44. Participating interests

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

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

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



## Notes to the Heineken N.V. Financial Statements continued

### 45. Other disclosures

#### Remuneration

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

#### Executive and Supervisory Board statement

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

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

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

# Appropriation of Profit

Article 12, paragraph 7, of the Articles of Association stipulates:

“Of the profits, payment shall first be made, if possible, of a dividend of six per cent of the issued part of the authorised share capital. The amount remaining shall be at the disposal of the General Meeting of Shareholders.”

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

## Civil Code

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

## Authorised capital

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

# Independent Auditor's Report

To: Annual General Meeting of Heineken N.V.

## Report on the audit of the Financial statements 2014

### Our opinion

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

In our opinion:

- the Consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code
- the Company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code

The Consolidated financial statements comprise:

- the Consolidated statement of financial position as at 31 December 2014
- the following Consolidated statements for 2014: the income statement, the statements of comprehensive income, changes in equity and cash flows
- notes, comprising a summary of the significant accounting policies and other explanatory information

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2014
- the Company income statement for 2014
- notes, comprising a summary of the significant accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our responsibilities for the audit of the Financial statements" of this report.

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

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

### Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the Consolidated financial statements as a whole at EUR95 million. The materiality is determined with reference to consolidated profit before taxation (3.9 per cent) and consolidated revenue (0.5 per cent). We also take into account misstatements and/or possible misstatements, if any, that in our opinion are material for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgment of the group audit team, having regard to the materiality of the Consolidated financial statements as a whole. Component materiality did not exceed EUR40 million and for the majority of the components, materiality is significantly less than this amount.

We agreed with the Supervisory Board that misstatements in excess of EUR3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

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

Because we are ultimately responsible for the audit opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for components. Decisive were the size and/or risk profile of the components. On this basis, we selected components for which an audit had to be performed on the complete set of financial information or specific items.

Applying these scoping criteria led to a full scope audit for 28 components. Furthermore, we performed specified audit procedures at group level on significant risk areas such as goodwill and other asset impairment testing. This resulted in a coverage of 84 per cent of total revenue, 75 per cent of profit before income tax and 87 per cent of total assets. In addition, we performed procedures at consolidated level to re-examine our assessment that there are no significant risks of material misstatement within the smaller components, none of which individually represented more than 2 per cent of total revenue, profit before income tax or total assets.

The group audit team provided detailed instructions to all component auditors, that covered significant audit areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. The group audit team visited component auditors and performed file reviews in Singapore, Vietnam, Mexico, Nigeria, Spain, UK, Poland and India. Conference calls were held with the majority of the component auditors. During these visits and calls, the findings and observations reported to the group audit team were discussed in more detail. Any further work deemed necessary by the group audit team was subsequently performed.

By performing the procedures mentioned above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence to provide an audit opinion on the Financial statements.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

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

#### *The risk that revenue is overstated*

Revenue could be overstated resulting from the pressure local management may feel to achieve performance targets. As a response to this inherent risk, we tested the key internal controls on the timing of revenue recognition. In addition, we performed audit procedures on sales transactions taking place close before or after the balance sheet date as well as credit notes issued after the year-end date, to assess whether those transactions were recognised in the correct year. We also tested key reconciliations and manual journal entries posted to ensure that revenue journals were approved and corroborated with supporting evidence.

#### *Valuation of goodwill*

Goodwill represents 30 per cent of the balance sheet total and 77 per cent of total equity. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and the test imposes estimates. Goodwill is allocated to Cash Generating Units (CGUs) and groups of CGUs. The Company uses assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development. For our audit we assessed and tested the assumptions, the Weighted Average Cost of Capital, methodologies and data used by the Company, for example by comparing them to external data such as expected inflation rates, external market growth expectations and by analysing sensitivities in the Company's valuation model. We included in our team a valuation specialist to assist us in these audit activities. We specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount, and the impairment for Tunisia recognised in the year. We also assessed the historical accuracy of management's estimates. We assessed the adequacy of the Company's disclosure note 15 in the Financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

## Independent Auditor's Report continued

### *Accounting for income tax positions*

Income tax positions were significant to our audit because the assessment process is complex, imposes estimates and the amounts involved are material. The Company's operations are subject to income taxes in various jurisdictions. We have tested the completeness and accuracy of the amounts recognised as current and deferred tax, including the assessment of disputes with tax authorities and other uncertain tax positions. Our audit procedures included an assessment of correspondence with the relevant tax authorities and we tested management's assumptions to determine the probability that deferred tax assets will be recovered through taxable income in future years. We included in our team local and international tax specialists to analyse and challenge the assumptions used to determine tax positions and we corroborated the assumptions with supporting evidence. In addition we assessed the historical accuracy of management's assumptions. We also assessed the adequacy of the Company's disclosure notes 13 and 18 in the Financial statements in respect of tax and uncertain tax positions.

### Responsibilities of the Executive Board and the Supervisory Board for the Financial statements

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

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

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

### Our responsibilities for the audit of the Financial statements

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

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

For more information about an audit of financial statements we refer to the NBA website: [www.nba.nl/standardtexts-auditorsreport](http://www.nba.nl/standardtexts-auditorsreport)

### Report on other legal and regulatory requirements

#### Report on the Report of the Executive Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Report of the Executive Board and other information):

- we have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed
- we report that the Report of the Executive Board, to the extent we can assess, is consistent with the Financial statements

### Engagement

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

Amsterdam, 10 February 2015  
KPMG Accountants N.V.

E.J.L. van Leeuwen RA

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