HEINEKEN HOLDING NV

MEDIA RELEASE

Heineken Holding N.V. reports 2014 half year results

Strong organic revenue and profit growth

Amsterdam, 20 August 2014 – Heineken Holding N.V. (EURONEXT: HEIO; OTCQX: HKHHY) today announced:

- The net result of Heineken Holding N.V.'s participating interest in Heineken N.V. for the first half year of 2014 turned out at €316 million;
- Group revenue +4.6% organically with revenue per hectolitre up 1.5%;
- Group beer volume +3.1% driven by growth in Africa Middle East, the Americas and Western Europe and an improved performance trend in Q2 in Asia Pacific;
- Heineken® premium volume +6.6% reflecting strong performance in key markets;
- Innovation rate accelerated to 7.4%, contributing €682 million of revenues;
- Group operating profit (beia) +13% organically; Group operating margin up 130 bps;
- €141 million of pre-tax Total Cost Management2 (TCM2) cost savings delivered in H1 2014; 3-year TCM2 target of €625 million reached ahead of schedule;
- Net profit (beia) of €772 million, up 19% organically; diluted EPS (beia) Heineken N.V. +14%;
- Targeting year-on-year improvement in consolidated operating profit (beia) margin of around 40bps in the medium term; expected to be above this target level in 2014.

FINANCIAL SUMMARY

Key financials[1] *(in mhl or € million unless otherwise stated)*	**HY14**	HY13	Total growth %	Organic growth %
Group revenue	**10,196**	10,339	-1.4	4.6
Group revenue/ hl (in €)	**90**	93	-3.1	1.5
Group operating profit (beia)	**1,560**	1,448	7.7	13
Group operating profit (beia) margin	**15.3%**	14.0%	130bps	
Consolidated revenue	**9,274**	9,354	-0.9	4.8
Consolidated operating profit (beia)	**1,454**	1,327	9.6	14
Consolidated operating profit (beia) margin	**15.7%**	14.2%	150bps	
Net profit (beia)	**772**	679	14	19
Net profit of Heineken Holding N.V.	**316**	320	-1.3	
Diluted EPS (in €)	**1.10**	1.11	-9	
Free operating cash flow	**571**	178	>100	
Net debt/ EBITDA (beia)[2]	**2.5**	2.9		

[1] Refer to the Definitions and Glossary sections for an explanation of non-IFRS measures and other terms used throughout this report;
[2] Includes acquisitions and excludes disposals on a 12 month pro-forma basis.

Heineken Holding N.V. engages in no activities other than its participating interest in Heineken N.V. and the management or supervision of and provision of services to that company.

OUTLOOK STATEMENT

(Based on consolidated reporting)

Top-line growth: HEINEKEN delivered solid top-line growth in the first half of the year. Whilst the economic outlook remains mixed, HEINEKEN expects positive volume development over the remainder of the year, with an underlying growth rate slightly below the first half of the year. This volume growth will be led by developing markets in the Africa Middle East, Asia Pacific and Americas regions.

HEINEKEN expects revenue per hectolitre growth in the second half of 2014 to moderate versus the first half of the year primarily due to a negative country mix effect. Overall, HEINEKEN expects healthy organic revenue growth for the full year 2014 with an unfavourable impact on reported revenues from foreign currency translational movements.

Continued margin expansion: HEINEKEN targets a year-on-year improvement in operating profit (beia) margin of approximately 40 basis points over the medium term. This will be driven by revenue management initiatives, ongoing cost savings and the anticipated faster growth of higher margin developing markets.

For the full year 2014, margin expansion is expected to be above the medium-term target level.

HEINEKEN still expects a slight increase in marketing & selling (beia) spend as a percentage of revenue in 2014 (2013: 12.6%) and input cost prices to be stable to slightly lower in 2014 (excluding a foreign currency transactional effect).

Consolidated operating profit (beia) growth is expected to moderate in the second half of the year due to slower top-line growth, the phasing of Heineken N.V. head office related and other costs and stronger comparative growth in the second half of 2013.

Foreign currency movements: Exchange rate movements will adversely impact reported revenues and profits in 2014. Assuming spot rates as of 15 August 2014, the calculated negative currency translational impact on consolidated operating profit (beia) is now expected to be approximately €70 million (previously €115 million). At net profit (beia), this effect is now expected to be around €50 million (previously €75 million).

Lower financing costs: HEINEKEN now forecasts an average interest rate of around 4.0% (versus earlier guidance of 4.1%) (2013: 4.4%) reflecting a lower effective interest rate on outstanding bonds.

Effective tax rate: HEINEKEN now expects the effective tax rate (beia) for 2014 to be at the high end of the earlier guided range of 28% to 30% (2013: 28.7%).

Improving financial flexibility: HEINEKEN remains focused on driving strong cash flow generation and disciplined working capital management. As previously communicated, HEINEKEN expects to reach its target net debt/EBITDA (beia) ratio of below 2.5 by the end of 2014.

In 2014, capital expenditure related to property, plant and equipment is still forecasted to be approximately €1.5 billion (2013: €1.4 billion). HEINEKEN expects a cash conversion ratio of below 100% in 2014 (2013: 84%).

INTERIM DIVIDEND

According to the articles of association of Heineken Holding N.V. both Heineken Holding N.V. and Heineken N.V. pay an identical dividend per share.
In accordance with the existing dividend policy, HEINEKEN fixes its interim dividend at 40% of the total dividend of the previous year. As a result, an interim dividend of €0.36 per share of €1.60 nominal value will be paid on 2 September 2014. Both the Heineken Holding N.V. ordinary shares and the Heineken N.V. shares will trade ex-dividend on 22 August 2014.

DEFINITIONS

Organic growth excludes the effect of foreign currency translation effects, consolidation changes, accounting policy changes, exceptional items and amortisation of acquisition-related intangibles. Beia refers to financials before exceptional items and amortisation of acquisition-related intangibles. Group figures include HEINEKEN's attributable share of joint ventures and associates. Group revenue in 2013 has been restated from the earnings release dated 21 August 2013 (with no impact on group operating profit (beia)). The license fee for the Heineken® brand has been increased since 1 January 2014. To facilitate a meaningful financial and margin comparison compared to last year, the regional impact is reported as a consolidation change in 2014.

ENQUIRIES

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Investor Calendar Heineken Holding N.V.

Trading update for Q3 2014	22 October 2014
What's Brewing Seminar, Western Europe, London	19 November 2014

Conference call details

Heineken Holding N.V. will host an analyst and investor conference call in relation to this trading update today at 10:00 CET/ 9:00 BST. The call will be audio cast live via the website: www.theheinekencompany.com/investors/webcasts. An audio replay service will also be made available after the conference call at the above web address. Analysts and investors can dial-in using the following telephone numbers:

Netherlands
Local line: +31(0)20 716 8257
National free phone: 0800 020 2576

United Kingdom
Local line: +44(0)20 3427 1905
National free phone: 0800 279 4977

United States of America
Local line: +1646 254 3361
National free phone: 1877 280 2296

Participation/confirmation code for all countries: 6275776

Editorial information:

HEINEKEN is a proud, independent global brewer committed to surprise and excite consumers with its brands and products everywhere. The brand that bears the founder's family name – Heineken® – is available in almost every country on the globe and is the world's most valuable international premium beer brand. HEINEKEN'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 wants to win in all markets with Heineken® and with a full brand portfolio in markets of choice. HEINEKEN is present in over 70 countries and operates more than 165 breweries. HEINEKEN is Europe's largest brewer and the world's second largest by consolidated volume. HEINEKEN is committed to the responsible marketing and consumption of its more than 250 international premium, regional, local and specialty beers and ciders. These include Heineken®, Amstel, Anchor, Biere Larue, Bintang, Birra Moretti, Cruzcampo, Desperados, Dos Equis, Foster's, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Tiger and Zywiec. HEINEKEN's leading joint venture brands include Cristal and Kingfisher. The number of people employed is over 81,000. Heineken N.V. and Heineken Holding N.V. shares are listed on the NYSE Euronext in Amsterdam. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on the Reuter Equities 2000 Service under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY).
Most recent information is available on HEINEKEN's website: www.theHEINEKENcompany.com and follow HEINEKEN via @HEINEKENCorp

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

INTRODUCTION

This report contains the interim financial report of Heineken Holding N.V., headquartered in Amsterdam, the Netherlands.

The interim financial report for the six months ending 30 June 2014 consists of the report of the Board of Directors, the statement of the Board and the condensed consolidated interim financial statements.

REPORT OF THE BOARD OF DIRECTORS

Heineken Holding N.V. has a 50.005% interest in the issued share capital (being 50.093% of the outstanding share capital) of Heineken N.V. Standing at the head of the HEINEKEN group, Heineken Holding N.V. is not an ordinary holding company. Since its formation in 1952, Heineken Holding N.V.'s object pursuant to its Articles of Association has been to manage or supervise the management of the HEINEKEN group and to provide services for Heineken N.V. Within the HEINEKEN group, the primary duties of Heineken N.V.'s Executive Board are to initiate and implement corporate strategy and to manage Heineken N.V. and its related enterprise. It is supervised in the performance of its duties by Heineken N.V.'s Supervisory Board. Because Heineken N.V. manages the HEINEKEN group companies, Heineken Holding N.V., unlike Heineken N.V., does not have an internal risk management and control system. Heineken Holding N.V. does not engage in any operational activities and employs no staff.

Information regarding the developments during the financial half year 2014 of Heineken N.V. and its related companies, and the material risks Heineken N.V. is facing is given in Heineken N.V.'s half year report.

Pursuant to Article 5:25d Paragraph 4 Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht") we mention that Heineken Holding N.V.'s half year report has not been audited nor reviewed. The condensed consolidated interim financial statements of Heineken N.V. have been reviewed and the independent auditor's report is included in the interim financial statements of Heineken N.V.

STATEMENT OF THE BOARD OF DIRECTORS

Statement ex Article 5:25d Paragraph 2 sub c Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

To our knowledge:

1. The condensed consolidated interim financial statements for the six month period ended 30 June 2014, which have been prepared in accordance with IAS 34 Interim Financial Reporting, give a true and fair view of the assets, liabilities, financial position, and profit of Heineken Holding N.V. and the undertakings included in the consolidation as a whole;

2. The report of the Board of Directors for the six month period ended 30 June 2014 includes a fair review of the information required pursuant to article 5:25d paragraphs 8 and 9 of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

Board of Directors

M. Das (non-executive chairman)
C.L. de Carvalho-Heineken (executive member)
J.A. Fernández Carbajal (non-executive member)
C.M. Kwist (non-executive member)
A.A.C. de Carvalho (non-executive member)

Amsterdam, 19 August 2014

Condensed consolidated interim financial statements for the six month period ended 30 June 2014

Contents	Page

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six-month period ended 30 June

In millions of EUR	Note	2014	2013
Revenue	5	**9,274**	**9,354**
Other income	5	**20**	**141**
Raw materials, consumables and services	7	(5,795)	(5,957)
Personnel expenses		(1,563)	(1,591)
Amortisation, depreciation and impairments		(699)	(723)
Total expenses		**(8,057)**	**(8,271)**
Result from operating activities	5	**1,237**	**1,224**
Interest income	8	20	24
Interest expenses	8	(229)	(286)
Other net finance income/ (expenses)	9	(37)	(25)
Net finance expenses		**(246)**	**(287)**
Share of profit of associates and joint ventures and impairments thereof (net of income tax)		55	71
Profit before income tax		**1,046**	**1,008**
Income tax expenses	10	(325)	(274)
Profit		**721**	**734**
Attributable to:			
Equity holders of Heineken Holding N.V. (net profit)		316	320
Non-controlling interests in Heineken N.V.		315	319
Non-controlling interests in Heineken N.V. group companies		90	95
Profit		**721**	**734**
Weighted average number of ordinary shares - basic	16	288,030,168	288,030,168
Weighted average number of ordinary shares - diluted	16	288,030,168	288,030,168
Basic earnings per ordinary share (EUR)		1.10	1.11
Diluted earnings per ordinary share (EUR)		1.10	1.11

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June

In millions of EUR	Note	2014	2013
Profit		721	734
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses		(81)	177
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		203	(305)
Effective portion of net investment hedges		(5)	(1)
Effective portion of changes in fair value of cash flow hedges		(16)	(13)
Effective portion of cash flow hedges transferred to profit or loss		(14)	11
Net change in fair value available-for-sale investments		(9)	25
Share of other comprehensive income of associates/joint ventures		–	(4)
Other comprehensive income, net of tax	15	**78**	**(110)**
Total comprehensive income		**799**	**624**
Attributable to:			
Equity holders of Heineken Holding N.V.		356	268
Non-controlling interests in Heineken N.V.		356	268
Non-controlling interests in Heineken N.V. group companies		87	88
Total comprehensive income		**799**	**624**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at

In millions of EUR	Note	30 June 2014	31 December 2013
Assets			
Property, plant & equipment	11	8,516	8,454
Intangible assets		16,022	15,934
Investments in associates and joint ventures		1,855	1,883
Other investments and receivables		728	762
Advances to customers		286	301
Deferred tax assets		483	508
Total non-current assets		**27,890**	**27,842**
Inventories		1,736	1,512
Other investments		13	11
Trade and other receivables		3,023	2,427
Prepayments and accrued income		334	218
Cash and cash equivalents		825	1,290
Assets classified as held for sale	12	45	37
Total current assets		**5,976**	**5,495**
Total assets		**33,866**	**33,337**

As at *In millions of EUR*	Note	30 June 2014	31 December 2013
Equity			
Share capital		461	461
Share premium		1,257	1,257
Reserves		(340)	(408)
Retained earnings		4,370	4,310
Equity attributable to equity holders of Heineken Holding N.V.	16	**5,748**	**5,620**
Non-controlling interests in Heineken N.V.		5,910	5,782
Non-controlling interests in Heineken N.V. group companies		914	954
Total equity		**12,572**	**12,356**
Liabilities			
Loans and borrowings	17	9,606	9,853
Tax liabilities		120	112
Employee benefits	18	1,296	1,202
Provisions		357	367
Deferred tax liabilities		1,359	1,444
Total non-current liabilities		**12,738**	**12,978**
Bank overdrafts	17	202	178
Loans and borrowings	17	2,005	2,195
Trade and other payables		5,742	5,131
Tax liabilities		437	317
Provisions		159	171
Liabilities classified as held for sale	12	11	11
Total current liabilities		**8,556**	**8,003**
Total liabilities		**21,294**	**20,981**
Total equity and liabilities		**33,866**	**33,337**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June

In millions of EUR	Note	2014	2013
Operating activities			
Profit		721	734
Adjustments for:			
Amortisation, depreciation and impairments		699	723
Net interest expenses	8	209	262
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates		(20)	(141)
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		(62)	(77)
Income tax expenses	10	325	274
Other non-cash items		56	123
Cash flow from operations before changes in working capital and provisions		**1,928**	**1,898**
Change in inventories		(208)	(243)
Change in trade and other receivables		(644)	(538)
Change in trade and other payables		556	125
Total change in working capital		**(296)**	**(656)**
Change in provisions and employee benefits		(69)	(57)
Cash flow from operations		**1,563**	**1,185**
Interest paid		(276)	(280)
Interest received		30	30
Dividend received		64	93
Income taxes paid		(258)	(303)
Cash flow related to interest, dividend and income tax		**(440)**	**(460)**
Cash flow from operating activities		**1,123**	**725**
Investing activities			
Proceeds from sale of property, plant & equipment and intangible assets		46	79
Purchase of property, plant & equipment	11	(549)	(536)
Purchase of intangible assets		(18)	(35)
Loans issued to customers and other investments		(49)	(76)
Repayment on loans to customers		18	21
Cash flow (used in)/from operational investing activities		**(552)**	**(547)**
Free operating cash flow		**571**	**178**

For the six-month period ended 30 June

In millions of EUR	Note	2014	2013
Acquisition of subsidiaries, net of cash acquired	6	–	(17)
Acquisition of/additions to associates, joint ventures and other investments		(2)	(20)
Disposal of subsidiaries, net of cash disposed of		1	90
Disposal of associates, joint ventures and other investments		–	148
Cash flow (used in)/from acquisitions and disposals		**(1)**	**201**
Cash flow (used in)/from investing activities		**(553)**	**(346)**
Financing activities			
Proceeds from loans and borrowings		547	1,204
Repayment of loans and borrowings		(1,042)	(1,311)
Dividends paid		(433)	(448)
Purchase own shares by Heineken N.V.		–	(21)
Acquisition of non-controlling interests		(134)	(200)
Disposal of interests without a change in control		–	–
Shares issued within the Group		–	–
Other		–	(1)
Cash flow (used in)/from financing activities		**(1,062)**	**(777)**
Net cash flow		**(492)**	**(398)**
Cash and cash equivalents as at 1 January		1,112	846
Effect of movements in exchange rates		2	(3)
Cash and cash equivalents as at 30 June		**622**	**445**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

In millions of EUR	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Equity[1]	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2013	**461**	**1,257**	**(264)**	**(5)**	**76**	**390**	**3,873**	**5,788**	**5,946**	**1,071**	**12,805**
Profit	–	–	–	–	–	–	320	320	319	95	734
Other comprehensive income	–	–	(150)	(1)	13	(1)	87	(52)	(51)	(7)	(110)
Total comprehensive income	**–**	**–**	**(150)**	**(1)**	**13**	**(1)**	**407**	**268**	**268**	**88**	**624**
Transfer to retained earnings	–	–	–	–	–	2	(2)	–	–	–	–
Dividends to shareholders	–	–	–	–	–	–	(161)	(161)	(162)	(150)	(473)
Purchase/reissuance own shares by Heineken N.V.	–	–	–	–	–	–	(11)	(11)	(10)	–	(21)
Own shares granted by Heineken N.V.	–	–	–	–	–	–	–	–	–	–	–
Share-based payments by Heineken N.V.	–	–	–	–	–	–	6	6	6	–	12
Consolidation changes with a change in control	–	–	–	–	–	–	(65)	(65)	(64)	(58)	(187)
Balance as at 30 June 2013	**461**	**1,257**	**(414)**	**(6)**	**89**	**391**	**4,047**	**5,825**	**5,984**	**951**	**12,760**

[1] Equity attributable to equity holders of Heineken Holding N.V.

In millions of EUR	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Equity[1]	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2014	**461**	**1,257**	**(862)**	**2**	**49**	**403**	**4,310**	**5,620**	**5,782**	**954**	**12,356**
Profit	–	–	–	–	–	39	277	316	315	90	721
Other comprehensive income	–	–	101	(15)	(5)	–	(40)	41	40	(3)	78
Total comprehensive income	**–**	**–**	**101**	**(15)**	**(5)**	**39**	**237**	**357**	**355**	**87**	**799**
Transfer to retained earnings	–	–	–	–	–	(52)	52	–		–	–
Dividends to shareholders	–	–	–	–	–	–	(153)	(153)	(152)	(152)	(457)
Purchase/reissuance own shares by Heineken N.V.	–	–	–	–	–	–	–	–		4	4
Own shares granted by Heineken N.V.	–	–	–	–	–	–	–	–		–	–
Share-based payments by Heineken N.V.	–	–	–	–	–	–	2	2	2	–	4
Consolidation changes with a change in control	–	–	–	–	–	–	(78)	(78)	(77)	21	(134)
Balance as at 30 June 2014	**461**	**1,257**	**(761)**	**(13)**	**44**	**390**	**4,370**	**5,748**	**5,910**	**914**	**12,572**

[1] Equity attributable to equity holders of Heineken Holding N.V..

Notes to the condensed consolidated interim financial statements

1. REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended 30 June 2014 comprise Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN entities') and HEINEKEN's interest in jointly controlled entities and associates.

The consolidated financial statements of Heineken Holding N.V. as at and for the year ended 31 December 2013 are available upon request from the Company's registered office at Tweede Weteringplantsoen 5, Amsterdam or at www.heinekenholding.com.

2. BASIS OF PREPARATION

(a) Statement of compliance
These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as endorsed by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Heineken Holding N.V. as at and for the year ended 31 December 2013.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on 19 August 2014.

(b) Functional and presentation currency
These condensed consolidated interim 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.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying Heineken Holding N.V.'s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) General
The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in HEINEKEN's consolidated financial statements as at and for the year ended 31 December 2013.

(b) Income tax
Income tax expenses are recognised based on management's best estimate of the weighted average expected full year income tax rate per country.

4. SEASONALITY

The performance of HEINEKEN is subject to seasonal fluctuations as a result of weather conditions. HEINEKEN's full year results and volumes are dependent on the performance in the peak-selling season (May through to August and December), typically resulting in higher revenue and profitability in the second half year for the regions Western Europe, Central and Eastern Europe and Americas. The impact from this seasonality is also noticeable in several working capital related items such as inventory, trade receivables and payables.

5. OPERATING SEGMENTS

For the six-month period ended 30 June 2014 and 30 June 2013

	Western Europe		Central and Eastern Europe		The Americas		Africa and the Middle East		Asia Pacific		Heineken N.V. Head Office & Other/ Eliminations		Consolidated	
In millions of EUR	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue														
Third party revenue	3,297	3,255	1,418	1,520	2,209	2,202	1,293	1,278	931	979	126	120	9,274	9,354
Interregional revenue	353	340	9	7	4	6	–	–	1	–	(367)	(353)	–	–
Total revenue	**3,650**	**3,595**	**1,427**	**1,527**	**2,213**	**2,208**	**1,293**	**1,278**	**932**	**979**	**(241)**	**(233)**	**9,274**	**9,354**
Other Income	8	36	4	97	3	6	5	–	–	–	–	2	20	141
Result from operating activities	**310**	**329**	**102**	**194**	**336**	**276**	**315**	**304**	**163**	**170**	**11**	**(49)**	**1,237**	**1,224**
Net finance expenses													(246)	(287)
Share of profit of associates and joint ventures and impairments thereof	(1)	1	6	4	30	37	6	16	14	16	–	(3)	55	71
Income tax expenses													(325)	(274)
Profit													**721**	**734**

5. OPERATING SEGMENTS (CONTINUED)

	Western Europe		Central and Eastern Europe		The Americas		Africa and the Middle East		Asia Pacific		Heineken N.V. & Other/ Eliminations		Consolidated	
In millions of EUR	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
EBIT reconciliation														
EBIT[1]	309	330	108	198	366	313	321	320	177	186	11	(52)	1,292	1,295
Eia[1]	62	33	14	(69)	40	44	23	1	73	81	7	15	219	105
EBIT (beia) [1]	**371**	**363**	**122**	**129**	**406**	**357**	**344**	**321**	**250**	**267**	**18**	**(37)**	**1,511**	**1,400**
As at 30 June 2014 and 31 December 2013														
Total segment assets	**9,821**	**9,341**	**4,554**	**4,304**	**7,542**	**7,252**	**3,545**	**3,393**	**7,515**	**7,487**	**394**	**1,034**	**33,371**	**32,811**
Unallocated assets													495	526
Total assets													**33,866**	**33,337**

[1] For definitions see ‘Glossary’. Note that these are non-GAAP measures. For further detail please refer to note 14.

6. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Acquisitions of non-controlling interests

In the six-month period ended 30 June 2014 HEINEKEN acquired various stakes from minority interest holders. As a result, equity attributable to equity holders of HEINEKEN decreased by EUR140 million. This mainly relates to Heineken's Asia Pacific region.

7. RAW MATERIALS, CONSUMABLES AND SERVICES

For the six-month period ended 30 June

In millions of EUR	2014	2013
Raw materials	888	980
Non-returnable packaging	1,263	1,267
Goods for resale	692	739
Inventory movements	(82)	(198)
Marketing and selling expenses	1,247	1,220
Transport expenses	501	510
Energy and water	271	292
Repair and maintenance	227	250
Other expenses	788	897
	5,795	**5,957**

Other expenses mainly include rentals of EUR145 million (2013: EUR146 million), consultant expenses of EUR58 million (2013: EUR81 million), telecom and office automation of EUR95 million (2013: EUR84 million) and travel expenses of EUR67 million (2013: EUR79 million).

8. INTEREST INCOME AND EXPENSES

Net interest income and expenses for the six-month period ended 30 June 2014 amounted to EUR209 million (six-month period ended 30 June 2013: EUR262 million) reflecting a lower debt level and a lower average effective interest rate on outstanding debts. The average effective interest rate in the first half of 2014 was 4.0 per cent (first half of 2013: 4.5 per cent).

9. OTHER NET FINANCE INCOME AND EXPENSES

Other net finance expenses for the six-month period ended 30 June 2014 amounted to EUR37 million (six-month period ended 30 June 2013: EUR25 million expenses). The interest expense on the net pension liability for the period ended 30 June 2014 amounted to EUR25 million (six-month period ended 30 June 2013 EUR27 million).

10. INCOME TAX EXPENSES

HEINEKEN's consolidated effective tax rate in respect of continuing operations for the six-month period ended 30 June 2014 was 32.8 per cent (for the six-month period ended 30 June 2013: 29.3 per cent). The six-month period ended 30 June 2013 included the tax exempt gain on sale regarding Heineken's stake in Efes Kazakhstan.

11. PROPERTY PLANT AND EQUIPMENT

Acquisitions

During the six-month period ended 30 June 2014 HEINEKEN acquired property, plant and equipment with a cost of EUR549 million (six-month period ended 30 June 2013: EUR536 million).

Capital commitments

As at 30 June 2014, HEINEKEN's capital expenditure commitments for property, plant and equipment amounted to EUR238 million (30 June 2013: EUR239 million).

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets and liabilities classified as held for sale follow the commitment of HEINEKEN to a plan to sell certain assets and liabilities. Efforts to sell these assets and liabilities have commenced and are expected to be completed within one year from the date of classification as held for sale.

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk management

The aspects of HEINEKEN's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

Carrying amount versus fair value

The carrying amount of financial assets and liabilities shown in the statement of financial position and their fair values are as follows:

In millions of EUR	Carrying amount HY 2014	Fair value HY 2014	Carrying amount YE 2013	Fair value YE 2013
Bank Loans	(756)	(759)	(711)	(711)
Unsecured bond issue	(8,488)	(8,832)	(8,987)	(8,951)
Finance Lease liabilities	(9)	(9)	(9)	(9)
Other interest-bearing liabilities	(1,795)	(1,795)	(1,742)	(1,742)

For all other financial instruments carrying amount is a reasonable approximation of fair value.

Fair value hierarchy

The tables below present the financial instruments accounted for at fair value by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

30 June 2014

In millions of EUR	Level 1	Level 2	Level 3	Total
Available-for-sale investments	126	71	43	240
Non-current derivatives	–	41	–	41
Current derivative assets	–	58	–	58
Investments held for trading	13	–	–	13
	139	**170**	**43**	**352**
Non-current derivative liabilities	–	(48)	–	(48)
Current derivative liabilities	–	(155)	–	(155)
	–	**(203)**	**–**	**(203)**

31 December 2013

In millions of EUR	Level 1	Level 2	Level 3	Total
Available-for-sale investments	134	68	45	247
Non-current derivatives	–	67	–	67
Current derivative assets	–	45	–	45
Investments held for trading	11	–	–	11
	145	**180**	**45**	**370**
Non-current derivative liabilities	–	(47)	–	(47)
Current derivative liabilities	–	(149)	–	(149)
	–	**(196)**	**–**	**(196)**

There were no transfers between level 1 and level 2 of the fair value hierarchy during the six-month period ended 30 June 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 30 June 2014 and 31 December 2013 are set out below.

	HY 2014	2013
Available-for-sale-investments based on level 3		
Balance as at 1 January	**45**	**134**
Fair value adjustments recognised in other comprehensive income	(2)	8
Disposals	–	(1)
Transfers	–	(96)
Balance as at end of period	**43**	**45**

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.

14. 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), for the six-month period ended 30 June.

In millions of EUR	HY 2014*	HY 2013*
Result from operating activities (or consolidated operating profit)	**1,237**	**1,224**
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	55	71
EBIT	**1,292**	**1,295**
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	219	105
EBIT (beia)	**1,511**	**1,400**
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(57)	(73)
Consolidated operating profit (beia)	**1,454**	**1,327**
Attributable share of operating profit from joint ventures and associates and impairments thereof	106	121
Group operating profit (beia)	**1,560**	**1,448**
Profit attributable to equity holders of Heineken Holding N.V. (net profit)	**316**	**320**
Non-controlling interests in Heineken N.V.	315	319
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	219	105
Exceptional items included in finance costs	(1)	(6)
Exceptional items included in income tax expense	(55)	(46)
Exceptional items included in non-controlling interest	(22)	(13)
Net profit (beia)	**772**	**679**

* Not subject to review by external auditor

Exceptional items and amortisation of acquisition-related intangible assets for the six-month period ended 30 June 2014 on EBIT level amounted to a loss of EUR219 million (six-month period ended 30 June 2013: loss of EUR105 million), mainly relating to restructuring programs in Western Europe of EUR39 million, brewery optimization and restructuring in Nigeria of EUR21 million and amortisation of acquisition-related intangible assets amounting to EUR144 million (six-month period ended 30 June 2013: EUR167 million). The exceptional items in tax mainly relate to the tax impact on amortisation of acquisition-related intangible assets amounting to EUR36 million.

Reconciliation of reported to consolidated (beia) financial measures

In millions of EUR, except per share data	Half year ended 30 June 2014			
		EIA*		
	Reported	Amortisation of acquisition related intangible assets	Exceptional Items	(beia)*
Result from operating activities (or consolidated operating profit)	1,237	142	75	1,454
Attributable share of net profit from associates and joint ventures	55	2	–	57
EBIT	**1,292**	**144**	**75**	**1,511**
Net Profit of Heineken N.V.	631	108	33	772
Diluted EPS (EUR)	1.10	0.19	0.05	1.34

* Not subject to review by external auditor

In millions of EUR, except per share data	Half year ended 30 June 2013			
		EIA*		
	Reported	Amortisation of acquisition related intangible assets	Exceptional Items	(beia)*
Result from operating activities (or consolidated operating profit)	1,224	165	(62)	1,327
Attributable share of net profit from associates and joint ventures	71	2	–	73
EBIT	**1,295**	**167**	**(62)**	**1,400**
Net Profit of Heineken N.V.	639	125	(85)	679
Diluted EPS (EUR)	1.11	0.22	(0.15)	1.18

* Not subject to review by external auditor

15. TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June *In millions of EUR*	2014 Amount before tax	2014 tax	2014 Amount net of tax	2013 Amount before tax	2013 tax	2013 Amount net of tax
Actuarial gains and losses	(107)	26	(81)	235	(58)	177
Currency translation differences	196	7	203	(311)	6	(305)
Effective portion of net investment hedges	(7)	2	(5)	(1)	–	(1)
Effective portion of changes in fair value of cash flow hedges	(17)	1	(16)	(21)	8	(13)
Effective portion of cash flow hedges transferred to profit or loss	(18)	4	(14)	14	(3)	11
Net change in fair value available-for-sale investments	(10)	1	(9)	26	(1)	25
Share of other comprehensive income of associates/joint ventures	–	–	–	(4)	–	(4)
Total other comprehensive income	**37**	**41**	**78**	**(62)**	**(48)**	**(110)**

16. EQUITY

Reserves

The reserves consist of translation reserve, hedging reserve, fair value reserve and other legal reserves. The main variance in comparison to prior year is driven by foreign currency translation in translation reserve.

Weighted average number of ordinary shares

For the six-month period ended 30 June *In shares*	2014	2013
Weighted average number of ordinary shares - basic	288,030,168	288,030,168
Weighted average number of ordinary shares - diluted	288,030,168	288,030,168

Dividends

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

For the six-month period ended 30 June *In millions of EUR*	2014	2013
Final dividend declared and paid previous year EUR0.53 (to reach the total of EUR0.89 per ordinary share)	153	161

After the balance sheet date the Board of Directors announced the following interim dividend that has not been provided for.

In millions of EUR	2014	2013
EUR0.36 per ordinary share (2013: EUR0.36)	104	104

17. NET INTEREST-BEARING DEBT POSITION

In millions of EUR	30 June 2014	31 December 2013
Non-current interest-bearing liabilities	9,550	9,797
Current portion of interest-bearing liabilities	1,443	1,652
Deposits from third parties (mainly employee loans)	562	543
	11,555	**11,992**
Bank overdrafts	202	178
	11,757	**12,170**
Cash, cash equivalents and current other investments	(838)	(1,302)
Net interest-bearing debt position	**10,919**	**10,868**

New financing

On 30 January 2014, HEINEKEN privately placed 15.5 year Notes for an 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 USD200 million with a floating rate coupon. Both Notes were issued under HEINEKEN's Euro Medium Term Note Programme. The proceeds of the Notes were used for general corporate purposes.

As at 30 June 2014, the committed financing headroom including cash balances available at Group level was approximately EUR2.2 billion.

Long term debt maturity profile

Including notes issued after 30 June 2014

Year	EUR million
HY2 2014	874
2015	1,128
2016	934
2017	1,035
2018	1,003
2019	1,011
2020	1,013
2021	500
2022	553
2023	725
2024	500
2025	750
2029	200
2033	280
2042	363
2043	75

Incurrence covenant

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing Net Debt (calculated in accordance with the consolidation method of the 2007 Annual Accounts) by EBITDA (beia) (also calculated in accordance with the consolidation method of the 2007 Annual Accounts and includes acquisitions and excludes disposals on a 12 month pro-forma basis). As at 30 June 2014 this ratio was 2.5 (first half of 2013: 2.8). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt financed acquisitions.

18. EMPLOYEE BENEFITS

For the six-month period ended 30 June 2014, actuarial losses recognised in other comprehensive income amounted to EUR107 million (pre-tax) (six-month period ended 30 June 2013: EUR235 million gain) with a corresponding increase in HEINEKEN's defined benefit obligation. The actuarial losses were mainly caused by a decrease in the discount rate in the Netherlands.

19. 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. The contingent amount being claimed against HEINEKEN Brasil resulting from such proceedings as at 30 June 2014 is EUR628 million. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against HEINEKEN Brasil. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies. A significant part of the aforementioned contingencies (EUR349 million) is tax related and qualifies for indemnification by FEMSA.

As is customary in Brazil, HEINEKEN Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR419 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

No other material updates in comparison with 2013 year-end reporting were identified that need to be reported.

20. RELATED PARTY TRANSACTIONS

Heineken Holding N.V. has a related party relationship with its Board of Directors, the Executive Board and Supervisory Board of Heineken N.V., L'Arche Green N.V., Stichting Administratiekantoor Priores, Stichting Beheer Prioriteitsaandelen Heineken Holding N.V., Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), associates and joint ventures. The transactions are conducted on terms comparable to transactions with third parties. The related party transactions with associates and joint ventures in the first six-month period ended 30 June 2014 do in substance not deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2013.

21. SUBSEQUENT EVENTS

New financing

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 set to mature in May 2019. The facility is committed by a group of 19 banks and has two further one-year extension options.

Board of Directors

M. Das (non-executive chairman)
C.L. de Carvalho-Heineken (executive member)
J.A. Fernández Carbajal (non-executive member)
C.M. Kwist (non-executive member)
A.A.C. de Carvalho (non-executive member)

Amsterdam, 19 August 2014

GLOSSARY

Acquisition-related intangible assets

Acquisition-related intangible assets are assets that HEINEKEN only recognises as part of a purchase price allocation following an acquisition. This includes amongst others brands, customer-related and certain contract-based intangibles.

Beia

Before exceptional items and amortisation of acquisition-related intangible assets.

Cash conversion ratio

Free operating cash flow/net profit (beia) before deduction of non-controlling interests.

Depletions

Sales by distributors to the retail trade.

Dividend payout

Proposed dividend as percentage of net profit (beia).

Earnings per share

Basic
Net profit divided by the weighted average number of ordinary shares – basic – during the year.

Diluted
Net profit divided by the weighted average number of ordinary shares – diluted – during the year.

EBIT

Earnings before interest, taxes and net finance expenses. EBIT includes HEINEKEN's share in net profit of joint ventures and associates.

EBITDA

Earnings before interest, taxes, net finance expenses, depreciation and amortisation. EBITDA includes HEINEKEN's share in net profit of joint ventures and associates.

Effective tax rate

Income tax expenses expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures and impairments thereof (net of income tax).

Eia

Exceptional items and amortisation of acquisition-related intangible assets.

Free operating cash flow

This represents the total of cash flow from operating activities, and cash flow from operational investing activities.

HEINEKEN or "the Group"

Heineken Holding N.V., Heineken N.V., its subsidiaries and interest in joint ventures and associates.

Innovation rate

The innovation rate is calculated as revenues generated from innovations (introduced in the past 40 quarters for a new category, 20 quarters for a new brand and 12 quarters for all other innovations, excluding packaging renovations) divided by total revenue.

Net debt

Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.

Net debt/EBITDA (beia) ratio

The ratio is based on a 12 month rolling calculation for EBITDA (beia).

Net profit

Profit after deduction of non-controlling interests (profit attributable to equity holders of Heineken Holding N.V.).

Organic growth

Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items and amortisation of acquisition-related intangible assets.

Organic volume growth

Growth in volume, excluding the effect of consolidation changes.

Operating profit

Consolidated operating profit
Result from operating activities.

Group operating profit (beia)
Consolidated operating profit (beia) plus attributable share of operating profit (beia) from joint ventures and associates.

Profit

Total profit of the Group before deduction of non-controlling interests.

®

All brand names mentioned in this report, including those brand names not marked by an ®, represent registered trademarks and are legally protected.

Region

A region is defined as HEINEKEN's managerial classification of countries into geographical units.

Revenue

Consolidated revenue
Net realised sales proceeds.

Group revenue (beia)
Consolidated revenue plus attributable share of revenue from joint ventures and associates.

Volume

Consolidated beer volume
100 per cent of beer volume produced and sold by consolidated companies.

Group beer volume
Consolidated beer volume plus attributable share of beer volume from joint ventures and associates.

Group total volume
Total consolidated volume plus attributable share of volume from joint ventures and associates.

Heineken® volume
100 per cent of beer volume sold of the Heineken® brand by consolidated companies, joint ventures and associates and produced and sold under license by third parties.

Heineken® volume in premium segment
Heineken® volume excluding Heineken® volume in the Netherlands.

Licensed beer & non-beer volume
Cider, soft drink and non-beer volume sold in consolidated companies, joint ventures and associates, as well as HEINEKEN's brands produced and sold under license by third parties.

Third party products volume
Volume of third party products sold through consolidated companies, joint ventures and associates.

Total consolidated volume
100 per cent of volume produced and sold by consolidated companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of HEINEKEN's brands produced and sold under license by third parties.

Weighted average number of shares

Basic
Weighted average number of outstanding ordinary shares.

Diluted
Weighted average number of outstanding ordinary shares and the number of Long-Term Variable award shares held.