

## 26. Employee benefits

In millions of EUR	2006	2005
Present value of unfunded obligations	309	291
Present value of funded obligations	2,734	2,830
<b>Total present value of obligations</b>	<b>3,043</b>	<b>3,121</b>
Fair value of plan assets	(2,397)	(2,268)
<b>Present value of net obligations</b>	<b>646</b>	<b>853</b>
Less: Unrecognised actuarial losses	(78)	(285)
<b>Recognised liability for defined benefit obligations</b>	<b>568</b>	<b>568</b>
Other long-term employee benefits	97	96
	<b>665</b>	<b>664</b>

Plan assets consist of the following:

In millions of EUR	2006	2005
Equity securities	968	937
Government bonds	955	867
Properties and real estate	199	177
Other plan assets	275	287
	<b>2,397</b>	<b>2,268</b>

### Liability for defined benefit obligations

Heineken makes contributions to a number of defined benefit plans that provide pension benefits for employees upon retirement in a number of countries being mainly: the Netherlands, Greece, Austria, Germany, Italy, France, Spain and Nigeria. 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 and jubilee benefits.

### Movements in the liability for defined benefit obligations

In millions of EUR	2006	2005
Net liability at 1 January	568	634
Changes in consolidation and reclassification	(1)	(29)
Effect of movements in exchange rates	(2)	5
Benefits paid	(97)	(138)
Expense recognised in the income statement	100	96
<b>Net liability at 31 December</b>	<b>568</b>	<b>568</b>

### Movements in plan assets

In millions of EUR	2006	2005
Fair value of plan assets at 1 January	2,268	2,250
Effect of movements in exchange rates	(3)	(1)
Contributions paid into the plan	111	44
Benefits paid	(97)	(138)
Expected return on plan assets	118	113
<b>Fair value of plan assets at 31 December</b>	<b>2,397</b>	<b>2,268</b>

Notes to the consolidated financial statements  
continued

## 26. Employee benefits continued

## Expense recognised in the income statement

In millions of EUR	2006	2005
Current service costs	84	82
Interest on obligation	125	131
Expected return on plan assets	(118)	(112)
Effect of any curtailment or settlement	9	(5)
	<b>100</b>	<b>96</b>

## Principal actuarial assumptions at the balance sheet date

	Western and Central & Eastern Europe		Americas		Africa/ Middle East		Asia Pacific	
	2006	2005	2006	2005	2006	2005	2006	2005
Discount rate at 31 December	2.5-6	2.5-6.5	5.5-6.5	5.5-6.5	4.5-15	4.5-19	3.5-13	3.5-13
Expected return on plan assets at 1 January	3.5-6.6	3.5-6.6	6.5	5.25	6.5	5	3.5-11	3.5-11
Future salary increases	1.5-8	1.5-8	0.5-5	0.5-5	3-14	3-17	3-8	3.5-8
Future pension increases	1-2.5	1-3.5	3.5	3.5	2	2	8	8
Medical cost trend rate	1.5	1.5	5	5	–	–	–	–

Assumptions regarding future mortality are based on published statistics and mortality tables.

The overall expected long-term rate of return on assets is 5.9 per cent. The return is based exclusively on historical returns, without adjustments.

## 27. Share-based payments – Long-Term Incentive Plan

On 1 January 2005 Heineken established a performance-based share plan (Long-Term Incentive Plan; LTIP) for the Executive Board. On 1 January 2006 a similar LTIP was established for senior management.

The Long-Term Incentive Plan includes share rights, which are conditionally awarded to the Executive Board each year, are subject to Heineken's Relative Total Shareholder Return (RTSR) performance in comparison with the TSR performance of a selected peer group. At target performance, 100 per cent of the shares will vest. At maximum performance 150 per cent of the shares will vest. The LTIP share rights conditionally awarded to senior management each year are for 25 per cent subject to Heineken's Relative RTSR performance and for 75 per cent subject to internal performance conditions.

The performance period for share rights granted in 2005 is from 1 January 2005 to 31 December 2007. The performance period for share rights granted in 2006 is from 1 January 2006 to 31 December 2008. The vesting date for the Executive Board is five business days and for senior management twenty business days after the publication of the annual results of 2007, respectively of 2008.

The costs recognised are measured at grant date using the Monte Carlo model taking into account the terms and conditions of the plan.