HEINEKEN HOLDING N.V.
ANNUAL REPORT 2021

Established in Amsterdam

HEINEKEN HOLDING NV

Profile

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

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

Heineken Holding N.V. does not engage in operational activities itself. These have been assigned within the HEINEKEN group to Heineken N.V. and its subsidiaries and associated companies.

Heineken Holding N.V.'s income consists exclusively of dividends received on its interest in Heineken N.V.

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

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

This Annual Report can be downloaded from www.heinekenholding.com

Contents

Statement – This copy of the annual report of Heineken Holding N.V. for the year 2021 is not in the ESEF-format as specified by the European Commission in Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815). The ESEF reporting package is available at www.heinekenholding.com.

01 Shareholder Information

Heineken Holding N.V.

Heineken Holding N.V. share price
in €, Euronext Amsterdam

● Year-end price
○ Share price range

Average trade in 2021:
89,792 shares per day

Market capitalisation

Shares outstanding as at 31 December 2021: 288,030,168 shares of €1.60 nominal value.

At a year-end price of €81.15 on 31 December 2021, the market capitalisation of Heineken Holding N.V. as at the balance sheet date was €23.4 billion.

Year-end price	€81.15	31 December 2021
Highest closing price	€86.10	13 July 2021
Lowest closing price	€71.20	26 February 2021

Nationality Heineken Holding N.V. shareholders
in %
Based on 101.2 million shares in free float (excluding the holding of L'Arche Green N.V. and FEMSA in Heineken Holding N.V.)

	2021	2020
Americas	38.3	36.2
United Kingdom/Ireland	30.9	29.5
Netherlands	2.9	0.8
Rest of Europe	0.9	9.4
Rest of the world	10.4	3.1
Retail	4.5	4.5
Unidentified	12.1	16.5
	100.0	100.0

Source: CMi2i estimate based on available information December 2021

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

In 2021, the average daily trading volume of Heineken Holding N.V. shares was 89,792 shares (2020: 129,130 shares).

Substantial shareholdings

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

- 20 April 2018: Mrs C.L. de Carvalho-Heineken (0.03%, held directly; 52.60%, held indirectly through L'Arche Green N.V., L'Arche Holding B.V. and Stichting Administratiekantoor Priores);
- 30 April 2010: Voting Trust (FEMSA) (14.94%, held indirectly through its affiliate CB Equity LLP)*;
- 25 June 2020: Gardner Russo & Gardner LLC (2.99%, held directly);
- 24 January 2019: Lindsell Train Limited (5.02%, held directly).

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

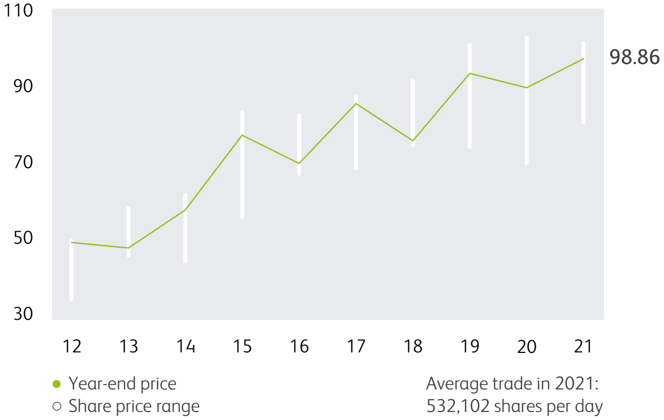
Dividend per share*
in €

2012	0.89
2013	0.89
2014	1.10
2015	1.30
2016	1.34
2017	1.47
2018	1.60
2019	1.68
2020	0.70
2021	1.24 (proposed)

* Before 2018 this applied to ordinary shares.

Heineken N.V.

Heineken N.V. share price
in €, Euronext Amsterdam



Market capitalisation

Shares outstanding as at 31 December 2021: 575,594,561 shares of €1.60 nominal value (excluding own shares held by Heineken N.V.).

At a year-end price of €98.86 on 31 December 2021, the market capitalisation of Heineken N.V. as at the balance sheet date was €56.9 billion.

Year-end price	€98.86	31 December 2021
Highest closing price	€103.45	24 June 2021
Lowest closing price	€81.60	3 March 2021

Nationality Heineken N.V. shareholders
in %
Based on 238.3 million shares in free float (excluding the holding of Heineken Holding N.V. and FEMSA in Heineken N.V.)

	2021	2020
Americas	40.1	40.1
United Kingdom/Ireland	18.8	18.6
Netherlands	5.1	2.1
Rest of Europe	1.6	17.0
Rest of the world	14.6	7.0
Retail	2.2	2.2
Unidentified	17.6	13.0
	100.0	100.0

Source: CMi2i estimate based on available information December 2021

The shares of Heineken N.V. are traded on Euronext Amsterdam, where Heineken N.V. is included in the AEX Index.

Heineken N.V.'s shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken N.V. ADRs and the ordinary Dutch (€ denominated) shares is 2:1, i.e. two ADRs represent one Heineken N.V. share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken N.V.'s ADR programmes.

Options on Heineken N.V. shares are listed on Euronext Amsterdam.

In 2021, the average daily trading volume of Heineken N.V. shares was 532,102 shares (2020: 730,451 shares).

Substantial shareholdings

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (indirectly 50.005% through L'Arche Holding S.A.; the direct 50.005% shareholder is Heineken Holding N.V.)*;
- 19 September 2017: Voting Trust (FEMSA) (8.63%, through its affiliate CB Equity LLP) (initial notification: 30 April 2010).

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

Financial calendar in 2022 for both Heineken Holding N.V. and Heineken N.V.

Announcement of 2021 results	16 February
Publication of Annual Report	25 February
Trading update first quarter 2022	20 April
Annual General Meeting of Shareholders*	21 April
Quotation ex-final dividend 2021	25 April
Final dividend 2021 payable	3 May
Announcement of half-year results 2022	1 August
Quotation ex-interim dividend 2022	3 August
Interim dividend 2022 payable	11 August
Trading update third quarter 2022	26 October

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

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

Further information on Heineken Holding N.V. is available by telephone +31 20 622 11 52.

Information on Heineken Holding N.V. and Heineken N.V. is also available from the Investor Relations department, telephone +31 20 523 95 90, or by e-mail: investors@heineken.com.

Further shareholder information is also available on the website www.heinekenholding.com.

Bondholder information

In September 2008, HEINEKEN established a Euro Medium Term Note (EMTN) Programme which was last updated in March 2021. The programme allows Heineken N.V. to issue Notes for a total amount of up to €20 billion. Approximately €10.1 billion is outstanding under the programme as at 31 December 2021.

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
144A/RegS 2022	3 April 2012	USD 750 million	3.400	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD 1,000 million	2.750	1 April 2023	US423012AD54
EUR EMTN 2023	23 October 2015	EUR 140 million	1.700	23 October 2023	XS1310154536
EUR EMTN 2024	19 March 2012	EUR 500 million	3.500	19 March 2024	XS0758420748
EUR EMTN 2024	7 December 2015	EUR 460 million	1.500	7 December 2024	XS1330434389
EUR EMTN 2025	25 March 2020	CHF 100 million	0.638	25 March 2025	XS2145099201
EUR EMTN 2025	30 March 2020	EUR 600 million	1.625	30 March 2025	XS2147977479
EUR EMTN 2025	2 August 2012	EUR 750 million	2.875	4 August 2025	XS0811555183
EUR EMTN 2025	20 October 2015	EUR 225 million	2.000	20 October 2025	XS1309072020
EUR EMTN 2026	4 May 2016	EUR 1,000 million[1]	1.000	4 May 2026	XS1401174633
EUR EMTN 2027	29 November 2016	EUR 500 million	1.375	29 January 2027	XS1527192485
EUR EMTN 2027	17 September 2018	EUR 600 million	1.250	17 March 2027	XS1877595444
144A/RegS 2028	29 March 2017	USD 1,100 million	3.500	29 January 2028	US423012AF03
EUR EMTN 2029	30 January 2014	EUR 200 million	3.500	30 July 2029	XS1024136282
EUR EMTN 2029	3 October 2017	EUR 800 million	1.500	3 October 2029	XS1691781865
EUR EMTN 2030	30 March 2020	EUR 800 million	2.250	30 March 2030	XS2147977636
EUR EMTN 2031	17 September 2018	EUR 750 million[2]	1.750	17 March 2031	XS1877595014
EUR EMTN 2032	12 May 2017	EUR 500 million	2.020	12 May 2032	XS1611855237
EUR EMTN 2033	15 April 2013	EUR 180 million	3.250	15 April 2033	XS0916345621
EUR EMTN 2033	7 May 2020	EUR 650 million	1.250	7 May 2033	XS2168629967
EUR EMTN 2033	19 April 2013	EUR 100 million	2.562	19 April 2033	XS0920838371
EUR EMTN 2040	7 May 2020	EUR 850 million	1.750	7 May 2040	XS2168630205
144A/RegS 2042	10 October 2012	USD 500 million	4.000	1 October 2042	US423012AE38
144A/RegS 2047	29 March 2017	USD 650 million	4.350	29 March 2047	US423012AG85

1 Includes EUR 200 million tap issued on 15 July 2019.
2 Includes EUR 100 million tap issued on 5 June 2019.

The EMTN programme and the above Heineken N.V. Notes issued thereunder are listed on the Luxembourg Stock Exchange.

Traded Heineken Asia MTN Pte. Ltd. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
SGD MTN 2022	7 January 2010	SGD16.25 million	4.000	7 January 2022	SG7U93952517

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

HEINEKEN has a €2.0 billion Euro Commercial Paper (ECP) programme to facilitate its cash management operations and to further diversify its funding sources. There was no ECP in issue as per 31 December 2021.

Board of Directors of Heineken Holding N.V.

EXECUTIVE DIRECTORS

Mrs C.L. de Carvalho-Heineken

1954 Dutch nationality

Executive director

Appointed in 1988; reappointed in 2019*

Profession:

Company director

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

Other positions*:**

Board member of L'Arche Green N.V., L'Arche Holding B.V. and Stichting Administratiekantoor Priores (chairman)

Mr M.R. de Carvalho

1944 English nationality

Executive director

Appointed in 2015; reappointed in 2019*

Profession:

Chairman of Capital Generation Partners (CapGen)

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

Other positions*:**

Board member of L'Arche Green N.V.

NON-EXECUTIVE DIRECTORS

Mr M. Das

1948 Dutch nationality

Non-executive director (chairman)

Appointed in 1994; reappointed in 2021*

Profession:

Lawyer

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

Other positions*:**

Board member of L'Arche Green N.V. (chairman), L'Arche Holding B.V. and Stichting Administratiekantoor Priores

Mr J.A. Fernández Carbajal

1954 Mexican nationality

Non-executive director

Appointed in 2010; reappointed in 2018*

Profession:

Executive Chairman of the board of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)

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

Other positions*:**

Board member of Coca-Cola Fomento Económico Mexicano S.A.B. de C.V.(chairman), Tecnológico de Monterrey (chairman) and Industrias Peñoles, S.A.B. de C.V., Term member of MIT Corporation, Member of the Board of Global Advisors of the Council for Foreign Relations

Mrs C.M. Kwist

1967 Dutch nationality

Non-executive director

Appointed in 2011; reappointed in 2019*

Profession:

Company director

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Picnic International B.V.

Other positions*:**

Managing director of Greenfee B.V.; Board member of L'Arche Green N.V.

Mr A.A.C. de Carvalho

1984 Dutch and English nationality

Non-executive director

Appointed in 2013; reappointed in 2021*

Profession:

Company director

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

Other positions*:**

Board member of Stichting Administratiekantoor Priores

Mrs A.M. Fentener van Vlissingen

1961 Dutch nationality

Non-executive director

Appointed in 2018*

Profession:

Company director

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

Other positions*:**

Board member of Lhoist; Member of the Global Advisory Council of Bank of America

Mrs L.L.H. Brassey

1986 Dutch and English nationality

Non-executive director

Appointed in 2018*

Profession:

Co-founder of Greenwood Place

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

Other positions*:**

Board member of Stichting Administratiekantoor Priores

Mr J.F.M.L. van Boxmeer

1961 Belgian nationality

Non-executive director

Appointed in 2020*

Profession:

Chairman of Vodafone Group Plc (non-executive director)

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

Other positions*:**

Board member of Mondelez International Inc and Henkel AG & Co.

* For the maximum period of four years.
** Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:
(i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds €20 million;
(ii) The net turnover exceeds €40 million;
(iii) The average number of employees is at least 250.
*** Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Board of Directors.

02 Report of the Board of Directors

Introduction

POLICY PRINCIPLES

Heineken Holding N.V. (the 'Company') has played an important role in HEINEKEN (Heineken Holding N.V., Heineken N.V., its subsidiaries and interests in joint ventures and associates) for seventy years. The Company seeks to promote the continuity, independence and stability of HEINEKEN. This creates the conditions which enable Heineken N.V. to pursue its long-term policy in the interest of the shareholders, the staff and other stakeholders.

The Company's policy has been successful. Thanks in part to its unique and stable structure, HEINEKEN now has the widest international presence of all the world's brewing groups and the Heineken® brand is the most trusted international beer brand in the world.

ACTIVITIES

The Board of Directors held eight meetings with the Preparatory Committee of the Supervisory Board of Heineken N.V. in 2021.

The impact of the COVID-19 pandemic has been on the agenda of the Board of Directors during the year: employees' health and safety as high priority, but also continued support for customers, suppliers and communities.

The CEO and Chairman of the Executive Board of Heineken N.V. provided several updates on project EverGreen. The project leverages both strengths and new opportunities to chart a next chapter of growth: deliver superior and profitable growth in a fast changing world, putting customers and consumers at the core by continually enhancing and expanding the HEINEKEN portfolio and footprint, focus on continuous productivity improvements and raising environmental and social sustainability ambitions. During the year it was announced to decarbonise the own HEINEKEN production by 2030 and the full value chain by 2040.

A recurrent element in all the meetings was discussion of the results of Heineken N.V.: volumes, revenues and operating profit organic growth, cost base, consolidation effects and foreign exchange effects were reviewed by region. Also the cash flows and bond issues were on the agenda. The CEO and Chairman of the Executive Board of Heineken N.V. commented on the impact of the pandemic in various markets and the development of the brand portfolio in the different regions, paying particular attention in all cases to the development of the Heineken® brand. New propositions were discussed, such as a hard seltzer brand, e-commerce and technology upgrades. The developments in the economic and political situation, including currency volatility, in the different regions of the world were also addressed.

Other matters discussed during the year included proposals for acquisitions, investments, disposals and other opportunities for Heineken N.V. such as the redesign of the distribution in Brazil, the further acquisition of United Breweries Limited (UBL) in India resulting in majority shareholding and control, the investment in Star Pubs & Bars in the United Kingdom and the implementation agreement with Distell Group Holdings Limited, Namibia Breweries Limited and Ohlthaver & List Group of Companies to integrate their respective and relevant businesses in Southern Africa into one enlarged company.

On the agenda were the Heineken N.V. annual plan, cost management and dividend policy, funding ratios and the share price development.

The Board of Directors was presented with updates on the CFO succession and supported the appointment of Harold van den Broek as CFO as of 1 June 2021. The composition of the Supervisory Board and management development were also recurring items on the agenda.

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

In addition to the meetings with the Preparatory Committee of the Supervisory Board of Heineken N.V. as described above, the Board of Directors also met separately on two occasions to discuss, among other things, the Report of the Board of Directors and the financial statements for 2020 and the first half of 2021. At the meeting of the Board of Directors at which the Report of the Board of Directors and the financial statements for 2020 were discussed, the external auditors, Deloitte Accountants B.V., gave a comprehensive report on their activities.

Mrs C.L. de Carvalho-Heineken and Mr M.R. de Carvalho, executive directors, travelled to Miami (United States of America) to open a brewery and to Athens (Greece) to visit the HEINEKEN office.

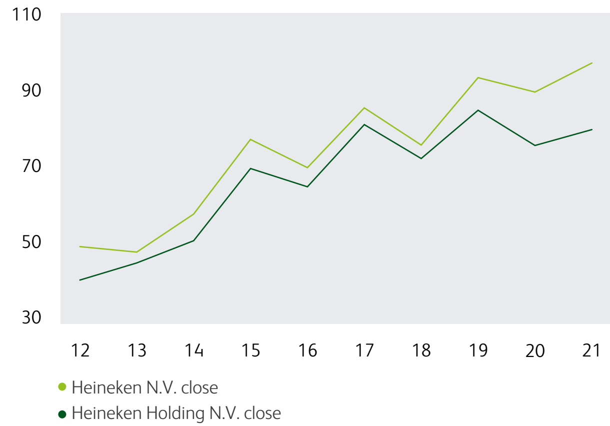
REVIEW OF 2021

Share price

The share price of the Heineken Holding N.V. share has increased from €77.80 at the beginning of the year to €81.15 on 31 December. The gap between the Heineken N.V. and Heineken Holding N.V. share prices moved between 12.32% and 17.95% through the year, ending at 17.91% on 31 December.

Price movements are shown in the graph on this page. More information regarding the shares can be found on page 5 of this Report.

Gap between Heineken Holding N.V. and Heineken N.V. share price
in €, Euronext Amsterdam



Interest in Heineken N.V.

The nominal value of the Company's interest in Heineken N.V. as at 31 December 2021 was €461 million (31 December 2020: €461 million). The nominal value of the shares issued by the Company as at the same date was also €461 million.

As at 31 December 2021, the Company's interest in Heineken N.V. represented 50.005% of the issued capital (being 50.040% of the outstanding capital) of Heineken N.V.

Results

With regard to the Company's balance sheet and income statement, the Board of Directors has the following comments. The Board of Directors has elected to avail itself of the option given by

Section 362, subsection 8, Book 2 of the Dutch Civil Code *(Burgerlijk Wetboek)* of using the same accounting policies for the valuation of assets and liabilities and determination of results in the Company Financial Statements as those used for the preparation of the Consolidated Financial Statements of Heineken Holding N.V. Since the interest in Heineken N.V. is measured using the net asset value method, the equity attributable to the shareholders of Heineken Holding N.V., amounting to €8,593 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the Company's balance sheet.

The Company's 50.040% share in Heineken N.V.'s 2021 profit of €3,324 million is recognised as a profit of €1,663 million in the 2021 Company Income Statement.

HEINEKEN N.V. PERFORMANCE IN 2021 AND OUTLOOK

Performance

Heineken N.V. posted a net profit of €3,324 million in 2021.

During 2021, HEINEKEN deployed its EverGreen strategy across the business, designed to emerge stronger from the COVID-19 crisis and adapt to new external dynamics for superior and balanced growth with enhanced profitability, whilst simultaneously raising the bar on sustainability and responsibility.

HEINEKEN's superior growth ambition is grounded in building a favourable geographic footprint, its strong premium beer brands, including non-alcoholic variants and developing winning beverage propositions in fast-growing segments.

Net revenue (beia) for the full year 2021 increased by 12.2% organically, with total consolidated volume growing by 3.6% and net revenue (beia) per hectolitre up 8.3%. The underlying price-mix on a constant geographic basis was up 7.1%, driven by assertive pricing and premiumisation, with the regions Americas and Africa, Middle East and Eastern Europe (AMEE) growing double-digits. Currency translation negatively impacted net revenue (beia) by €515 million or 2.6%, mainly driven by the Brazilian Real and the Nigerian Naira. The consolidation of United Breweries Limited (UBL) in India positively impacted net revenue (beia) by €280 million or 1.4%.

In the second half of the year, net revenue (beia) grew 10.6% organically. HEINEKEN took further pricing actions and accelerated net revenue (beia) per hectolitre growth to 11.0%. Underlying price-mix in the second half was up 8.8% primarily driven by Nigeria, Brazil, Mexico and Europe, the latter benefiting from an improved channel mix. Total consolidated volume declined slightly by 0.3%, mainly impacted by the restrictions in the Asia Pacific region.

Beer volume grew 4.6% organically for the full year. In the fourth quarter, beer volume grew 6.2%, benefiting from fewer restrictions in Europe relative to last year, continued momentum in the Americas and AMEE, and a sequential recovery in Asia Pacific (APAC) relative to the third quarter.

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

Outlook

HEINEKEN launched its EverGreen strategy in February 2021 to future-proof its business and deliver superior, balanced growth for sustainable, long-term value creation. It requires HEINEKEN to constantly navigate the long-term transformation with the short-term financial delivery under fast-changing external circumstances. HEINEKEN is encouraged by the progress made, witnessed by the strong performance of its business in 2021 and how EverGreen is taking shape.

In 2022, HEINEKEN will continue to navigate an uncertain environment and expect COVID-19 to still have an impact on revenues. HEINEKEN's plans assume markets in APAC to progressively bounce back during the year, yet full recovery of the on-trade in Europe may take longer.

HEINEKEN also expects to be significantly impacted by inflation and supply chain resilience pressures. More specifically, HEINEKEN expects its input cost per hectolitre (beia) to increase in the mid-teens, given its hedged positions and the sharp increase in the prices of commodities, energy and freight. HEINEKEN will offset these input cost increases through pricing in absolute terms, which may lead to softer beer consumption.

Reflecting HEINEKEN's confidence in the long-term, it intends to reverse the cost mitigation actions undertaken in 2021 and to further step up its investments in brand support and its digital and sustainability initiatives. This investment will be partially offset by further delivery of gross savings from our productivity programme. These changes are expected to have a greater impact in the first half of the year.

Overall, HEINEKEN expects a stable to modest sequential improvement in operating profit margin (beia) in 2022. Whilst continuing to target 17% operating margin (beia) in 2023 and operating leverage beyond, there is increased uncertainty given current and evolving economic and input cost circumstances. Therefore, HEINEKEN will update the 2023 guidance later in the year.

HEINEKEN also anticipates:

- An average effective interest rate (beia) broadly in line with 2021 (2021: 2.7%)
- Capital expenditure related to property, plant and equipment and intangible assets of around €2 billion (2021: €1.6 billion)
- An effective tax rate (beia) of around 28% (2021: 29.9%), back to the level of 2019

FINANCIAL STATEMENTS AND APPROPRIATION OF RESULT

The Board of Directors will submit the 2021 Financial Statements to the General Meeting of Shareholders. These financial statements, on pages 21 to 73 of this Report, have been audited by Deloitte Accountants B.V., whose report can be found on page 75.

Heineken N.V. proposes to distribute a dividend for 2021 of €1.24 per share of €1.60 nominal value of which €0.28 per share has already been paid as interim dividend on 11 August 2021.

The Board of Directors has resolved to vote at the Annual General Meeting of Shareholders of Heineken N.V. in favour of Heineken N.V.'s dividend proposal. On that basis, the dividend payable to the Company for 2021 totals €357 million in cash, of which €80 million has already been received by way of interim dividend. The final dividend due to the Company will therefore be €277 million

Like the holders of Heineken N.V. shares, holders of Heineken Holding N.V. shares will therefore receive a total dividend for 2021 of €1.24 per share of €1.60 nominal value of which €0.28 per share has already been paid as interim dividend. The final dividend of €0.96 per share will be payable to shareholders as of 3 May 2022.

Corporate Governance Statement

INTRODUCTION

This Corporate Governance Statement forms part of the Report of the Board of Directors of Heineken Holding N.V. (the 'Company') for 2021. It addresses Heineken Holding N.V.'s corporate governance structure and the way Heineken Holding N.V. applies the principles and best practices of the Dutch Corporate Governance Code 2016 (the "Code"). The complete text of the Code is available at www.mccg.nl. This statement also includes the information that the Company is required to disclose pursuant to the Dutch governmental decree on Article 10 Takeover Directive *(Besluit artikel 10 Overnamerichtlijn)*, the governmental decree on the disclosure of non-financial information, and Section 5:25c, subsection 2 sub c of the Financial Supervision Act *(Wet op het financieel toezicht)*. Most of the required information has been integrated in this Corporate Governance Statement. For the information that is not integrated we refer to the section at the end of this Corporate Governance Statement.

Policy principles

Heineken Holding N.V. is a public company with limited liability incorporated under the laws of the Netherlands. Its shares are listed on the Amsterdam Stock Exchange, Euronext Amsterdam. Standing at the head of HEINEKEN, Heineken Holding N.V. is not an ordinary holding company. Since its formation in 1952, Heineken Holding N.V. seeks to promote the continuity, independence and stability of HEINEKEN. This creates the conditions which enable Heineken N.V. to pursue its long-term policy in the interest of the shareholders, the staff and other stakeholders.

Pursuant to the Articles of Association of Heineken Holding N.V., its main object is to manage or supervise the management of HEINEKEN and to provide services for Heineken N.V., in accordance with the policy principles outlined above. Heineken Holding N.V. does not engage in operational activities itself and employs no staff. The operational activities have been assigned within HEINEKEN to Heineken N.V. and its subsidiaries and associated companies. Within HEINEKEN, the primary duties of Heineken N.V.'s Executive Board are to initiate and implement corporate strategy and to manage Heineken N.V. and its related companies. Heineken N.V.'s Executive Board is accountable to Heineken N.V.'s Supervisory Board and to the General Meeting of Shareholders of Heineken N.V.

Heineken Holding N.V.'s income consists exclusively of dividends received on its interest in Heineken N.V. Every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued at the level of Heineken Holding N.V. The dividend payable on both shares is identical.

Corporate Governance Code

As a Dutch listed company, Heineken Holding N.V. is subject to the Code and is required to disclose in its Report of the Board of Directors to what extent it complies with the principles and best practice provisions of the Code. The guiding principle is that corporate governance requires a tailor-made approach and that non-application of individual provisions by a company may be justified. While Heineken Holding N.V. endorses the principles of the Code, the structure of HEINEKEN, and in particular the relationship between Heineken Holding N.V. and Heineken N.V., prevents Heineken Holding N.V. from applying a number of the Code's best practice provisions. Most of the best practice provisions that Heineken Holding N.V. cannot comply with, are met by Heineken N.V. instead. This is further explained in the paragraphs below.

Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be submitted to the General Meeting of Shareholders for discussion under a separate agenda item (departure from the Code was last discussed at the Annual General Meeting of Shareholders on 19 April 2018).

Governance structure

Ownership

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

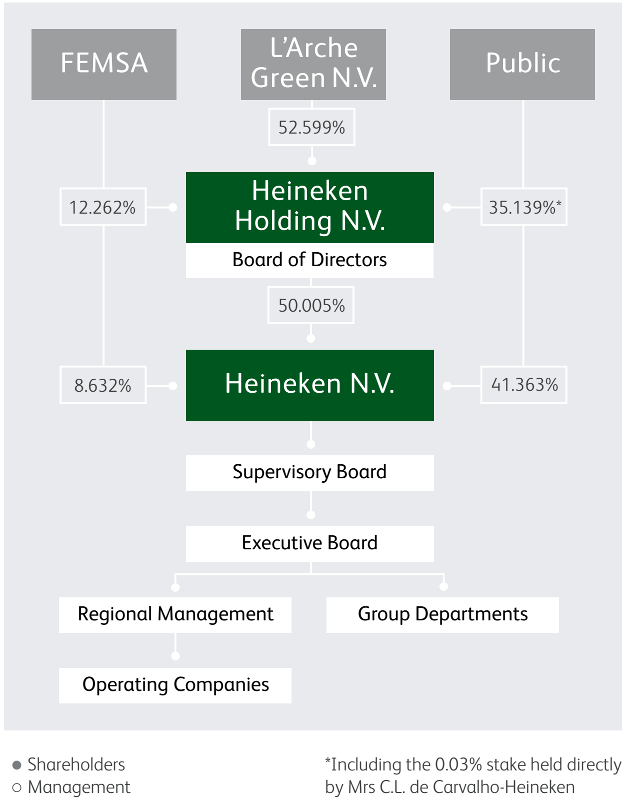
As at 31 December 2021 L'Arche Green N.V., a company owned by the Heineken family and the Hoyer family, holds a 52.599% interest of the issued share capital of Heineken Holding N.V. The Heineken family holds 88.86% of the issued share capital of L'Arche Green N.V. and the remaining 11.14% is held by the Hoyer family. Mrs C.L. de Carvalho-Heineken also owns a direct 0.03% stake in Heineken Holding N.V.

FEMSA, through its affiliates CB Equity LLP and CSC AP SA de CV, holds a 12.262% interest of the issued share capital of Heineken Holding N.V. In combination with its Heineken N.V. shareholding this represents a 14.76% economic interest in HEINEKEN.

Of the issued share capital of Heineken Holding N.V. 35.139% is held by public shareholders.

Management

Heineken Holding N.V. is managed by its Board of Directors, whose activities are directed towards implementing the policy principles outlined above. Heineken Holding N.V. has a one-tier board management structure. The Board of Directors comprises two executive directors *(uitvoerende bestuurders)* and seven non-executive directors *(niet-uitvoerende bestuurders)*. The executive directors are charged with the day-to-day management and the



preparation and implementation of the Board of Directors' resolutions, and the non-executive directors shall supervise the policy and functioning of the executive directors. The Board of Directors has not installed any committees. The tasks, responsibilities and internal procedural matters for the Board of Directors are addressed in the Articles of Association and the Rules for the Board of Directors (available at www.heinekenholding.com).

Long-term value creation and culture

The development of and the manner of implementing HEINEKEN's strategy aimed at long-term value creation as well as enabling a culture aligned with such strategy is pursued by Heineken N.V. The operational activities for pursuing such strategy are performed by Heineken N.V. Although Heineken Holding N.V. seeks to promote the continuity, independence and stability of HEINEKEN, thereby enabling Heineken N.V. to grow in a controlled and steady manner and to pursue its long-term policy in the interest of all stakeholders, Heineken Holding N.V. does not have a long-term value creation strategy nor an aligned culture itself as it manages or supervises HEINEKEN, but does not engage in any operational activities and employs no staff. Heineken Holding N.V. therefore does not apply best practice provisions 1.1.1 up to and including 1.1.4 and 2.5.1, 2.5.2, 2.5.4 and 2.3.6 sub ix of the Code. HEINEKEN's long-term value creation strategy and culture is described in Heineken N.V.'s Report of the Executive Board.

Risk management

As Heineken Holding N.V. does not perform operational management activities, it does not have an internal risk management and control system to control any risks following from such management and operational activities. Heineken Holding N.V. does therefore not apply best practice provisions 1.2.1 up to and including 1.2.3, 1.4.1 up to and including 1.4.3 (i) and (ii) and 1.5.1 up to and including 1.5.4 of the Code. The Board of Directors will therefore not provide the statement pursuant to best practice provision 1.4.3 (i) and (ii) of the Code.

The risk management and control system for the business is described in the Heineken N.V. Report of the Executive Board. note 11.5 to the Consolidated Financial Statements itemises the specific financial risks and explains the control system relating to those risks. Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis and the Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Annual Report.

Internal audit function

An internal audit function in relation to internal risk management and control is not present at the level of Heineken Holding N.V. as reviews of internal key processes, projects and systems, based on HEINEKEN's strategic priorities and most significant risk areas, are performed by Heineken N.V.

Heineken Holding N.V. does therefore not apply best practice provisions 1.3.1 up to and including 1.3.6 of the Code. Please refer to the Heineken N.V. Report of the Executive Board for further information.

Misconduct and irregularities

Since Heineken Holding N.V. does not engage in any operational activities and employs no staff, a monitoring of suspected misconduct or irregularities cannot be performed. Heineken Holding N.V. does therefore not apply best practice provisions 2.6.1 up to and including 2.6.4 and 2.3.6 sub x of the Code.

Policy on bilateral contacts with shareholders

As bilateral contacts with shareholders (i.e. analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences) take place at the level of Heineken N.V., the Company does not apply best practice provisions 4.2.2 and 4.2.3 of the Code. Heineken N.V.'s policy on bilateral contacts with shareholders and further relevant information can be found on: www.theheinekencompany.com.

BOARD OF DIRECTORS

Composition

The Board of Directors consists of nine members:
Mr M. Das, non-executive director (chairman), executive directors Mrs C.L. de Carvalho-Heineken and Mr M.R. de Carvalho, and non-executive directors Mr J.A. Fernández Carbajal, Mrs C.M. Kwist, Mr A.A.C. de Carvalho, Mrs A.M. Fentener van Vlissingen, Mrs L.L.H. Brassey and Mr J.F.M.L. van Boxmeer.

Appointment and dismissal of members of the Board of Directors

The members of the Board of Directors are appointed by the General Meeting of Shareholders from a non-binding recommendation drawn up by the Board of Directors.

The Board of Directors shall consist of:

(i) one or more executive directors, who shall be charged in particular with the day-to-day management and the preparation and implementation of the Board of Directors' resolutions, and
(ii) three or more non-executive directors, who shall supervise the policy and functioning of the executive directors.

The majority of the members of the Board of Directors shall consist of non-executive directors.

The General Meeting of Shareholders may suspend and/or dismiss members of the Board of Directors by a resolution adopted by an absolute majority of the votes cast which represents at least one-third of the issued capital.

An executive director of the Board of Directors may also be suspended by the Board of Directors. The relevant executive director shall not participate in decision-making on his suspension. A resolution to suspend an executive director shall require a unanimous vote by all members of the Board of Directors except the executive director whose suspension is the subject of the motion. A suspension imposed by the Board of Directors may be lifted at any time by the General Meeting of Shareholders.

In the interest of preserving the core values and structure of HEINEKEN, the Company does not apply the maximum appointment period to non-executive directors of the Board of Directors who are:

(i) related by blood or affinity in the direct line of descent of Mr A.H. Heineken,
(ii) related by blood or affinity in the direct line of descent of Mr H.F. Hoyer,
(iii) members of the Supervisory Board of Heineken N.V. Therefore, the Company does not fully comply with best practice provision 2.2.2 of the Code.

At the Annual General Meeting of Shareholders on 22 April 2021 Mr M. Das and Mr A.A.C. de Carvalho were reappointed as non-executive directors of the Board of Directors, each for the maximum period of four years. In addition, the Board of Directors has reappointed Mr M. Das as its chairman.

In accordance with the current rotation schedule, Mr J.A. Fernández Carbajal, Mrs A.M. Fentener van Vlissingen and Mrs L.L.H. Brassey will stand down at the Annual General Meeting of Shareholders on 21 April 2022. Non-binding recommendations, drawn up by the Board of Directors, will be submitted to the General Meeting of Shareholders on 21 April 2022 to reappoint Mr J.A. Fernández Carbajal, Mrs A.M. Fentener van Vlissingen and Mrs L.L.H. Brassey as non-executive directors of the Board of Directors, each for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2026).

A non-binding recommendation, drawn up by the Board of Directors, will be submitted to the General Meeting of Shareholders on 21 April 2022 to appoint Mr C.A.G. de Carvalho as non-executive director of the Board of Directors, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2026).

Profile

The Board of Directors does not have a separate profile for its non-executive members due to the specific governance structure of the Board of Directors and aligns with the objectives as referred to in the profile of the members of the Supervisory Board of Heineken N.V., the Company therefore does not apply best practice provision 2.1.1 of the Code.

Diversity

Heineken Holding N.V. recognises the benefits of having a diverse Board. The policy of the Company is to have a balanced and diverse composition of the Board of Directors in terms of nationality, age, gender and educational, professional and geographical background and experience of the individual members.

With respect to gender, Dutch law stipulates that large Dutch public companies with one-tier boards, such as the Company, are deemed to have a balanced composition if at least one-third of the non-executive directors are female and at least one-third of the non-executive directors are male members. The non-executive directors currently consist of three female and four male members; the composition is therefore deemed to be balanced. Currently, the executive directors of the Board of Directors are one female and one male member; the composition is deemed to be balanced as well.

The Board of Directors represents four nationalities (Dutch, English, Mexican and Belgian) and has an age range between 35 and 77. Furthermore, the members of the Board of Directors have varied academic and professional backgrounds.

Independence

Heineken Holding N.V. endorses the principle that the composition of the Board of Directors shall be such that its members are able to act critically and independently of one another and of any particular interests.

Given the structure of HEINEKEN, the Company is of the opinion that, in the context of promoting the continuity, independence and stability of HEINEKEN, it is in its best interest and that of its stakeholders that the Board of Directors includes a fair and adequate representation of persons who are related by blood or affinity in the direct line of descent of Mr A.H. Heineken or Mr H.F. Hoyer, or who are representatives of FEMSA, even if those persons would not, formally speaking, be considered ‘independent’ within the meaning of best practice provision 2.1.8 of the Code.

Currently, six of the seven non-executive directors of the Board of Directors do not qualify as ‘independent’ as per best practice provision 2.1.8 of the Code pursuant to which Heineken Holding N.V. does not comply with best practice provision 2.1.7 of the Code. These six non-executive directors do in a strictly formal sense not meet several criteria for being ‘independent’ as set out in the Code.

Mr M. Das does not qualify as independent pursuant to best practice provision 2.1.8 sub iii of the Code, as he had an important business relationship with Heineken Holding N.V. as advisor of the Company in the year prior to his appointment. Mr M. Das is also not independent pursuant to best practice provision 2.1.8 sub vii of the Code as he is a member of the management board of L'Arche Green N.V., an entity that holds at least 10% of the shares in the Company.

Mr J.A. Fernández Carbajal is a representative of FEMSA, which through its affiliates CB Equity LLP and CSC AP SA de CV, has a shareholding in Heineken Holding N.V. of at least 10%, pursuant to which he is not considered independent on the basis of best practice provision 2.1.8 sub vii of the Code.

Mrs C.M. Kwist is not independent pursuant to best practice provision 2.1.8 sub vii of the Code, as she is a member of the management board of L'Arche Green N.V., an entity that has a shareholding in Heineken Holding N.V. of at least 10%. She is also a member of the Hoyer family, the family that together with the Heineken family owns L'Arche Green N.V.

Mr A.A.C. de Carvalho is not considered independent pursuant to best practice provision 2.1.8 sub i of the Code, as he is a relative by blood of the executive members of the Company. In addition, pursuant to best practice provision 2.1.8 sub vi of the Code, Mr A.A.C. de Carvalho is not considered independent being the son of Mrs C.L. de Carvalho-Heineken, the latter having an indirect shareholding of at least 10% in the Company. Nor is Mr A.A.C. de Carvalho considered independent pursuant to best practice provision 2.1.8 sub vii of the Code, as he is a relative by blood of members of the management board of L'Arche Green N.V., an entity that has a shareholding in Heineken Holding N.V. of at least 10%.

Mrs L.L.H. Brassey is not considered independent pursuant to best practice provision 2.1.8 sub i of the Code, as she is a relative by blood of the executive members of the Company. In addition, pursuant to best practice provision 2.1.8 sub vi of the Code, Mrs L.L.H. Brassey is not considered independent being the daughter of Mrs C.L. de Carvalho-Heineken, the latter having an indirect shareholding of at least 10% in the Company. Nor is Mrs L.L.H. Brassey considered independent pursuant to best practice provision 2.1.8 sub vii of the Code, as she is a relative by blood of members of the management board of L'Arche Green N.V., an entity that has a shareholding in Heineken Holding N.V. of at least 10%.

Mr J.F.M.L. van Boxmeer does not qualify as independent pursuant to best practice provision 2.1.8 sub i of the Dutch Corporate Governance Code, as he has been Heineken N.V.'s CEO and Chairman of the Executive Board in the five years prior to his appointment.

Heineken Holding N.V. does not comply with best practice provision 5.1.3 of the Code as Mr M. Das, the chairman of the Board of Directors (i) used to be a former (executive) member of the Board of Directors prior to the implementation of the one-tier management structure, and (ii) is not considered independent pursuant to best practice provisions 2.1.8 sub iii and vii of the Code, as described above.

The Board of Directors has ascertained that the non-executive directors in fact act critically and independently. However, Heineken Holding N.V. does not comply with best practice provision 2.1.7 and 2.1.9 of the Code and the Company does therefore not apply best practice provision 2.1.10 of the Code, to the extent that this provision provides that the Report of the Board of Directors shall state that best practice provisions 2.1.7 through 2.1.9 of the Code have been fulfilled.

Chairman of the Board of Directors

As a result of the specific structure, not all tasks of the chairman that are listed in best practice provision 2.3.6 of the Code can be applied. Best practice provisions 2.3.6 sub ii and 2.3.7 of the Code are also not applied as the Board of Directors has not appointed a vice-chairman.

Evaluation

The Board of Directors does not conduct sessions to evaluate its own functioning, and that of its individual members. Considering the governance structure of Heineken Holding N.V. and the activities of the Board of Directors for the Company, the Board of Directors feels that it has a sufficient view on the performance, working methods, procedures and functioning of the Board of Directors and its individual members. The Company therefore does not apply best practice provisions 2.2.6 up to and including 2.2.8 and 2.3.6 sub vi of the Code.

Committees

The Board of Directors has not installed committees as the establishment of such committees does not fit the specific structure of Heineken Holding N.V. The Company does therefore not apply best practice provisions 2.3.2 up to and including 2.3.5 and 2.3.6 sub v of the Code and related provisions. Although Heineken Holding N.V. does not have any committees itself, the relevant findings of the various committees of the Supervisory Board of Heineken N.V. are shared with Heineken Holding N.V. as the Board of Directors of Heineken Holding N.V. meets with the Preparatory Committee of Heineken N.V. on several occasions. Furthermore, Mr M. Das, Mr M.R. de Carvalho and Mr J.A. Fernández Carbajal have a double function as they are all a member of the Board of Directors of Heineken Holding N.V. as well as a member of the Supervisory Board of Heineken N.V.

Attendance

The Board of Directors confirms that all non-executive directors of the Board of Directors have adequate time available to give sufficient attention to the concerns of the Company. In 2021, the attendance rate was 94% for the meetings of the Board of Directors.

In accordance with best practice provision 2.4.4 of the Code, the table below provides an overview of the attendance record of the individual non-executive directors of the Board of Directors. Attendance is expressed as a number of meetings attended out of the number eligible to attend. The Board of Directors met with the Preparatory Committee of the Supervisory Board of Heineken N.V. on eight occasions in 2021. In addition to the meetings with the Preparatory Committee of the Supervisory Board of Heineken N.V., the Board of Directors also met separately on two occasions to discuss, among other things, the Report of the Board of Directors and the financial statements for 2020 and the first half of 2021.

	Meetings of the Board of Directors
Mr M. Das	10/10
Mr J.A. Fernández Carbajal	10/10
Mrs C.M. Kwist	10/10
Mr A.A.C. de Carvalho	9/10
Mrs A.M. Fentener van Vlissingen	8/10
Mrs L.L.H. Brassey	10/10
Mr J.F.M.L. van Boxmeer	9/10

Conflict of interest

The Code, the Articles of Association and the Rules of the Board of Directors of the Company prescribe how to deal with conflicts of interest between the Company and members of the Board of Directors. In 2021, no transactions were reported under which a member of the Board of Directors had a conflict of interest that was of material significance.

Remuneration policy

Remuneration of the members of the Board of Directors was introduced by an amendment to the Articles of Association in 2001. In line with requirements under the European Shareholders' Rights Directive, implemented into Dutch law per 1 December 2019, the General Meeting of Shareholders of 23 April 2020 adopted the updated remuneration policy for the Board of Directors.

Given the specific structure of Heineken Holding N.V. certain best practice provisions under the remuneration related principles (3.1, 3.2 and 3.4 of the Code) that are inconsistent with the Company's Remuneration Policy are not applied or are considered to be not applicable.

More information on how the policy was applied can be found in the Remuneration Report on page 19 and further and note 13.3 to the Consolidated Financial Statements.

GENERAL MEETING OF SHAREHOLDERS

Agenda

The Annual General Meeting of Shareholders shall be held each year within six months of the end of the financial year, the agenda for which shall, inter alia, include:

- consideration of the Management Report,
- the adoption of the Remuneration Policy of the Board of Directors, insofar as adjustments to that policy lead to a new policy or at least every four years after adoption,
- the Remuneration Report of the members of the Board of Directors for an advisory vote,
- consideration and adoption of the Financial Statements,
- discharge of the members of the Board of Directors in respect of their management and
- announcement of the appropriation of profit and dividend.

Location

General Meetings of Shareholders shall be held in Amsterdam. Due to COVID-19 and in accordance with the Dutch Emergency Act, the General Meeting of Shareholders of 2021 was held fully virtual.

Convocation

The Board of Directors shall convene a General Meeting of Shareholders by convocation notice at least forty-two (42) days before the meeting. The convocation notice shall include the agenda of the meeting, the place and time of the meeting, as well as the procedure for participation in the meeting.

The Board of Directors is obliged to convene a General Meeting of Shareholders at the request of shareholders who together own at least 10% of the issued share capital. Such meeting shall be held within eight weeks of receipt of the request and shall consider the matters specified by those requesting the meeting, failing which the shareholders may seek judicial leave to call a General Meeting of Shareholders.

Record date

For each General Meeting of Shareholders, Dutch law provides a record date for the exercise of the voting rights and participation in the meeting, which record date is the 28th day prior to the date of the meeting. The record date shall be included in the convocation notice, as well as the manner in which those entitled to attend and/or vote in the meeting can be registered and the manner in which they may exercise their rights. Only persons who are shareholders on the record date may participate and vote in the General Meeting of Shareholders.

The record date for the Annual General Meeting of Shareholders on 21 April 2022 has been set 28 days before the Annual General Meeting of Shareholders, i.e. on 24 March 2022.

Right of shareholders to include items on the agenda

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

Best practice provision 4.1.6 of the Code states: *"A shareholder should only exercise the right to put items on the agenda after they have consulted with the management board on this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example as a result of the dismissal of one or several management board or supervisory board members, the management board should be given the opportunity to stipulate a reasonable period in which to respond (the response time). The opportunity to stipulate the response time should also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Section 110, Book 2 of the Dutch Civil Code. The relevant shareholder should respect the response time stipulated by the management board, within the meaning of best practice provision 4.1.7."*

Pursuant to best practice provision 4.1.7 of the Code, if the Board of Directors stipulates a response time, such period may not exceed 180 days from the date on which the Board of Directors is informed by one or more shareholders of their intention to place an item on the agenda to the date of the General Meeting of Shareholders at which the item is to be considered. The Board of Directors shall use the response time for further deliberation and constructive consultation. A response time may be stipulated only once for any given General Meeting of Shareholders and may not apply to an item in respect of which the response time has been previously stipulated.

Statutory cooling-off period

On 1 May 2021, a bill came into force that introduced a statutory cooling-off period of up to 250 days during which the General Meeting of Shareholders would not be able to dismiss, suspend or appoint members of the Board of Directors (or amend the provisions in the Articles of Association governing these matters) unless these matters were proposed by the Board of Directors. This cooling-off period can only be invoked by the Board of Directors in certain limited (hostile) events prescribed by Dutch law. Dutch law provides for certain early termination events. In addition, one or more shareholders that may (individually or jointly) exercise the right to include items on the agenda of the general meeting at the time that the cooling-off period is invoked, may request the Enterprise Chamber (Ondernemingskamer) of the Amsterdam Court of Appeals (Gerechtshof Amsterdam) for early termination of the cooling-off period. In some circumstances, the Enterprise Chamber must rule in favour of the request.

During the cooling-off period, if invoked, the Board of Directors must gather all relevant information necessary for a careful decision-making process. In this context, the Board of Directors must at least consult with shareholders representing at least three percent (3%) of the Company's issued share capital at the time the cooling-off period was invoked. Formal statements expressed by these stakeholders during such consultations must be published on www.heinekenholding.com to the extent these stakeholders have approved that publication. Ultimately one week following the last day of the cooling-off period, the Board of Directors must publish a report in respect of its policy and conduct of affairs during the cooling-off period on www.heinekenholding.com. This report must also remain available for inspection by the shareholders and others with meeting rights under Dutch law at the Company's office and must be tabled for discussion at the next General Meeting of Shareholders.

Participation in person, by proxy or through electronic communication

Each shareholder is entitled, either in person or by proxy, to attend the General Meeting of Shareholders, to address the meeting and to exercise his or her voting rights. The Board of Directors may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication. If a shareholder wants to exercise his or her rights by proxy, the written power of attorney must be received by the Company no later than on the date indicated for that purpose in the convocation notice. The convocation notice provides further information about the procedures for admittance to and representation at the General Meeting of Shareholders by written proxy.

Attendance register

Each person entitled to vote or otherwise entitled to attend a General Meeting of Shareholders, or their representatives, shall have to sign the attendance register, stating the number of shares and votes they represent.

Chairman of the General Meeting of Shareholders

The General Meeting of Shareholders shall be presided over by the chairman of the Board of Directors or, in his absence, by one of the members of the Board of Directors present at the meeting, to be appointed by the latter in consultation. If no members of the Board of Directors are present, the meeting shall appoint its own chairman.

Voting

All resolutions of the General Meeting of Shareholders shall be adopted by an absolute majority of the votes cast, unless Dutch law or the Company's Articles of Association stipulate otherwise. Each share confers the right to cast one vote. Once cast, a vote cannot be revoked. Blank votes shall be deemed not to have been cast.

The Board of Directors may determine in the convocation notice that votes cast electronically in advance of the meeting are to be equated to votes cast during the meeting. No votes may be cast prior to the record date. A shareholder who has voted electronically prior to the General Meeting of Shareholders remains entitled to attend and address the General Meeting of Shareholders, either in person or represented by a proxy granted in writing.

Voting results from the General Meeting of Shareholders will be made available at www.heinekenholding.com within 15 days of the meeting.

Resolutions to be adopted by the General Meeting of Shareholders

The General Meeting of Shareholders has authority to adopt resolutions concerning inter alia the following matters:

- issue of shares by the Company or grant of rights to subscribe for shares (and authorisation of the Board of Directors to resolve that the Company issues shares or grants rights to subscribe for shares),
- restriction or exclusion of pre-emptive rights (and authorisation of the Board of Directors to resolve that the Company restricts or excludes shareholder's pre-emptive rights),
- authorisation of the Board of Directors to resolve that the Company acquires its own shares other than for no consideration,
- cancellation of shares and reduction of the share capital,
- appointment of members of the Board of Directors from a non-binding recommendation drawn up by the Board of Directors,
- the remuneration policy for the Board of Directors,
- suspension and dismissal of members of the Board of Directors,
- adoption of the financial statements,
- discharge of the members of the Board of Directors in respect of their management,
- the profit reservation and distribution policy,
- a substantial change in the corporate governance structure,
- (re)appointment of the external auditor,
- amendment of the Articles of Association and
- winding-up of the Company.

Board of Directors' resolutions on any material change in the nature or identity of the Company or enterprise shall be subject to the approval of the General Meeting of Shareholders. This would at least include resolutions relating to:

a. transfer of all or virtually all of the Company's enterprise to a third party,
b. entry into or termination of a lasting cooperation between the Company or a subsidiary and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for the Company and
c. acquisition or disposal by the Company or a subsidiary of an interest in the capital of another company amounting to one third or more of the Company's assets as disclosed in its consolidated statement of financial position and notes thereto according to its most recently adopted financial statements.

Minutes

The draft minutes of the General Meeting of Shareholders are available at www.heinekenholding.com no later than three months after the General Meeting of Shareholders. Shareholders have the opportunity to provide comments in the subsequent three months, after which the minutes are adopted by the Chairman and the Secretary of the General Meeting of Shareholders. The adopted minutes are also available at www.heinekenholding.com and on request.

Provision of information

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

Amendment of the Articles of Association

The Articles of Association may be amended by a resolution adopted by the General Meeting of Shareholders in which at least half of the issued capital is represented. A resolution to amend the Articles of Association must in all cases be stated in the notice of meeting and a copy of the resolution, containing the literal text of the proposed amendment, must be made available for inspection by shareholders. If the required capital is not represented at the meeting, a second General Meeting of Shareholders must be held within eight weeks of that meeting, at which a resolution to amend the Articles of Association may be adopted irrespective of the capital represented.

Acquisition of own shares

On 22 April 2021 the General Meeting of Shareholders authorised the Board of Directors (for the statutory maximum period of 18 months) to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association:

a. the maximum number of shares which may be acquired is 10% of the issued share capital of the Company per 22 April 2021;
b. transactions must be executed at a price between the nominal value of the shares and 110% of the opening price quoted for the shares in the Official Price List (Officiële Prijscourant) of Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein;
c. transactions may be executed on the stock exchange or otherwise.

Issue of shares

On 22 April 2021 the General Meeting of Shareholders authorised the Board of Directors (for a period of 18 months) to issue shares or grant rights to subscribe for shares, with due observance of the law and the Articles of Association. The authorisation is limited to 10% of the issued share capital of the Company as per 22 April 2021.

The General Meeting of Shareholders on 22 April 2021 also authorised the Board of Directors, for a period of 18 months, to restrict or exclude shareholders' pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares, with due observance of the law and the Articles of Association. The authorisation is limited to 10% of the issued share capital of the Company as per 22 April 2021.

ARTICLE 10 OF THE EU TAKEOVER DIRECTIVE DECREE

Capital Structure

Heineken Holding N.V.'s issued capital consists of 288,030,168 shares (representing 100% of the capital) with a nominal value of €1.60 each. The shares are listed on Euronext Amsterdam. Each share carries one vote. All shares carry equal rights and are freely transferable (unless provided otherwise below).

Substantial shareholdings

Pursuant to the Financial Supervision Act and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions *(Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen Wft)*, the Netherlands Authority for the

Financial Markets (AFM) has been notified about the following substantial shareholdings (i.e. of 3% or more) regarding the Company:

- 20 April 2018: Mrs C.L. de Carvalho-Heineken (0.03%, held directly; 52.60%, held indirectly through L'Arche Green N.V., L'Arche Holding B.V. and Stichting Administratiekantoor Priores);
- 30 April 2010: Voting Trust (FEMSA) (14.94%, held indirectly through its affiliate CB Equity LLP)*;
- 25 June 2020: Gardner Russo & Gardner LLC (2.99%, held directly);
- 24 January 2019: Lindsell Train Limited (5.02%, held directly).

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

Restrictions related to shares

There are no restrictions on the voting rights on shares of Heineken Holding N.V. Upon completion (on 30 April 2010) of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), CB Equity LLP (belonging to the FEMSA group) received Heineken Holding N.V. (and Heineken N.V.) shares. Pursuant to the Corporate Governance Agreement of 30 April 2010 concluded between Heineken Holding N.V., Heineken N.V., L'Arche Green N.V., FEMSA and CB Equity LLP the following applies.

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

Share plans

Heineken Holding N.V. has no staff share plan or option plan.

Change of control

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

DECREE ON THE DISCLOSURE OF NON-FINANCIAL INFORMATION

Due to the governance structure and its policy principles Heineken Holding N.V. does not have any policies regarding measures on (i) environmental, social and employee matters, (ii) ensuring that human rights are respected, and (iii) preventing corruption and bribery.

Heineken Holding N.V., as a holding company of Heineken N.V., recognises the importance of corporate social responsibility within HEINEKEN and supervises Heineken N.V. on the application thereof. As a result of the nature of its activities, Heineken Holding N.V. has no information to disclose on non-financial key performance indicators relevant to these activities. Please refer to the Heineken N.V. Sustainability Review for further information and the relevant policies in place at Heineken N.V.

Remuneration Report

The updated Remuneration Policy for the Board of Directors of Heineken Holding N.V. was submitted for approval to the Annual General Meeting of Shareholders on 23 April 2020. The Annual General Meeting of Shareholders approved the updated policy with 99% favourable support.

The perspective and input of internal and external stakeholders as well as the public opinion have been taken into consideration in establishing and implementing the remuneration policy. HEINEKEN is also committed to an ongoing dialogue with shareholders and seeks the views of main shareholders before any material changes to remuneration arrangements are put forward for approval.

This Remuneration Report includes two sections:

Part I

Describes the prevailing Board of Directors remuneration policy, as adopted by the Annual General Meeting of Shareholders on 23 April 2020, and as it has been implemented in 2021.

Part II

Provides details of the Board of Directors actual remuneration for performance ending in, or at year-end, 2021.

PART I REMUNERATION POLICY

Remuneration principles

The Board of Directors Remuneration Policy is designed to attract and retain high-class and diverse profiles with relevant skills and experience that are required to perform the duties of the Board of Directors and ensures appropriate corporate governance by meeting the following key principles:

Support the business strategy

We align our Remuneration Policy with business strategies focused on creating long-term sustainable growth and shareholder value.

Pay for purpose

We align our Remuneration Policy to promote the independence and objectivity of our members of the Board of Directors, which is a key element to best serve the long-term interest of the Company.

Pay competitively

We set remuneration levels to be competitive with other relevant multinational corporations of similar size and complexity.

While establishing and implementing the policy, the perspective and input of internal and external stakeholders and the external environment in which HEINEKEN operates, are taken into consideration. HEINEKEN is also committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders before any material changes to remuneration arrangements are put forward for approval.

Summary overview of remuneration elements

The Board of Directors Remuneration Policy is simple and transparent in design, and consists of the following key elements:

Element	Purpose	Description
Base Board fees	Members of the Board of Directors receive the same fixed cash compensation for their services as the members of the Supervisory Board of Heineken N.V. No variable pay and/or equity awards are offered. In order to provide a fee level that is competitive with other companies comparable to HEINEKEN, reviews are conducted on a regular basis.	The Remuneration Committee of Heineken N.V. is responsible to review the compensation levels on a regular basis and to bring forward proposals (if any) to the Supervisory Board of Heineken N.V. Proposals are submitted to the General Meeting of Shareholders of Heineken N.V. for approval. This review is done through a benchmark assessment against a pan-European peer group consisting of companies that are of comparable size to HEINEKEN.
Allowances and benefits	Members of the Board of the Directors are not reimbursed and compensated for additional efforts that enable them to exercise their role.	Members receive no reimbursement of travel expenses and are not compensated for intercontinental travel required to exercise their role. Small benefits such as retirement gifts may be provided.

Members of the Board of Directors are not eligible for incentive awards or pension.

PART II ACTUAL REMUNERATION FOR PERFORMANCE ENDING IN, OR AT YEAR-END, 2021

In line with the Board of Directors prevailing Remuneration Policy, the members of the Board of Directors receive a fixed remuneration for their services. The 2021 annual remuneration for the members of the Board of Directors of Heineken Holding N.V. is set on €120,000 for the chairman and €90,000 for the other members of the Board of Directors.

The following tables provide an overview of the Board of Directors actual remuneration for year-end 2021. For disclosures in line with IFRS reporting requirements, refer to note 13.3 to the Consolidated Financial Statements.

Mr M. Das, Mr M.R. de Carvalho and Mr J.A. Fernández Carbajal have a double function as they are all a member of the Board of Directors of Heineken Holding N.V. as well as a member of the Supervisory Board of Heineken N.V. In line with Section 135b, subsection 3f, Book 2 of the Dutch Civil Code and the Draft Guidelines to the Shareholders Rights Directive, the remuneration they receive for these services is reflected in their total remuneration and is also split out by component as presented in Table 1 BIS.

Remuneration of Mr J.F.M.L. van Boxmeer

At the Annual General Meeting of Shareholders on 23 April 2020, Mr J.F.M.L. van Boxmeer was appointed as non-executive member of Heineken Holding N.V. as of 1 June 2020. The actual remuneration Mr J.F.M.L. van Boxmeer received from Heineken Holding N.V. is reflected in Table 1. For disclosures on the remuneration received by Mr J.F.M.L. van Boxmeer as CEO and Chairman of the Executive Board of Heineken N.V. refer to Heineken N.V.'s Remuneration Report, note 13.3 of the Heineken N.V. Consolidated Financial Statements and note 13.3 of the Heineken Holding N.V. Consolidated Financial Statements.

Table 1 Remuneration Board of Directors

In thousands of €	**2021**	2020	2019	2018	2017
C.L. de Carvalho-Heineken	**90**	90	90	60	60
M.R. de Carvalho*	**225**	225	231	156	150
Remuneration executive members	**315**	315	321	**216**	210
M. Das (chairman)*	**250**	250	253	175	175
J.A. Fernández Carbajal*	**232**	244	243	169	174
C.M. Kwist	**90**	90	90	60	60
A.A.C. de Carvalho	**90**	90	90	60	60
A.M. Fentener van Vlissingen [1]	**90**	90	90	42	—
L.L.H. Brassey [2]	**90**	90	90	42	—
J.F.M.L. van Boxmeer [3, 4]	**90**	53	—	—	—
Remuneration non-executive members	**932**	907	856	548	469
	1,247	1,222	1,177	764	679

* Includes the remuneration received as member of the Supervisory Board of Heineken N.V., please refer to table 1 BIS.
1 Appointed as non-executive director of Heineken Holding N.V. as of 19 April 2018.
2 Appointed as non-executive director of Heineken Holding N.V. as of 19 April 2018.
3 Appointed as non-executive director of Heineken Holding N.V. as of 1 June 2020.
4 See previous page for more information regarding the remuneration Mr J.F.M.L. van Boxmeer.

Table 1 BIS Remuneration of members of the Supervisory Board from Heineken N.V.

				2021	2020	2019	2018	2017
In thousands of €	Base Board Fee	Committee Fees	Allowances and Benefits	**Total Remuneration**	**Total Remuneration**	**Total Remuneration**	**Total Remuneration**	**Total Remuneration**
M. Das	90	40	—	**130**	130	133	85	85
J.A. Fernández Carbajal	90	40	12	**142**	154	153	109	114
M.R. de Carvalho	90	45	—	**135**	135	141	96	90

Statement of the Board of Directors

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

- the financial statements in this Annual Report 2021 give a true and fair view of our assets and liabilities, our financial position as at 31 December 2021, and the results of our consolidated operations for the financial year 2021; and
- the Report of the Board of Directors includes a fair review of the position as at 31 December 2021 and the development and performance during the financial year 2021 of Heineken Holding N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Heineken Holding N.V. faces.

Amsterdam, 15 February 2022

Board of Directors
Mr M. Das, *non-executive director (chairman)*
Mrs C.L. de Carvalho-Heineken, *executive director*
Mr M.R. de Carvalho, *executive director*
Mr J.A. Fernández Carbajal, *non-executive director*
Mrs C.M. Kwist, *non-executive director*
Mr A.A.C. de Carvalho, *non-executive director*
Mrs A.M. Fentener van Vlissingen, *non-executive director*
Mrs L.L.H. Brassey, *non-executive director*
Mr J.F.M.L. van Boxmeer, *non-executive director*

03 Financial Statements 2021

HEINEKEN HOLDING N.V. INCOME STATEMENT

For the year ended 31 December

In millions of €	Note	2021	2020
Personnel expenses		—	—
Total expenses		—	—
Interest income		—	—
Interest expenses		—	—
Other net finance income/(expenses)		—	—
Net finance expenses		—	—
Share in result of participating interest in Heineken N.V. after income tax	II	1,663	(102)
Profit/(loss) before income tax		—	—
Income tax income/(expense)	III	—	—
Profit/(loss)		**1,663**	(102)

HEINEKEN HOLDING N.V. BALANCE SHEET

Before appropriation of results
As at 31 December

In millions of €	Note	2021	2020
Participating interest in Heineken N.V.	I	8,593	6,604
Total financial fixed assets		**8,593**	6,604
Cash		—	—
Total current assets		**—**	—
Total assets		**8,593**	6,604
Issued capital		461	461
Share premium		1,257	1,257
Translation reserve		(2,014)	(2,483)
Hedging reserve		30	16
Cost of hedging reserve		(4)	(1)
Fair value reserve		29	28
Other legal reserves		566	588
Retained earnings		6,605	6,840
Profit/(loss) for the year		1,663	(102)
Total shareholders' equity		**8,593**	6,604
Other payables		—	—
Total current liabilities		**—**	—
Total shareholders' equity and liabilities		**8,593**	6,604

HEINEKEN HOLDING N.V. SHAREHOLDERS' EQUITY

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Profit/(loss) for the year	Shareholders' equity
Balance as at 1 January 2020	461	1,257	(1,511)	(8)	2	158	560	5,987	1,087	7,993
Profit/(loss) for the year	—	—	—	—	—	—	43	(43)	(102)	(102)
Other comprehensive income	—	—	(965)	25	(3)	(50)	—	31	—	(962)
Total comprehensive income	—	—	(965)	25	(3)	(50)	43	(12)	(102)	(1,064)
Realised hedge result from non-financial assets by Heineken N.V.	—	—	—	(1)	—	—	—	—	—	(1)
Transfer to retained earnings	—	—	—	—	—	—	—	1,087	(1,087)	—
Transfer between reserves	—	—	(7)	—	—	(80)	(15)	102	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(300)	—	(300)
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	(3)	—	(3)
Negative dilution	—	—	—	—	—	—	—	(9)	—	(9)
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	(13)	—	(13)
Changes in Consolidation by Heineken N.V.	—	—	—	—	—	—	—	1	—	1
Balance as at 31 December 2020	461	1,257	(2,483)	16	(1)	28	588	6,840	(102)	6,604

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Profit/(loss) for the year	Shareholders' equity
Balance as at 1 January 2021	461	1,257	(2,483)	16	(1)	28	588	6,840	(102)	6,604
Profit/(loss) for the year	—	—	—	—	—	—	121	(121)	1,663	1,663
Other comprehensive income/(loss)	—	—	468	47	(3)	5	—	104	—	621
Total comprehensive income/(loss)	**—**	**—**	**468**	**47**	**(3)**	**5**	**121**	**(17)**	**1,663**	**2,284**
Realised hedge result from non-financial assets by Heineken N.V.	—	—	—	(33)	—	—	—	—	—	(33)
Transfer to retained earnings	—	—	—	—	—	—	—	(102)	102	—
Transfer between reserves	—	—	1	—	—	(4)	(143)	146	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(282)	—	(282)
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	(7)	—	(7)
Dilution	—	—	—	—	—	—	—	4	—	4
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	28	—	28
Acquisition of non-controlling interests in Heineken N.V. group companies	—	—	—	—	—	—	—	(5)	—	(5)
Changes in Consolidation by Heineken N.V.	—	—	—	—	—	—	—	—	—	—
Balance as at 31 December 2021	**461**	**1,257**	**(2,014)**	**30**	**(4)**	**29**	**566**	**6,605**	**1,663**	**8,593**

For further explanation reference is made to note 11.4 to the consolidated financial statements.

Notes to the Heineken Holding N.V. Financial Statements

Reporting entity

Heineken Holding N.V. (the 'Company') is a public company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, 1017ZD, Amsterdam. The Company is registered in the Trade Register of Amsterdam No. 33078624.

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 Section 362, subsection 8, of Part 9, Book 2, of the Dutch Civil Code to prepare the Company Financial Statements on the basis of the same accounting principles as those applied for the Consolidated Financial Statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU as explained in the notes to the Consolidated Financial Statements.

The amounts disclosed in the notes to the Heineken Holding N.V. Financial Statements are in millions of Euro, unless otherwise indicated.

The Financial Statements have been prepared by the Board of Directors and authorised for issue on 15 February 2022 and will be submitted for adoption to the General Meeting of Shareholders on 21 April 2022.

Accounting policies

Shareholders' equity

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

NOTE I PARTICIPATING INTEREST IN HEINEKEN N.V.

The interest of Heineken Holding N.V. in Heineken N.V. is 50.005% of the issued capital (being 50.040% (2020: 50.029%) of the outstanding capital following the purchase of own shares by Heineken N.V.). The nominal value of the Heineken N.V. shares held by the Company amounted to €461 million as at 31 December 2021 (€461 million as at 31 December 2020).

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2021 amounted to €28.5 billion (31 December 2020: €26.3 billion).

In millions of €	
Balance as at 1 January 2020	7,993
50.029% of the profit/(loss) of Heineken N.V.	(102)
Dividend payments received by Heineken Holding N.V.	(300)
Movements in translation reserve	(965)
Movements hedges	21
Movements fair value adjustments	(50)
Actuarial gains and losses	31
Movements in retained earnings	1
Purchase own shares by Heineken N.V.	(3)
Dilution	(9)
Share-based payments by Heineken N.V.	(13)
Balance as at 31 December 2020	6,604
Balance as at 1 January 2021	**6,604**
50.040% of the profit/(loss) of Heineken N.V.	1,663
Dividend payments received by Heineken Holding N.V.	(282)
Movements in translation reserve	468
Movements hedges	11
Movements fair value adjustments	5
Actuarial gains and losses	104
Movements in retained earnings	—
Purchase own shares by Heineken N.V.	(7)
Dilution	4
Share-based payments by Heineken N.V.	28
Acquisition of non-controlling interests in Heineken N.V. group companies by Heineken N.V.	(5)
Balance as at 31 December 2021	**8,593**

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

Included here is the share in the profit of Heineken N.V. for 2021, being 50.040% of €3,324 million (2020: 50.029% of €204 million loss).

NOTE III OTHER REVENUES AND EXPENSES AFTER INCOME TAX

Expenses made to manage and provide services to Heineken N.V. amounting to €1.246 thousand (2020: €1.172 thousand) are reimbursed by Heineken N.V. to Heineken Holding N.V. in accordance with the management agreement.

The remuneration of the Board of Directors is disclosed in note 13.3 to the Consolidated Financial Statements and in the Remuneration Report on page 19 and further.

NOTE IV AUDITOR FEES

Fees for audit services include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include a 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. Fees for tax and other non-audit services are related to the network outside the Netherlands and are in accordance with local independence regulations.

In 2021 €10.6 million of fees are recognised in the Consolidated Financial Statements for services provided by Deloitte Accountants B.V. and its member firms and/or affiliates (2020: €10.9 million). In the overview below, the breakdown per type of service is provided:

	Deloitte Accountants B.V.		Other Deloitte member firms and affiliates		**Total**	
In millions of €	**2021**	2020	**2021**	2020	**2021**	2020
Audit of Heineken Holding N.V. and its subsidiaries	**3.1**	3.0	**6.9**	7.1	**10.0**	10.1
Other audit services	**0.2**	0.2	**0.3**	0.4	**0.5**	0.6
Tax services	**—**	—	**—**	—	**—**	—
Other non-audit services	**—**	—	**0.1**	0.2	**0.1**	0.2
	3.3	3.2	**7.3**	7.7	**10.6**	10.9

ACCOUNTING POLICIES

Fees for audit services are included in the other expenses in the Consolidated Financial Statements (refer to note 6.3). These fees are recognised when the service is provided.

Amsterdam, 15 February 2022

Board of Directors
Mr M. Das, *non-executive director (chairman)*
Mrs C.L. de Carvalho-Heineken, *executive director*
Mr M.R. de Carvalho, *executive director*
Mr J.A. Fernández Carbajal, *non-executive director*
Mrs C.M. Kwist, *non-executive director*
Mr A.A.C. de Carvalho, *non-executive director*
Mrs A.M. Fentener van Vlissingen, *non-executive director*
Mrs L.L.H. Brassey, *non-executive director*
Mr J.F.M.L. van Boxmeer, *non-executive director*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In millions of €	Note	2021	2020
Revenue	6.1	**26,583**	23,770
Excise tax expense	6.1	(4,642)	(4,055)
Net revenue	6.1	**21,941**	19,715
Other income	6.2	1,521	56
Raw materials, consumables and services	6.3	(13,535)	(12,450)
Personnel expenses	6.4	(3,485)	(3,669)
Amortisation, depreciation and impairments	6.6	(1,959)	(2,874)
Total other expenses		**(18,979)**	(18,993)
Operating profit		**4,483**	778
Interest income	11.1	49	50
Interest expenses	11.1	(462)	(497)
Other net finance income/(expenses)	11.1	14	(143)
Net finance expenses		**(399)**	(590)
Share of profit/(loss) of associates and joint ventures	10.3	250	(31)
Profit before income tax		**4,334**	157
Income tax expense	12.1	(799)	(245)
Profit/(Loss)		**3,535**	(88)
Attributable to:			
Shareholders of Heineken Holding N.V. (net profit/(loss))		1,663	(102)
Non-controlling interests in Heineken N.V.		1,661	(102)
Non-controlling interests in Heineken N.V. group companies		211	116
Profit/(Loss)		**3,535**	(88)
Weighted average number of shares – basic	6.7	288,030,168	288,030,168
Weighted average number of shares – diluted	6.7	288,030,168	288,030,168
Basic earnings per share (€)	6.7	5.77	(0.36)
Diluted earnings per share (€)	6.7	5.77	(0.36)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December

In millions of €	Note	2021	2020
Profit/(Loss)		**3,535**	(88)
Other comprehensive income/(loss), net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement obligations	12.3	210	62
Net change in fair value through OCI investments	12.3	9	(98)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	5(b)/6.2/12.3	1,033	(2,114)
Change in fair value of net investment hedges	12.3	(54)	76
Change in fair value of cash flow hedges	12.3	97	45
Cash flow hedges reclassified to profit or loss	12.3	(3)	4
Net change in fair value through OCI investments	12.3	—	(1)
Cost of hedging	11.6/12.3	(6)	(6)
Share of other comprehensive income of associates/joint ventures	10.3/12.3	54	16
Other comprehensive income/(loss), net of tax	12.3	**1,340**	(2,016)
Total comprehensive income/(loss)		**4,875**	(2,104)
Attributable to:			
Shareholders of Heineken Holding N.V.		2,284	(1,064)
Non-controlling interests in Heineken N.V.		2,278	(1,063)
Non-controlling interests in Heineken N.V. group companies		313	23
Total comprehensive income/(loss)		**4,875**	(2,104)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

In millions of €	Note	2021	2020
Intangible assets	8.1	20,762	15,767
Property, plant and equipment	8.2	12,401	11,551
Investments in associates and joint ventures	10.3	4,148	4,437
Loans and advances to customers	8.3	209	194
Deferred tax assets	12.2	682	779
Other non-current assets	8.4	1,070	884
Total non-current assets		**39,272**	33,612
Inventories	7.1	2,438	1,958
Trade and other receivables	7.2	3,662	2,807
Current tax assets		97	154
Derivative assets	11.6	96	77
Cash and cash equivalents	11.2	3,248	4,000
Assets classified as held for sale	10.2	37	24
Total current assets		**9,578**	9,020
Total assets		**48,850**	42,632

As at 31 December

In millions of €	Note	2021	2020
Heineken Holding N.V. shareholders' equity	11.4	8,593	6,604
Non-controlling interests in Heineken N.V.	11.4	8,763	6,788
Non-controlling interests in Heineken N.V. group companies	11.4	2,344	1,000
Total equity		**19,700**	14,392
Borrowings	11.3	13,640	14,616
Post-retirement obligations	9.1	668	938
Provisions	9.2	636	688
Deferred tax liabilities	12.2	1,971	999
Other non-current liabilities	11.6	141	131
Total non-current liabilities		**17,056**	17,372
Borrowings	11.2/11.3	3,233	3,580
Trade and other payables	7.3	7,750	6,107
Returnable packaging deposits	7.4	476	454
Provisions	9.2	301	416
Current tax liabilities		268	259
Derivative liabilities	11.6	46	52
Liabilities associated with assets classified as held for sale	10.2	20	—
Total current liabilities		**12,094**	10,868
Total equity and liabilities		**48,850**	42,632

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

In millions of €	Note	2021	2020
OPERATING ACTIVITIES			
Profit/(Loss)		3,535	(88)
Adjustments for:			
Amortisation, depreciation and impairments	6.6	1,959	2,874
Net interest expenses	11.1	413	447
Other income	6.2	(1,326)	(56)
Share of (profit)/loss of associates and joint ventures and dividend income on fair value through OCI investments		(256)	21
Income tax expenses	12.1	799	245
Other non-cash items		30	231
Cash flow from operations before changes in working capital and provisions		**5,154**	3,674
Change in inventories		(308)	(18)
Change in trade and other receivables		(697)	1,124
Change in trade and other payables and returnable packaging deposits		1,268	(759)
Total change in working capital		**263**	347
Change in provisions and post-retirement obligations		(290)	211
Cash flow from operations		**5,127**	4,232
Interest paid		(456)	(481)
Interest received		43	45
Dividends received		184	89
Income taxes paid		(717)	(749)
Cash flow related to interest, dividend and income tax		**(946)**	(1,096)
Cash flow from operating activities		**4,181**	3,136

In millions of €	Note	2021	2020
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and intangible assets		86	150
Purchase of property, plant and equipment		(1,324)	(1,501)
Purchase of intangible assets		(273)	(139)
Loans issued to customers and other investments		(196)	(177)
Repayment on loans to customers and other investments		40	44
Cash flow (used in)/from operational investing activities		**(1,667)**	(1,623)
Free operating cash flow		**2,514**	1,513
Acquisition of subsidiaries, net of cash acquired		54	(26)
Acquisition of/additions to associates, joint ventures and other investments		(678)	(9)
Disposal of subsidiaries, net of cash disposed of		3	(29)
Disposal of associates, joint ventures and other investments		11	249
Cash flow (used in)/from acquisitions and disposals		**(610)**	185
Cash flow (used in)/from investing activities		**(2,277)**	(1,438)
FINANCING ACTIVITIES			
Proceeds from borrowings		1,571	6,037
Repayment of borrowings		(3,362)	(3,714)
Payment of lease commitments		(298)	(281)
Dividends paid		(796)	(811)
Purchase own shares and shares issued		12	11
Acquisition of non-controlling interests		(10)	(4)
Cash flow (used in)/from financing activities		**(2,883)**	1,238
Net cash flow		**(979)**	2,936
Cash and cash equivalents as at 1 January		3,519	687
Effect of movements in exchange rates		16	(104)
Cash and cash equivalents as at 31 December	11.2	**2,556**	3,519

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Shareholders of Heineken Holding N.V.	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2020		461	1,257	(1,511)	(8)	2	158	560	7,074	7,993	8,154	1,164	17,311
Profit/(loss)		—	—	—	—	—	—	43	(145)	(102)	(102)	116	(88)
Other comprehensive income/(loss)	12.3	—	—	(965)	25	(3)	(50)	—	31	(962)	(961)	(93)	(2,016)
Total comprehensive income/(loss)		—	—	(965)	25	(3)	(50)	43	(114)	(1,064)	(1,063)	23	(2,104)
Realised hedge results from non-financial assets		—	—	—	(1)	—	—	—	—	(1)	(1)	—	(2)
Transfer to retained earnings		—	—	(7)	—	—	(80)	(15)	102	—	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	(300)	(300)	(297)	(228)	(825)
Purchase own shares by Heineken N.V.	11.4	—	—	—	—	—	—	—	(3)	(3)	(2)	20	15
Negative dilution		—	—	—	—	—	—	—	(9)	(9)	9	—	—
Share-based payments by Heineken N.V.		—	—	—	—	—	—	—	(13)	(13)	(12)	—	(25)
Changes in consolidation by Heineken N.V.		—	—	—	—	—	—	—	1	1	—	21	22
Balance as at 31 December 2020		461	1,257	(2,483)	16	(1)	28	588	6,738	6,604	6,788	1,000	14,392

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Shareholders of Heineken Holding N.V.	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2021		461	1,257	(2,483)	16	(1)	28	588	6,738	6,604	6,788	1,000	14,392
Profit/(loss)		—	—	—	—	—	—	121	1,542	1,663	1,661	211	3,535
Other comprehensive income/(loss)	12.3	—	—	468	47	(3)	5	—	104	621	617	102	1,340
Total comprehensive income/(loss)		**—**	**—**	**468**	**47**	**(3)**	**5**	**121**	**1,646**	**2,284**	**2,278**	**313**	**4,875**
Realised hedge results from non-financial assets		—	—	—	(33)	—	—	—	—	(33)	(32)	—	(65)
Transfer to retained earnings		—	—	1	—	—	(4)	(143)	146	—	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	(282)	(282)	(282)	(238)	(802)
Purchase own shares by Heineken N.V.	11.4	—	—	—	—	—	—	—	(7)	(7)	(7)	28	14
Dilution		—	—	—	—	—	—	—	4	4	(4)	—	—
Share-based payments by Heineken N.V.		—	—	—	—	—	—	—	28	28	27	—	55
Acquisition of non-controlling interests in Heineken N.V. group companies		—	—	—	—	—	—	—	(5)	(5)	(5)	—	(10)
Changes in consolidation by Heineken N.V.		—	—	—	—	—	—	—	—	—	—	1,241	1,241
Balance as at 31 December 2021		**461**	**1,257**	**(2,014)**	**30**	**(4)**	**29**	**566**	**8,268**	**8,593**	**8,763**	**2,344**	**19,700**

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a public company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, 1017ZD, Amsterdam. The consolidated financial statements of the Company as at 31 December 2021 comprise Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interests in joint ventures and associates. The Company is registered in the Trade Register of Amsterdam No. 33078624.

HEINEKEN is primarily involved in the brewing and selling of beer and cider. Led by the Heineken® brand, HEINEKEN has a range of more than 300 international, regional, local and speciality beers and ciders.

2. BASIS OF PREPARATION

The consolidated financial statements are:

- Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and 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 2021 have been adopted by the EU. Consequently, the accounting policies applied by the Company also fully comply with IFRS as issued by the IASB
- Prepared by the Board of Directors and authorised for issue on 15 February 2022 and will be submitted for adoption to the General Meeting of Shareholders on 21 April 2022.
- Prepared on the historical cost basis unless otherwise indicated
- Prepared on a going concern basis
- Presented in Euro, which is the Company's functional currency
- Rounded to the nearest million unless stated otherwise

In preparing the consolidated financial statements, HEINEKEN has considered climate change and the Brew a Better World (BaBW) commitments as described in the Report of the Executive Board of Heineken N.V. In light of this, HEINEKEN has reviewed the significant accounting estimates and judgements as described in note 3(b), including the impact on indications for impairments (notes 8.1 and 8.2) and provisions and contingencies (notes 9.2 and 9.3). This review did not lead to significant changes in these accounting estimates and judgements.

3. SIGNIFICANT EVENTS IN THE PERIOD AND ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Impact of COVID-19 on the financial statements

HEINEKEN continued to operate in a COVID-19 impacted environment throughout 2021. Trading conditions remained challenging with varying degrees of impact across different countries. Despite the continued volatility and uncertainty across many markets, Heineken N.V. reported a net profit of €3,324 million for the year ended 31 December 2021 (2020: €204 million, net loss), mainly as a result of the exceptional gain recognised relating to the remeasurement to fair value of the previously-held equity interest in United Breweries Limited in India (refer to notes 6.2 and 10.1) and the exceptional losses from last year's impairment (refer to notes 8.1 and 8.2).

During its financial reporting process, HEINEKEN assessed the impact of COVID-19 on its financial estimates and judgements. All significant estimates and judgements are disclosed in the notes to the consolidated financial statements (if applicable). Notes containing the most significant estimates and judgements are referred to in note 3(b).

(b) Significant accounting estimates and judgement

In preparing these consolidated financial statements, management is required to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The application of accounting policies requires judgements that impact the amounts recognised. Additionally, amounts recognised are based on factors that are by default associated with uncertainty. Actual results may therefore differ from estimates. Where applicable, the estimates and judgements are described per note within the consolidated financial statements.

The following notes contain the most significant estimates and judgements:

Particular area involving significant estimates and judgements	Note
SIGNIFICANT JUDGEMENT	
Judgement on acting as principal versus agent with respect to excise tax expense	6.1 Operating segments
Judgement used in the identification and valuation of acquired assets and liabilities	10.1 Acquisition and disposals
Assessment of the recoverability of past tax losses	12.2 Deferred tax assets and liabilities
SIGNIFICANT ESTIMATES	
Assumptions used in impairment testing	8.1 Intangible assets and 8.2 Property, plant and equipment
Assumptions for discount rates, future pension increases and life expectancy to calculate the defined benefit obligation	9.1 Post-retirement obligations
Estimating the likelihood and timing of potential cash flows relating to claims and litigation	9.2 Provisions and 9.3 Contingencies

4. CHANGES IN ACCOUNTING POLICIES

(a) Changed accounting policies in 2021

No new standards or amendments to existing standards, effective in 2021, had a significant impact on HEINEKEN's consolidated financial statements.

(b) Upcoming changes in accounting policies for 2022

No new standards or amendments to existing standards, effective in 2022, will have a significant impact on HEINEKEN 's consolidated financial statements.

5. GENERAL ACCOUNTING POLICIES

General

The accounting policies described in these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by HEINEKEN. HEINEKEN controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and can affect those returns through its power over the entity. Control is generally obtained by ownership of more than 50% of the voting rights.

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.

On consolidation, intra-HEINEKEN balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-HEINEKEN transactions, are eliminated. Unrealised gains arising from transactions with associates and joint ventures (refer to note 10.3) are eliminated against the investment to the extent of HEINEKEN's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities using the exchange rates at the transaction date. Receivables, payables and other monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency using the exchange rates at the balance sheet date. The resulting foreign currency differences are recognised in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which is recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated 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 at the exchange rate at the transaction date.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, and of intercompany loans with a permanent nature (quasi-equity) are translated to Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at the exchange rates that approximates the exchange rates ruling at the dates of the transactions, except for foreign operations in hyperinflationary economies. In 2021, HEINEKEN did not have any significant foreign operations in hyperinflationary economies.

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. The cumulative amount in the translation reserve is (either fully or partly) reclassified to the income statement upon disposal (either fully or partly) or liquidation.

Exchange rates of key currencies

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

In €	**Year-end 2021**	Year-end 2020	%	**Average 2021**	Average 2020	%
Brazilian Real (BRL)	**0.1585**	0.1569	1.0	**0.1569**	0.1698	(7.6)
Great Britain Pound (GBP)	**1.1901**	1.1123	7.0	**1.1631**	1.1244	3.4
Mexican Peso (MXN)	**0.0428**	0.0410	4.4	**0.0417**	0.0408	2.2
Nigerian Naira (NGN)	**0.0021**	0.0020	5.0	**0.0021**	0.0023	(8.7)
Polish Zloty (PLN)	**0.2174**	0.2167	0.3	**0.2190**	0.2250	(2.7)
Russian Ruble (RUB)	**0.0117**	0.0109	7.3	**0.0115**	0.0121	(5.0)
Singapore Dollar (SGD)	**0.6545**	0.6166	6.1	**0.6293**	0.6354	(1.0)
United States Dollar (USD)	**0.8829**	0.8149	8.3	**0.8455**	0.8758	(3.5)
Indian Rupee (INR)	**0.0119**	0.0112	6.3	**0.0114**	0.0118	(3.4)
Vietnamese Dong in 1,000 (VND)	**0.0386**	0.0351	10.0	**0.0369**	0.0377	(2.1)

(c) Cash flow statement

The cash flow statement is prepared using the indirect method. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to shareholders are included in financing activities. Dividends received are classified as operating activities, as well as interest paid.

(d) Offsetting financial instruments

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.

6. OPERATING ACTIVITIES

6.1 OPERATING SEGMENTS

HEINEKEN distinguishes five reportable segments: Europe, Americas, Africa, Middle East & Eastern Europe, Asia Pacific and Heineken N.V. Head Office & Other/Eliminations. Information about these reportable segments are provided in the table below:

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Heineken N.V. Head Office & Other/Eliminations		Consolidated	
In millions of €	Note	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Net revenue (beia)[1]		**9,494**	8,631	**7,226**	6,319	**3,159**	2,782	**2,764**	2,707	**(744)**	(716)	**21,901**	19,724
Third party revenue[2]		11,444	10,462	7,372	6,452	3,828	3,400	3,926	3,443	13	13	26,583	23,770
Interregional revenue		724	697	28	27	—	—	5	5	(757)	(729)	—	—
Revenue		**12,168**	11,159	**7,400**	6,479	**3,828**	3,400	**3,931**	3,448	**(744)**	(716)	**26,583**	23,770
Excise tax expense[3]		(2,638)	(2,528)	(174)	(160)	(664)	(626)	(1,166)	(741)	—	—	(4,642)	(4,055)
Net revenue		**9,530**	8,631	**7,226**	6,319	**3,164**	2,774	**2,765**	2,707	**(744)**	(716)	**21,941**	19,715
Other income	6.2	31	47	207	5	12	3	1,271	1	—	—	1,521	56
Operating profit		**1,156**	(7)	**1,217**	540	**414**	119	**1,850**	425	**(154)**	(299)	**4,483**	778
Net finance expenses	11.1											(399)	(590)
Share of profit/(loss) of associates and joint ventures	10.3	10	(4)	87	31	36	17	115	(51)	2	(24)	250	(31)
Income tax expense	12.1											(799)	(245)
Profit/(Loss)												**3,535**	(88)
Attributable to:													
Shareholders of Heineken Holding N.V. (net (loss)/profit)												1,663	(102)
Non-controlling interests in Heineken N.V.												1,661	(102)
Non-controlling interests in Heineken N.V. group companies												211	116
Operating profit reconciliation													
Operating profit/(loss)		1,156	(7)	1,217	540	414	119	1,850	425	(154)	(299)	4,483	778
Eia[1]		4	454	(2)	505	28	145	(1,097)	442	(1)	97	(1,069)	1,643
Operating profit (beia)[1]		**1,160**	447	**1,215**	1,045	**442**	264	**753**	867	**(155)**	(202)	**3,414**	2,421

1 Note that this is a non-GAAP measure. Due to rounding, this balance will not always cast.
2 Includes other revenue of €274 million (2020: €261 million).
3 Next to the €4,642 million of excise tax expense included in revenue (2020: €4,055 million), €1,606 million of excise tax expense is collected on behalf of third parties and excluded from revenue (2020: €1,613 million).

6.1 OPERATING SEGMENTS (CONTINUED)

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Heineken N.V. Head Office & Other/Eliminations		Consolidated	
In millions of €	Note	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Current segment assets		**2,606**	2,291	**2,367**	1,766	**1,255**	1,155	**1,542**	1,215	**1,661**	2,370	**9,431**	8,797
Non-current segment assets		**12,015**	11,815	**7,748**	7,243	**2,203**	2,162	**11,513**	6,312	**937**	848	**34,416**	28,380
Investments in associates and joint ventures		**258**	282	**790**	838	**260**	221	**2,839**	3,095	**1**	1	**4,148**	4,437
Total segment assets		**14,879**	14,388	**10,905**	9,847	**3,718**	3,538	**15,894**	10,622	**2,599**	3,219	**47,995**	41,614
Unallocated assets												**855**	1,018
Total assets												**48,850**	42,632
Segment liabilities		**3,860**	3,792	**2,547**	2,176	**1,566**	1,366	**1,330**	951	**1,892**	2,333	**11,195**	10,618
Unallocated liabilities												**17,955**	17,622
Total equity												**19,700**	14,392
Total equity and liabilities												**48,850**	42,632
Purchase of owned property, plant and equipment	8.2	**441**	498	**523**	334	**338**	298	**180**	100	**14**	20	**1,496**	1,250
Acquisition of goodwill	8.1	**12**	9	**—**	—	**—**	—	**632**	2	**—**	—	**644**	11
Purchases of intangible assets	8.1	**57**	70	**34**	23	**7**	12	**30**	9	**145**	25	**273**	139
Depreciation of owned property, plant and equipment	8.2	**(515)**	(557)	**(296)**	(296)	**(234)**	(235)	**(140)**	(137)	**(10)**	(13)	**(1,195)**	(1,238)
Impairment (net of reversal) of owned property, plant and equipment	8.2	**(1)**	(195)	**(15)**	(135)	**—**	(68)	**—**	(65)	**—**	—	**(16)**	(463)
Amortisation of intangible assets	8.1	**(82)**	(77)	**(88)**	(99)	**(8)**	(8)	**(168)**	(153)	**(43)**	(52)	**(389)**	(389)
Impairment (net of reversal) of intangible assets	8.1	**(2)**	(1)	**(70)**	(225)	**—**	(26)	**—**	(200)	**—**	(14)	**(72)**	(466)

Reconciliation of segment profit or loss

The table below presents the reconciliation of operating profit before exceptional items and amortisation of acquisition-related intangibles (operating profit beia) to profit before income tax.

In millions of €	**2021**	2020
Operating profit (beia)	**3,414**	2,421
Amortisation of acquisition-related intangible assets included in operating profit	**(286)**	(273)
Exceptional items included in operating profit	**1,355**	(1,370)
Share of profit/(loss) of associates and joint ventures	**250**	(31)
Net finance expenses	**(399)**	(590)
Profit before income tax	**4,334**	157

The 2021 exceptional items and amortisation of acquisition-related intangibles in operating profit amount to €1,069 million, net benefit (2020: €1,643 million, net expense). This amount consists of:

- €286 million (2020: €273 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €1,355 million net benefit (2020: €1,370 million net expense) of exceptional items recorded in operating profit. This includes €41 million exceptional excise tax benefit (2020: €8 million of exceptional expenses), €1,270 million of exceptional gain on previously-held equity interest from United Breweries Limited and €187 million net exceptional benefit related to tax credits in Brazil recorded in other income (2020: nil), net restructuring expenses of €32 million (2020: €331 million), impairments (net of reversal) of €108 million, including €203 million for Lagunitas (total impairments in 2020: €963 million) and €3 million of other exceptional net expenses, including loss on disposals (2020: €68 million).

ACCOUNTING ESTIMATES AND JUDGEMENTS

Due to the complexity and variety in tax legislation, significant judgement is applied in the assessment of whether excise tax expenses are borne by HEINEKEN or collected on behalf of third parties.

HEINEKEN makes estimates when determining discount accruals in revenue at year-end, specifically for conditional discounts. Refer to note 7.3 for more explanation on how discount accruals are estimated.

ACCOUNTING POLICIES

Segment reporting

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

The first four reportable segments as presented in the segmentation tables are HEINEKEN's business regions. These business regions are each managed separately by a Regional President, who reports to the Executive Board of Heineken N.V., and is directly accountable for the functioning of the segment's results, assets and liabilities. The Heineken N.V. Head Office operating segment falls directly under the responsibility of the Executive Board of Heineken N.V. The Executive Board of Heineken N.V. reviews the performance of the segments based on internal management reports monthly.

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

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Performance is measured based on operating profit (beia), as included in the internal management reports that are reviewed by the Executive Board of Heineken N.V. Beia stands for '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. Exceptional items include, among others, impairments of goodwill and fixed assets (and reversal of impairments), gains and losses from acquisitions and disposals, redundancy costs following a restructuring, past service costs and curtailments, the tax impact on exceptional items and tax rate changes (the one-off impact on deferred tax positions).

Operating profit and operating profit (beia) are not financial measures calculated in accordance with IFRS. Operating profit (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of the segments. Beia adjustments are also applied to other metrics. 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.

HEINEKEN has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are country dependent and include deliveries via own wholesalers and pubs, direct to customers and via third-party distribution. As such, distribution models are country-specific and diverse across HEINEKEN. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board of Heineken N.V. does not allocate resources or assess performance based on business type information. Accordingly, no segment information on business type is provided.

Inter-segment transfers or transactions are 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 of Heineken N.V.are not accountable for that, net finance expenses and income tax expenses are not provided for the reportable segments.

Revenue

The majority of HEINEKEN's revenue is generated by the sale and delivery of products to customers. The product range of HEINEKEN mainly consists of beer, soft drinks and cider. Products are mostly own-produced finished goods from HEINEKEN's brewing activities, but also contain purchased goods for resale from HEINEKEN's wholesale activities. HEINEKEN's customer group can be split between on-trade customers like cafés, bars and restaurants and off-trade customers like retailers and wholesalers. Due to HEINEKEN's global footprint, its revenue is exposed to strategic and financial risks that differ per region.

Revenue is recognised when control over products has been transferred and HEINEKEN fulfilled its performance obligation to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from HEINEKEN's premises.

Revenue is recognised based on the price specified in the contract, net of returns, discounts, sales taxes and excise taxes collected on behalf of third parties.

Other revenues include rental income from pubs and bars, royalties, income from wholesale activities, pub management services and technical services to third parties. Royalties are sales-based and recognised in profit or loss (consolidated income statement) on an accrual basis in accordance with the relevant agreement. Rental income, income from wholesale activities, pub management services and technical services are recognised in profit or loss when the services have been delivered.

Discounts

HEINEKEN uses different types of discounts depending on the nature of the customer. Some discounts are unconditional, like cash discounts, early payment discounts and temporary promotional discounts. Unconditional discounts are recognised at the same moment of the related sales transaction.

HEINEKEN also provides conditional discounts to customers. These contractually agreed conditions include volume and promotional rebates. Conditional discounts are recognised based on estimated target realisation. The estimation is based on accumulated experience supported by historical and current sales information. A discount accrual is recognised at each reporting date for discounts payable to customers based on their expected or actual volume up to that date.

Other discounts include listing and shelving visibility fees charged by the customer whereby the payments to customers are closely related to the volumes sold. HEINEKEN assesses the substance of contracts with customers to determine the classification of payments to customers as either discounts or marketing expenses.

Discounts are accounted for as a reduction of revenue. Only when these payments to customers relate to a distinct service, the amount is classified as operating expense.

Excise tax expense

Local tax authorities impose multiple taxes, duties and fees. These include excise on the sale or production of alcoholic beverages, environmental taxes on the use of certain raw materials or packaging materials, or the energy consumption in the production process. Excise duties are common in the beverage industry but levied differently amongst the countries HEINEKEN operates in. HEINEKEN performs a country by country analysis to assess whether the excise duty is sales-related or effectively a production tax. In most countries, excise duties are effectively a production tax as excise duties become payable when goods are moved from bonded warehouses and are not based on the sales value. In these countries, increases in excise duties are not always (fully) passed on to customers and HEINEKEN cannot, or can only partly, reclaim the excise duty in the case products are eventually not sold to customers. Excise tax is borne by HEINEKEN for these countries and shown as expenses. Only for those countries where excise is levied at the moment of the sales transaction and excise is based on the sales value, the excise duties are collected on behalf of a tax authority and consequently deducted from revenue. Due to the complexity and variety in tax legislation, significant judgement is applied in the assessment of whether taxes are borne by HEINEKEN or collected on behalf of a third party.

To provide transparency on the impact of the accounting for excise, HEINEKEN presents the excise tax expense on a separate line below revenue in the consolidated income statement. A subtotal called 'Net revenue' is therefore included in the Income Statement. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

6.2 OTHER INCOME

Other income includes the gain on sale from transactions that do not arise from contracts with customers and are therefore presented separately from revenue.

In millions of €	**2021**	2020
Gain on sale of property, plant and equipment	41	35
Gain on sale of intangible assets	9	20
Gain on sale of subsidiaries, joint ventures and associates	5	1
Gain on previously held equity-interests	1,270	—
Tax credits	196	—
	1,521	56

In 2021, other income mainly relates to a gain on previously held equity-interest in United Breweries Limited (UBL) in India of €1,270 million, after obtaining control of UBL on 29 July 2021 (refer to note 10.1). This amount includes a loss of €113 million relating to the recycling of currency exchange differences from the translation reserve, which is included in the currency translation differences in the statement of other comprehensive income.

The Brazilian Supreme Court confirmed, in May 2021, that ICMS[1] should be excluded from PIS/COFINS[2] taxable basis. During the year ended 31 December 2021, the analysis regarding the unduly paid PIS/COFINS for the period 2001 until 2021 was completed. As a result, tax credits for an amount of €196 million have been recognised in other income and €96 million in other net finance income (refer to note 11.1).

The cash flows resulting from the recognised tax credits are included in cash flow from operating activities in the consolidated statement of cash flow.

1 ICMS: This is a state-level sales tax imposed on the physical movement of merchandise.
2 PIS/COFINS: PIS (Program of Social Integration) and COFINS (Contribution for the Financing of Social Security) are federal sales taxes based on the turnover of companies.

ACCOUNTING POLICIES

Other income is recognised in profit or loss when control over the sold asset is transferred to the buyer. The amount recognised as other income equals the proceeds obtained from the buyer minus the carrying value of the sold asset.

As part of a step acquisition, any previously held equity interest in the acquiree is remeasured to fair value on the date of the acquisition. The difference between the carrying value and the fair value of the previously held equity interest is recognised in other income.

6.3 RAW MATERIALS, CONSUMABLES AND SERVICES

In millions of €	2021	2020
Raw materials	1,925	1,811
Non-returnable packaging	4,031	3,691
Goods for resale	1,217	920
Inventory movements	96	17
Marketing and selling expenses	2,091	2,044
Transport expenses	1,222	1,080
Energy and water	529	476
Repair and maintenance	503	474
Other expenses	1,921	1,937
	13,535	12,450

Other expenses in raw materials, consumables and services mainly include consulting expenses of €242 million (2020: €187 million), telecom and office automation of €277 million (2020: €271 million), warehousing expenses of €189 million (2020: €179 million), other taxes of €118 million (2020: €109 million), short-term lease expenses of €61 million (2020: €58 million) and low-value lease expenses of €30 million (2020: €33 million).

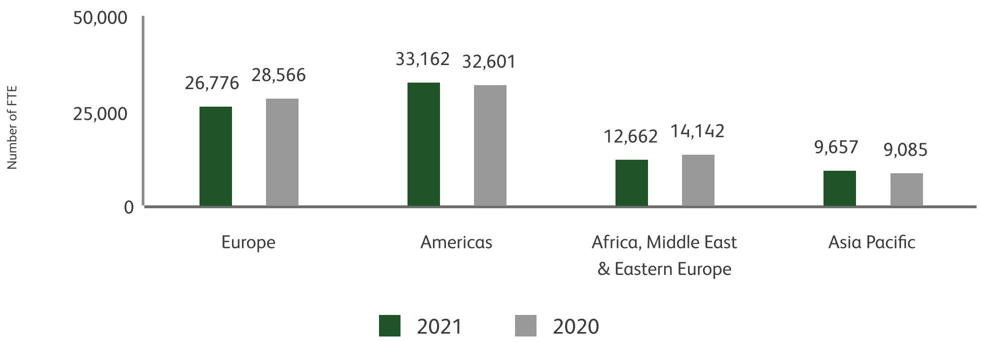
ACCOUNTING POLICIES

Expenses are recognised based on accrual accounting. This means that expenses are recognised when the product is received or the service is provided regardless of when cash outflow takes place. Costs related to power purchase agreements are included as part of 'Energy and water'.

6.4 PERSONNEL EXPENSES

The average number of full-time equivalent (FTE) employees, excluding contractors, in 2021 was 82,257 (2020: 84,394 FTE), divided per region as follows:

Average number of FTE per region



The increase in Asia Pacific is mainly due to the acquisition of UBL in India (refer to note 10.1). The full year impact on average FTE will only be reflected as from next year. The decrease in Europe and Africa, Middle East & Eastern Europe is mainly due to restructuring as a result of the productivity programme related to EverGreen.

A total of 3,925 FTEs are based in the Netherlands (2020: 4,218 FTE). The decrease in FTEs based in the Netherlands during 2021 is due to restructuring and temporary contracts not being renewed.

As a result of the COVID-19 pandemic, HEINEKEN received government grants related to personnel expenses in various countries amounting to €37 million (2020: €49 million), including furlough arrangements for 661 FTEs (2020: 1,573 FTEs).

HEINEKEN employees receive compensations such as salaries and wages, pensions (refer to note 9.1) and share-based payments (refer to note 6.5). Other personnel expenses include expenses for contractors of €114 million (2020: €128 million) and a reversal of restructuring provision of €4 million (2020: €343 million, expense). Refer to note 9.2 for the restructuring provisions.

In millions of €	Note	2021	2020
Wages and salaries		2,382	2,228
Compulsory social security contributions		365	367
Contributions to defined contribution plans		53	51
Expenses related to defined benefit plans	9.1	102	104
Expenses related to other long-term employee benefits		3	7
Equity-settled share-based payment plan	6.5	51	(1)
Other personnel expenses		529	913
		3,485	3,669

ACCOUNTING POLICIES

Personnel expenses

Personnel expenses are recognised when the related service is provided. For more details on accounting policies related to post-retirements obligations and share-based payments refer to notes 9.1 and 6.5 respectively.

Government grants

Governments grants relating to certain deferred costs or costs yet to be incurred are capitalised and released to profit or loss in the respective periods in which the costs are recognised.

6.5 SHARE-BASED PAYMENTS

HEINEKEN has the following share-based compensation plans: long-term incentive plan, extraordinary share plan and matching share plan (as part of the Short-term incentive plan of the Executive Board of Heineken N.V.).

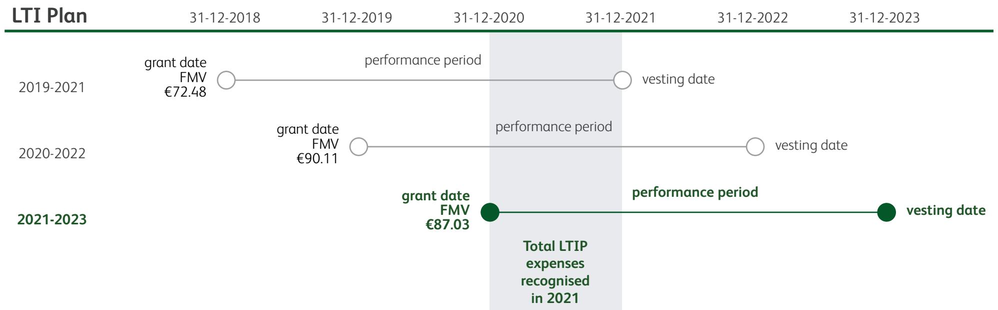
Long-term incentive plan (LTIP)

HEINEKEN has a performance-based LTIP for Heineken N.V.'s Executive Board and senior management. Under this LTIP, share rights are conditionally awarded to participants 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-calendar year period by the employee. The share rights are not dividend-bearing during the performance period.

The performance conditions for LTIP are organic net revenue growth, organic operating profit beia growth, earnings per share beia growth and free operating cash flow. The performance conditions are equally weighted.

At target performance, 100% of the awarded share rights vest. At threshold performance, 50% of the awarded share rights vest and at maximum performance, 200% of the awarded share rights vest.

The grant date, fair market value (FMV) at the grant date, service period and vesting date for the LTIP are visualised below:



The number of outstanding share rights and the movement over the year under the LTIP of the Executive Board and senior management of Heineken N.V. is as follows:

	Number of share rights 2021	Number of share rights 2020
Outstanding as at 1 January	**851,689**	1,746,018
Granted during the year	444,541	457,906
Forfeited during the year	(113,363)	(104,002)
Cancelled during the year	(60,145)	—
Vested previous year	—	(764,496)
Performance adjustment	698,647	(483,737)
Outstanding as at 31 December	**1,821,369**	851,689
Share price as at 31 December	**98.86**	91.22

At vesting, HEINEKEN deducts a number of shares to cover payroll taxes and mandatory withholdings on behalf of the individual employees. Therefore, the number of Heineken N.V. shares to be received by LTIP participants is a net (after-tax) number. In line with its decision not to pay out any incentives to senior management in 2021, HEINEKEN cancelled LTIP 2018-2020, so no shares have been vested under this plan. Ownership of the vested LTIP 2019-2021 shares will transfer to the Executive Board members shortly after the publication of the annual results in 2021 and to senior management on 1 April 2022.

Other share-based compensation plans

Under the Extraordinary share plans for senior management, in 2021 58,566 shares were granted and 17,878 (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. In 2021, expenses amounted to €4 million (2020: €1 million).

Matching shares granted to the Executive Board of Heineken N.V. are disclosed in note 13.3.

Personnel expenses

The total share-based compensation expense that is recognised in 2021 amounts to €51 million (2020: €(1) million share-based compensation income).

In millions of €	Note	**2021**	2020
Share rights granted in 2018		—	(21)
Share rights granted in 2019		7	4
Share rights granted in 2020		21	16
Share rights granted in 2021		23	—
Total expense recognised in personnel expenses	6.4	**51**	(1)

ACCOUNTING ESTIMATES

The grant date fair value is calculated by adjusting the share price at the grant date for estimated foregone dividends during the performance period, as the participants are not entitled to receive dividends during that period. The foregone dividends are estimated by applying HEINEKEN's dividend policy on the latest forecasts of net profit (beia).

At each balance sheet date, HEINEKEN uses its latest forecasts to calculate the expected realisation on the performance targets per plan. The number of shares is adjusted to the new target realisation and HEINEKEN increases/decreases the total plan cost. The cumulative effect is recorded in the profit or loss, with a corresponding adjustment to equity.

Expenses related to employees that voluntarily leave HEINEKEN are reversed as they will not receive any shares from the LTIP. The expense calculation includes the estimated future forfeiture. HEINEKEN uses historical information to estimate this forfeiture rate.

ACCOUNTING POLICIES

HEINEKEN's share-based compensation plans are equity-settled share rights granted to Heineken N.V.'s Executive Board and senior management.

The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period.

Share-based compensation expenses are recorded in the profit or loss, with a corresponding adjustment to equity.

6.6 AMORTISATION, DEPRECIATION AND IMPAIRMENTS

In millions of €	Note	2021	2020
Property, plant and equipment	8.2	1,487	1,981
Intangible assets	8.1	461	855
Other		11	38
		1,959	2,874

Property, plant and equipment include depreciation and impairment of ROU assets of €276 million (2020: €280 million).

For more information on impairment losses, refer to note 8.2.

ACCOUNTING POLICIES

Refer to note 8.1 for the accounting policy on impairments and amortisation, and to note 8.2 for the policy on depreciation.

6.7 EARNINGS PER SHARE

The calculation of earnings per share (EPS) for the period ended 31 December 2021 is based on the profit attributable to the shareholders of the Company (net profit/(loss)) and the weighted average number of shares outstanding (basic and diluted) during the year ended 31 December 2021.

In € per share (basic or diluted) for the period ended 31 December	2021	2020
Basic earnings per share	5.77	(0.36)
Diluted earnings per share	5.77	(0.36)

Refer to the table below for the information used in the calculation of the basic and diluted earnings per share.

Weighted average number of shares – basic and diluted

	2021	2020
Total number of shares issued	288,030,168	288,030,168
Effect of own shares held	—	—
Weighted average number of basic shares outstanding for the year	**288,030,168**	288,030,168

ACCOUNTING POLICIES

The Company presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the weighted average number of own shares purchased or held in the year. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for the weighted average number of own shares purchased or held in the year.

7. WORKING CAPITAL

7.1 INVENTORIES

Inventories include raw and packaging materials, work in progress, spare parts, goods for resale and finished products.

In millions of €	2021	2020
Raw materials	445	321
Work in progress	324	228
Finished products	499	460
Goods for resale	396	331
Non-returnable packaging	338	241
Other inventories and spare parts	436	377
	2,438	1,958

In 2021, the change in inventories written off to net realisable value was €11 million, release (2020: €20 million, write off).

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost 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.

7.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables arise during ordinary activities, for example from the sale of inventory, from proceeds for contract brewing or from royalty fees.

In millions of €	**2021**	2020
Trade receivables	2,376	1,768
Other receivables	865	636
Trade receivables due from associates and joint ventures	13	20
Prepayments	408	383
	3,662	2,807

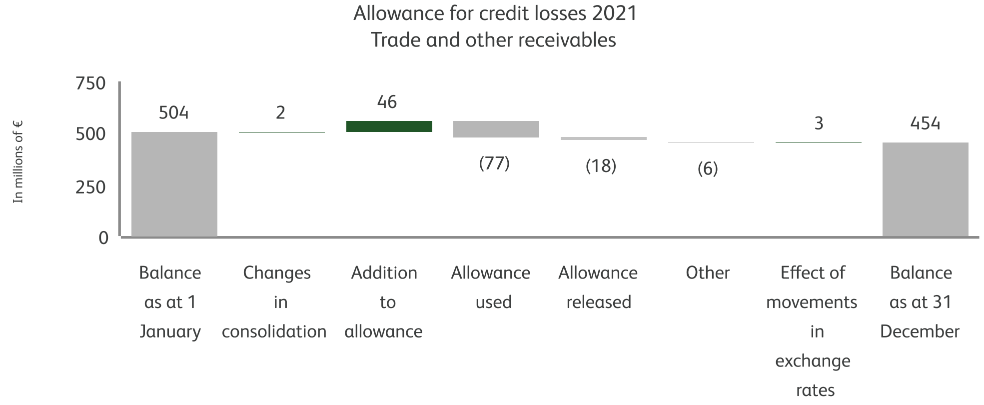
Trade and other receivables contain a net impairment loss of €28 million (2020: €141 million) from contracts with customers, which is included in expenses for raw materials, consumables and services.

The ageing of trade and other receivables (excluding prepayments) as at 31 December 2021 is as follows:

2021 In millions of €	**Total**	Not past due	0-30 days	31-120 days	Past due > 120 days
Gross	3,708	2,788	322	196	402
Allowance	(454)	(72)	(34)	(45)	(303)
	3,254	**2,716**	**288**	**151**	**99**

2020 In millions of €	**Total**	Not past due	0-30 days	31-120 days	Past due > 120 days
Gross	2,928	1,872	245	262	549
Allowance	(504)	(79)	(19)	(76)	(330)
	2,424	1,793	226	186	219

The movement in allowance for credit losses for trade and other receivables during the year is as follows:



In millions of €	**2021**	2020
Balance as at 1 January	**504**	434
Changes in consolidation	2	—
Transfers	—	10
Addition to allowance	46	143
Allowance used	(77)	(58)
Allowance released	(18)	(2)
Other	(6)	—
Effect of movements in exchange rates	3	(23)
Balance as at 31 December	**454**	504

ACCOUNTING ESTIMATES

HEINEKEN determines on each reporting date the impairment of trade and other receivables using a model (e.g. flow rate method) which estimates the lifetime expected credit losses that will be incurred on these receivables. 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. These assessments include any change in credit risk due to the continued or changing impact of the COVID-19 pandemic. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

ACCOUNTING POLICIES

Trade and other receivables are held by HEINEKEN to collect the related cash flows. These receivables are measured at fair value and subsequently at amortised cost minus any impairment losses. Trade and other receivables are derecognised by HEINEKEN when substantially all risks and rewards are transferred or if HEINEKEN does not retain control over the receivables.

7.3 TRADE AND OTHER PAYABLES

In the ordinary course of business, payable positions arise towards suppliers of goods and services, as well as to other parties. Refer to the table below for the different types of trade and other payables.

In millions of €	**2021**	2020
Trade payables	4,631	3,663
Accruals	1,615	1,232
Taxation and social security contributions	999	845
Interest	177	187
Dividends	23	13
Other payables	305	167
	7,750	6,107

As a result of the COVID-19 pandemic, in some countries, HEINEKEN was allowed a short-term postponement of payments of certain indirect taxes, such as value-added taxes. As at 31 December 2021, an amount of €42 million (2020: €98 million) of delayed indirect tax payments is included in trade and other payables.

ACCOUNTING ESTIMATES

HEINEKEN makes estimates in the determination of discount accruals. When discounts are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue (refer to note 6.1) are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A discount accrual is recognised for expected volume and discounts due to customers in relation to sales made until the end of the reporting period.

ACCOUNTING POLICIES

Trade and other payables are initially measured at fair value and subsequently at amortised cost. Trade payables are derecognised when the contractual obligation is either discharged, cancelled or expired.

7.4 RETURNABLE PACKAGING MATERIALS

HEINEKEN uses returnable packaging materials such as glass bottles, crates and kegs in selling the finished products to the customer.

Returnable packaging materials

The majority of returnable packaging materials are classified as property, plant and equipment. The category 'Other fixed assets' in property, plant and equipment (refer to note 8.2) includes €830 million (2020: €824 million) of returnable packaging materials.

Returnable packaging deposit liability

In certain markets, HEINEKEN has the legal or constructive obligation to take back the materials from the market. A deposit value is generally charged upon the sale of the finished product, which is reimbursed when the empty returnable packaging material is returned.

In millions of €	**2021**	2020
Returnable packaging deposits	476	454

ACCOUNTING ESTIMATES

The main accounting estimate relating to returnable packaging materials is determining the returnable packaging materials in the market and the expected return thereof. This is based on circulation times and losses of returnable packaging materials in the market.

ACCOUNTING POLICIES

Returnable packaging materials

Returnable packaging materials may be classified as property, plant and equipment or inventory. The classification mainly depends on whether ownership is transferred and if HEINEKEN has the legal or constructive obligation to buy back the materials.

Refer to note 8.2 for the general accounting policy on property, plant and equipment. Specifically for returnable packaging materials, the estimated useful life depends on the loss of the materials in the market as well as on HEINEKEN's sites.

Returnable packaging deposit liability

HEINEKEN recognises a deposit liability when a legal or constructive obligation exists to reimburse the customer for returnable packaging materials that are returned. The returnable packaging deposit liability is based on the estimated returnable packaging materials in the market, the expected return thereof and the deposit value.

8. NON-CURRENT ASSETS

8.1 INTANGIBLE ASSETS

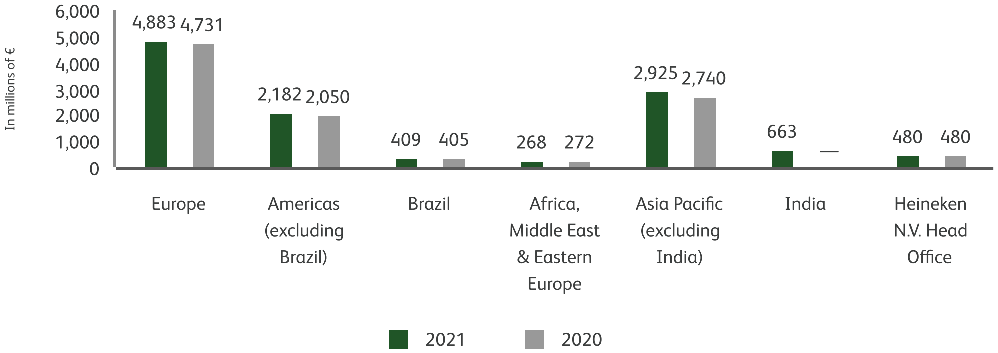
Intangible assets within HEINEKEN are mainly goodwill, brands and customer-related intangibles such as customer lists. The majority of intangible assets have been recognised by HEINEKEN as part of acquisitions. Refer to the table below for the historical cost per asset class and the movements during the year including amortisation.

		2021						2020					
In millions of €	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	**Total**	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	**Total**
COST													
Balance as at 1 January		**11,149**	**4,552**	**2,051**	**946**	**1,081**	**19,779**	11,898	4,979	2,300	1,064	1,037	21,278
Changes in consolidation	10.1	644	3,644	—	(4)	(3)	4,281	11	13	(14)	(17)	(1)	(8)
Purchased/internally developed		—	112	1	36	124	273	—	—	1	3	135	139
Transfer (to)/from assets classified as held for sale	10.2	—	(2)	—	—	(1)	(3)	—	(3)	—	—	—	(3)
Disposals		—	(1)	—	—	(31)	(32)	—	—	(1)	(1)	(38)	(40)
Effect of movements in exchange rates		485	407	120	55	15	1,082	(760)	(437)	(235)	(103)	(52)	(1,587)
Balance as at 31 December		**12,278**	**8,712**	**2,172**	**1,033**	**1,185**	**25,380**	11,149	4,552	2,051	946	1,081	19,779
AMORTISATION AND IMPAIRMENT LOSSES													
Balance as at 1 January		**(471)**	**(1,409)**	**(1,182)**	**(332)**	**(618)**	**(4,012)**	(433)	(1,026)	(1,169)	(328)	(553)	(3,509)
Changes in consolidation		—	—	—	—	(3)	(3)	—	—	7	8	—	15
Amortisation charge for the year	6.6	—	(149)	(108)	(28)	(104)	(389)	—	(124)	(113)	(40)	(112)	(389)
Impairment losses	6.6	—	(134)	—	—	—	(134)	(39)	(369)	(38)	(3)	(17)	(466)
Reversals of impairments	6.6	—	53	9	—	—	62	—	—	—	—	—	—
Transfer to/(from) assets classified as held for sale	10.2	—	2	—	—	1	3	—	—	—	—	—	—
Disposals		—	1	—	—	25	26	—	—	—	—	34	34
Effect of movements in exchange rates		3	(72)	(71)	(25)	(6)	(171)	1	110	131	31	30	303
Balance as at 31 December		**(468)**	**(1,708)**	**(1,352)**	**(385)**	**(705)**	**(4,618)**	(471)	(1,409)	(1,182)	(332)	(618)	(4,012)
CARRYING AMOUNT													
As at 1 January		10,678	3,143	869	614	463	15,767	11,465	3,953	1,131	736	484	17,769
As at 31 December		11,810	7,004	820	648	480	20,762	10,678	3,143	869	614	463	15,767

Goodwill impairment testing

For impairment testing, goodwill in respect of Europe, Americas (excluding Brazil) and Asia Pacific (excluding India) is allocated and monitored on a regional basis. For Brazil, India, subsidiaries within Africa, Middle East & Eastern Europe and Heineken N.V. Head Office, goodwill is allocated and monitored on an individual country basis. The total amount of goodwill of €11,810 million (2020: €10,678 million) is allocated to each (group of) Cash Generating Unit (CGU) as follows:

Goodwill per (group of) CGU



The increase in goodwill of €1,132 million compared to 2020, mainly relates to €631 million goodwill recognised for the acquisition of UBL (India, refer to note 10.1) and the movement in exchange rates of €488 million.

The carrying amount of a CGU is compared to the recoverable amount of the CGU. The recoverable amounts of the (group of) CGUs are based on the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU) calculations. CGUs for which the recoverable amount is based on a VIU model represent 94% of goodwill. VIU is determined by discounting the future cash flows generated from the continuing use of the CGU using a pre-tax discount rate.

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

- Cash flows are projected based on actual operating results and the approved business plan. Cash flows thereafter are extrapolated up to a 10-year period (Europe 5-year) using an expected annual volume growth rate per country, which is based on external sources. Based on past experience, management considers this period to reflect the long-term development of the local beer business.
- The beer price growth per year, after the forecast period, is assumed to be the expected country-specific annual long-term inflation, which is based on external sources.
- Cash flows after the first 10-year period (Europe 5-year) are extrapolated using a perpetual growth rate equal to the expected 30-year average inflation (2020: 10-year average inflation), in order to calculate the terminal recoverable amount. For Europe, a return on inflation-linked bond rates is used to extrapolate cash flows.
- A CGU-specific pre-tax weighted average cost of capital (WACC) was applied per CGU in determining the recoverable amount of the units.

The values assigned to the key assumptions used for the VIU calculations are as follows:

In %	Pre-tax WACC	Expected annual long-term inflation applied for years 2026-2031	Expected volume growth rates applied for years 2026-2031
Europe	7.9	2.0	1.7
Americas (excluding Brazil)	9.9	2.8	1.1
Brazil	12.4	3.1	0.9
Africa, Middle East & Eastern Europe	13.5 - 22.3	5.0 - 7.3	3.5 - 5.1
Asia Pacific (excluding India)	11.2	3.3	1.6
Heineken N.V. Head Office	11.0	3.0	1.8

Impairment losses

In 2021, climate risks did not give rise to indicators that an impairment exist.

The annual goodwill impairment test did not result in an impairment loss for the current year (2020: nil). The impairment test required as a result of the identification of impairment indicators resulted in an impairment (net of reversal) of €72 million on intangible assets other than goodwill (2020: €39 million on goodwill and €427 million on intangible assets other than goodwill), which was charged to profit and loss (refer to note 8.2).

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (i.e. lower growth rates or higher discount rates respectively) did not result in a materially different outcome for the impairment test and the headroom for none of the CGUs would have been reduced to nil.

Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in various acquisitions. The main customer-related and contract-based intangibles relate to customer relationships (constituted either by way of a contractual agreement or by way of non-contractual relations) and re-acquired rights.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The cash flow projections used in the value in use calculations for goodwill impairment testing contain various judgements and estimations as described in the key assumptions for the VIU calculations.

For intangible assets, other than goodwill, estimates are required to determine the (remaining) useful lives. Useful lives are determined based on the market position (for brands), estimated remaining useful life of the customer relationships or the period of the contractual arrangements, or estimates on technological and commercial developments (for software/ development expenditure).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life. HEINEKEN believes that straight-line depreciation most accurately reflects the expected pattern of consumption of the future economic benefits embodied in the intangible asset.

ACCOUNTING POLICIES

Goodwill

Goodwill represents the difference between the fair value of the net assets acquired and the transaction price of the acquisition. 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. Goodwill is allocated to individual or groups of CGUs for impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income. An impairment loss in respect of goodwill cannot be reversed.

Brands, customer-related and contract-based intangibles

Brands, customer-related and contract-based intangibles acquired as part of a business combination are recognised at fair value. Otherwise, these acquired intangibles are recognised at cost and amortised over the estimated useful life of the individual brand, respectively over the remaining useful life of the customer relationships or the period of the contractual arrangements.

Strategic brands are well-known international/local brands with a strong market position and an established brand name.

Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortisation. 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, is recognised in profit or loss when incurred.

Amortisation

Amortisation is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives from the date they are available for use. The estimated useful lives are as follows:

Strategic brands	40 - 50 years
Other brands	5 - 25 years
Customer-related and contract-based intangibles	5 - 25 years
Re-acquired rights	3 - 12 years
Software	3 - 7 years
Capitalised development costs	3 years

The amortisation method, useful lives and residual values are reassessed annually. Changes in useful lives or residual value are recognised prospectively.

De-recognition of intangible assets

Intangible assets are derecognised when disposed of or sold. Gains on sale of intangible assets are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in amortisation. Goodwill is derecognised when the related CGU is sold.

Impairment of non-financial assets

At each reporting date, HEINEKEN reviews the carrying amounts of its non-financial assets (except for inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. Furthermore, HEINEKEN assesses goodwill and other intangible assets with an indefinite useful life annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generate cash inflows from continuing use. The CGU for other non-financial assets is often the operating company on a country level. The recoverable amount of an asset or CGU is the higher of an asset's FVLCD and VIU. 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 risks specific to the asset or CGU.

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 are first allocated to goodwill and intangible assets with an indefinite useful life. A remaining impairment loss is then allocated to the other assets in the unit on a pro-rata basis. 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.

8.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (P,P&E) are fixed assets that are owned by HEINEKEN, as well as right of use (ROU) assets under a lease agreement. Owned and ROU assets are held for use in HEINEKEN's operating activities. Refer to the table below for the split between owned assets and ROU assets as per balance sheet date:

In millions of €	**2021**	2020
Property, plant and equipment - owned assets	11,518	10,606
Right of use assets	883	945
	12,401	11,551

Owned assets

The table below details the historical cost per asset class and the movements during the year for owned assets.

In millions of €	Note	2021 Land and buildings	2021 Plant and equipment	2021 Other fixed assets	2021 Under construction	2021 Total	2020 Land and buildings	2020 Plant and equipment	2020 Other fixed assets	2020 Under construction	2020 Total
COST											
Balance as at 1 January		**7,042**	**9,455**	**5,699**	**669**	**22,865**	7,418	9,638	5,778	1,077	23,911
Changes in consolidation and other transfers	10.1	187	171	13	13	384	25	97	9	3	134
Purchases		20	55	251	1,170	1,496	37	35	295	883	1,250
Transfer of completed projects under construction		119	393	279	(791)	—	217	613	331	(1,161)	—
Transfer (to)/from assets classified as held for sale		(21)	(29)	(9)	—	(59)	(62)	(21)	(2)	—	(85)
Disposals		(40)	(112)	(384)	(6)	(542)	(46)	(131)	(269)	(4)	(450)
Effect of movements in exchange rates		227	166	85	13	491	(547)	(776)	(443)	(129)	(1,895)
Balance as at 31 December		**7,534**	**10,099**	**5,934**	**1,068**	**24,635**	7,042	9,455	5,699	669	22,865
DEPRECIATION AND IMPAIRMENT LOSSES											
Balance as at 1 January		(2,586)	(5,605)	(3,999)	(69)	(12,259)	(2,367)	(5,464)	(3,850)	—	(11,681)
Changes in consolidation and other transfers		—	(4)	4	—	—	(32)	(101)	(2)	—	(135)
Depreciation charge for the year	6.6	(156)	(460)	(579)	—	(1,195)	(166)	(443)	(629)	—	(1,238)
Impairment losses	6.6	(6)	(43)	(1)	(2)	(52)	(224)	(110)	(60)	(69)	(463)
Reversals of impairments	6.6	4	19	10	3	36	—	—	—	—	—
Transfer to/(from) assets classified as held for sale		13	26	9	—	48	40	11	2	—	53
Disposals		34	110	374	—	518	30	128	260	—	418
Effect of movements in exchange rates		(62)	(91)	(65)	5	(213)	133	374	280	—	787
Balance as at 31 December		**(2,759)**	**(6,048)**	**(4,247)**	**(63)**	**(13,117)**	(2,586)	(5,605)	(3,999)	(69)	(12,259)
CARRYING AMOUNT											
As at 1 January		4,456	3,850	1,700	600	10,606	5,051	4,174	1,928	1,077	12,230
As at 31 December		4,775	4,051	1,687	1,005	11,518	4,456	3,850	1,700	600	10,606

Land and buildings include the breweries and offices of HEINEKEN as well as stores, pubs and bars. The plant and machinery asset class contains all the assets needed in HEINEKEN's brewing, packaging and filling activities. Other fixed assets mainly consist of returnable packaging materials, commercial fixed assets and furniture, fixtures and fittings. Refer to note 7.4 for further information on returnable packaging materials that are included in this category.

Impairment losses

In 2021, climate risks did not give rise to indications that an impairment exists.

In 2021, impairments (net of reversal) of €16 million on owned P,P&E (2020: €463 million), €20 million on ROU assets (2020: €34 million), €72 million on intangible assets with finite useful life (2020: €427 million) and goodwill of nil (2020: €39 million) were recorded. The impairment charges mainly relate to Lagunitas (€203 million) and is primarily driven by a slower recovery from COVID-19, being behind HEINEKEN's internal expectation of the US market rebound. Additionally, various smaller reversals of impairments were recorded, relating to Americas.

The determination of the recoverable amount of Lagunitas is based on a VIU valuation, which is based on a discounted 5-year cash flow forecast. Cash flows after the first 5-year period are extrapolated using a perpetual growth rate equal to the expected 30-year compounded average inflation, in order to calculate the terminal recoverable amount. The key assumptions used to determine the cash flows are based on market expectations and management's best estimate.

Impairments are recorded on the line 'amortisation, depreciation and impairments' in the Income Statement. For a split per asset class, refer to the movement schedules in notes 8.1 and 8.2.

See the table below for the key assumptions:

		2021		2020
		Lagunitas		Lagunitas
In %	2022 - 2025	2026	2021-2023	2024-2025
Pre-tax WACC (in local currency)	8.4	8.4	6.7	6.7
Expected annual long-term inflation	2.1	2.1	1.9	1.9
Expected volume growth	(0.4)	2.0	0.1	2.0

Right of use (ROU) assets

HEINEKEN leases stores, pubs, offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. HEINEKEN has around 35,000 leases with a wide range of different terms and conditions, depending on local regulations and practices. Many leases contain extension and termination options, which are included in the lease term if HEINEKEN is reasonably certain to exercise the option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

In millions of €	**2021**	2020
Land and buildings	692	672
Equipment	191	273
Carrying amount ROU assets as at 31 December	**883**	945

In 2021, €223 million was added to the ROU assets as a result of entering into new lease contracts and the remeasurement of existing leases (2020: €329 million). The depreciation and impairments of ROU assets for the financial year ending 31 December is as follows:

In millions of €	**2021**	2020
Land and buildings	180	185
Equipment	96	95
Depreciation and impairments for ROU assets	**276**	280

ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are required to determine the (remaining) useful lives of fixed assets. Useful lives are determined based on an asset's age, the frequency of its use, repair and maintenance policy, technology changes in production and expected restructuring.

HEINEKEN estimates the expected residual value per asset item. The residual value is the higher of the expected sales price (based on recent market transactions of similar sold items) and its material scrap value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of P,P&E. HEINEKEN believes that straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Significant judgement is required to determine the lease term. The assessment of whether HEINEKEN is reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised.

ACCOUNTING POLICIES

Owned assets

A fixed asset is recognised when it is probable that future economic benefits associated with the P,P&E item will flow to HEINEKEN and when the cost of the P,P&E can be reliably measured. The majority of the P,P&E of HEINEKEN are owned assets, rather than leased assets.

P,P&E are recognised at historical cost less accumulated depreciation and impairment losses. Historical cost includes all costs directly attributable to the purchase of an asset. The cost of self-constructed assets includes all directly attributable costs to make the asset ready for its intended use. Spare parts that meet the definition of P,P&E are capitalised and accounted for accordingly. If spare parts do not meet the recognition criteria of P,P&E, they are either carried in inventory or consumed and recorded in profit or loss.

Subsequent costs are capitalised only when it is probable that the expenses will lead to future economic benefits and can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

For the contractual commitments on ordered P,P&E refer to note 13.2.

Depreciation and impairments

Depreciation is calculated using the straight-line method, based on the estimated useful life of the asset class. The estimated useful lives of the main asset classes are as follows:

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

Land and assets under construction are not depreciated. When assets under construction are ready for their intended use, they are transferred to the relevant category and depreciation starts. All other P,P&E items are depreciated over their estimated useful life to the asset's residual value.

The depreciation method, residual value and useful lives are reassessed annually. Changes in useful lives or residual value are recognised prospectively.

HEINEKEN reviews whether indicators for impairment exist on a CGU level. When an indicator of impairment exists, assets are tested for impairment. Impairment losses on assets, other than goodwill, recognised in prior periods are assessed at each reporting date for any indication of a reversal, due to observable indications that the asset's value has increased significantly or other significant changes with favourable effects.

Derecognition of Property, plant and equipment

P,P&E is derecognised when it is scrapped or sold. Gains on sale of P,P&E are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in depreciation.

Right of use (ROU) assets

Definition of a lease

A contract contains a lease if it provides the right to control the use of an identified asset for a period of time in exchange for an amount payable to the lessor. The right to control the use of the identified asset exists when having the right to obtain substantially all of the economic benefits from the use of that asset and when having the right to direct the use of that asset.

HEINEKEN as a lessee

At the start date of the lease, HEINEKEN (lessee) recognises a ROU asset and a lease liability on the balance sheet. The ROU asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. For measurement of the lease liability, refer to note 11.3.

HEINEKEN applies the following practical expedients for the recognition of leases:

- The short-term lease exemption means that leases with a duration of less than a year are expensed in the income statement on a straight-line basis.
- The low-value lease exemption, meaning that leased assets with an individual value of €5 thousand or less if bought new, are expensed in the income statement on a straight-line basis.

HEINEKEN as a lessor

A lease is classified as a finance lease when it transfers substantially all the risks and rewards relating to ownership of the underlying asset to the lessee. For contracts where HEINEKEN acts as an intermediate lessor, the subleases are classified with reference to the ROU asset.

Lease related notes

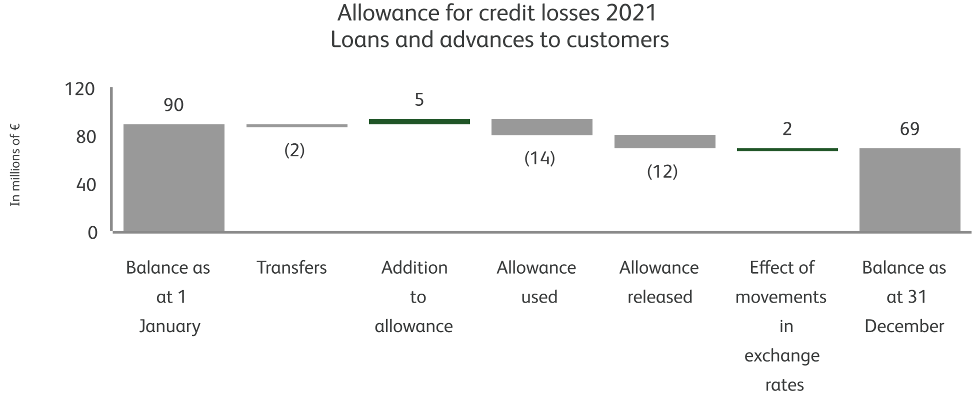
For lease liabilities, refer to note 11.3 Borrowings. For short-term and low-value leases, refer to other expenses in note 6.3 Raw materials, consumables and services. For the lease receivables, refer to other receivables in note 8.4 Other non-current assets and other receivables in note 7.2 Trade and other receivables. For the contractual maturities of lease liabilities, refer to note 11.5 Credit, liquidity and market risk.

8.3 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are inherent to HEINEKEN's business model. Loans to customers are repaid in cash on fixed dates while the settlement of advances to customers is linked to the sales volume of the customer. Loans and advances to customers are usually backed by collateral such as properties.

In millions of €	**2021**	2020
Loans to customers	56	53
Advances to customers	153	141
Loans and advances to customers	**209**	194

The movement in allowance for impairment losses for loans and advances to customers during the year is as follows:



In millions of €	2021	2020
Balance as at 1 January	**90**	79
Transfers	(2)	(10)
Addition to allowance	5	30
Allowance used	(14)	2
Allowance released	(12)	(7)
Effect of movements in exchange rates	2	(4)
Balance as at 31 December	**69**	90

ACCOUNTING ESTIMATES

HEINEKEN determines at each reporting date the impairment of loans and advances to customers using an expected credit loss model, which estimates the credit losses over 12 months. If a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer), credit losses over the lifetime of the asset are incurred. 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. Judgement is required for the calculation of expected credit losses and considers the continued and changing impact of the COVID-19 pandemic. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

ACCOUNTING POLICIES

Loans and advances to customers are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

8.4 OTHER NON-CURRENT ASSETS

Other non-current assets mainly consist of Fair Value through Other Comprehensive Income (FVOCI) investments, prepayments and other receivables with a duration longer than 12 months.

In millions of €	Note	2021	2020
Fair value through OCI investments		135	117
Non-current derivatives	11.6	6	21
Loans to joint ventures and associates		28	30
Long-term prepayments		392	375
Other receivables		509	341
Other non-current assets		**1,070**	884

The FVOCI investments primarily consist of equity securities. HEINEKEN designates these investments as FVOCI as these are not held for trading purposes.

Other receivables include lease receivables of €148 million (2020: €160 million). The average outstanding term of the lease receivables, including the short-term portion of lease receivables, is 3.0 years (2020: 3.4 years). It further includes tax credits of €161 million recognised in Brazil (refer to note 6.2). The remainder of 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. The collection of this receivable is expected to be beyond a period of five years. A part of the aforementioned qualifies for indemnification towards FEMSA and is provided for.

Sensitivity analysis – equity securities

An increase or decrease of 1% in the share price of the equity securities at the reporting date would not have a material impact.

ACCOUNTING ESTIMATES

HEINEKEN determines on each reporting date the impairment of other receivables using an expected credit loss model, which estimates the credit losses over 12 months. Only in case of a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer) the credit losses over the lifetime of the asset are incurred. Individually significant other receivables are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

ACCOUNTING POLICIES

Fair value through OCI investments

HEINEKEN's investments in equity securities are classified as FVOCI. These investments are interests in entities where HEINEKEN has less than significant influence. This is generally the case by ownership of less than 20% of the voting rights. Upon the sale of these equity securities the accumulated fair value and currency translation changes are transferred to retained earnings.

FVOCI investments are measured at fair value (refer to note 13.1). The fair value changes are recognised in OCI and presented within equity in the fair value reserve. Dividend income is recognised in profit or loss.

Non-current derivatives

Refer to the accounting policies on derivative financial instruments in note 11.6.

Other

The remaining non-current assets as presented in the previous table are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

9. PROVISIONS AND CONTINGENT LIABILITIES

9.1 POST-RETIREMENT OBLIGATIONS

HEINEKEN makes contributions to pension plans that provide pension benefits to (former) employees upon retirement, both via defined benefit as well as defined contribution plans. Other long-term employee benefits include long-term bonus plans, termination benefits, medical plans and jubilee benefits. Refer to note 6.4 for the contribution to defined contribution plans. This note relates to HEINEKEN's defined benefit pension plans. Refer to the table below for the present value of the defined benefit plans as at 31 December.

In millions of €	2021	2020
Present value of unfunded defined benefit obligations	169	203
Present value of funded defined benefit obligations	10,013	9,387
Total present value of defined benefit obligations	**10,182**	9,590
Fair value of defined benefit plan assets	(9,680)	(8,757)
Present value of net obligations	**502**	833
Asset ceiling items	101	48
Defined benefit plans included under non-current assets	6	5
Recognised liability for defined benefit obligations	**609**	886
Other long-term employee benefits	59	52
	668	938

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 fulfils 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.

The defined benefit pension plans in the Netherlands (NL) and the United Kingdom (UK) represent the majority of the total defined benefit plan assets and the present value of the defined benefit obligations.

Refer to the table below for the split of these plans in the total present value of the net obligations of HEINEKEN.

In millions of €	2021 UK	2020 UK	2021 NL	2020 NL	2021 Other	2020 Other	2021 Total	2020 Total
Total present value of defined benefit obligations	4,288	4,063	4,562	4,102	1,332	1,425	10,182	9,590
Fair value of defined benefit plan assets	(4,137)	(3,751)	(4,523)	(4,059)	(1,020)	(947)	(9,680)	(8,757)
Present value of net obligations	**151**	312	**39**	43	**312**	478	**502**	833

Defined benefit plan in the Netherlands

HEINEKEN provides employees in the Netherlands with an average pay pension plan based on earnings up to the legal tax limit. Indexation of accrued benefits is conditional on the funded status of the pension fund. HEINEKEN pays contributions to the fund up to a maximum level agreed with the Board of the pension fund and has no obligation to make additional contributions in case of a funding deficit.

In 2021, the increase in the fair value of defined benefit plan assets is mainly due to the higher value of equity investments. The higher defined benefit obligation is mainly due to a higher pension growth rate assumption, partially offset by a higher discount rate. HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level will apply in 2022.

Defined benefit plan in the United Kingdom

HEINEKEN's UK plan (Scottish & Newcastle pension plan 'SNPP') was closed to future accrual in 2011 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2019, HEINEKEN has renewed the funding plan (until 31 May 2023) including an annual deficit reduction contribution of GBP39.2 million in 2018, thereafter increasing with GBP1.7 million per year. At the end of 2018, an agreement (the 'Funding Agreement') was reached with the UK pension fund Trustees on a more conservative longer-term funding and investment approach towards 2030. This agreement has been formalised during 2019 and signed in early 2020, which leads to a gradual decrease in investment risk. The current schedule of deficit recovery payments until May 2023 will remain in place. As of June 2023, deficit recovery payments will be conditional on the funding position of the pension fund and will be capped on the current contribution level.

In 2021, the increase in the fair value of defined benefit plan assets is mainly due to the higher value of debt investments. The higher defined benefit obligation is mainly due to higher pension growth rates partially offset by a higher discount rate.

Defined benefit plans in other countries

In a few other countries, HEINEKEN offers defined benefit plans, which are individually not significant to HEINEKEN. The majority of these plans are closed for new participants.

Movement in net defined benefit obligation

The movement in the net defined benefit obligation during the year is as follows:

		Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
In millions of €	Note	**2021**	2020	**2021**	2020	**2021**	2020
Balance as at 1 January		**9,590**	9,517	**(8,757)**	(8,451)	**833**	1,066
Included in profit or loss							
Current service cost		106	111	—	—	106	111
Past service cost/(credit)		(9)	(10)	—	—	(9)	(10)
Administration expense		—	—	5	4	5	4
Effect of any settlement		—	(1)	—	—	—	(1)
Expense recognised in personnel expenses	6.4	**97**	100	**5**	4	**102**	104
Interest expense/(income)	11.1	107	145	(93)	(122)	14	23
		204	245	**(88)**	(118)	**116**	127
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from	12.3						
Demographic assumptions		67	(112)	—	—	67	(112)
Financial assumptions		346	605	—	—	346	605
Experience adjustments		13	(22)	—	—	13	(22)
Return on plan assets excluding interest income[1]		—	—	(726)	(525)	(726)	(525)
Effect of movements in exchange rates		309	(280)	(288)	234	21	(46)
		735	191	**(1,014)**	(291)	**(279)**	(100)
Other							
Changes in consolidation and reclassification	10.1	12	(8)	(10)	13	2	5
Contributions paid:							
By the employer		—	—	(165)	(265)	(165)	(265)
By the plan participants		24	24	(24)	(24)	—	—
Benefits paid		(378)	(379)	378	379	—	—
Settlements		(5)	—	—	—	(5)	—
		(347)	(363)	**179**	103	**(168)**	(260)
Balance as at 31 December		**10,182**	9,590	**(9,680)**	(8,757)	**502**	833

1 The total OCI impact for the current year also included movement resulting from asset ceiling increase between 2020 and 2021.

Defined benefit plan assets

In millions of €	2021 Quoted	2021 Unquoted	2021 Total	2020 Quoted	2020 Unquoted	2020 Total
Equity instruments:						
Europe	462	—	462	411	—	411
Northern America	1,218	—	1,218	868	—	868
Japan	135	—	135	153	—	153
Asia other	254	—	254	213	—	213
Other	89	156	245	83	76	159
	2,158	**156**	**2,314**	1,728	76	1,804
Debt instruments:						
Bonds – investment grade	5,631	817	6,448	4,634	723	5,357
Bonds – non-investment grade	526	294	820	393	162	555
	6,157	**1,111**	**7,268**	5,027	885	5,912
Derivatives	38	(1,474)	(1,436)	35	(473)	(438)
Properties and real estate	326	615	941	20	860	880
Cash and cash equivalents	179	78	257	169	63	232
Investment funds	12	264	276	9	319	328
Other plan assets	114	(54)	60	13	26	39
	669	**(571)**	**98**	246	795	1,041
Balance as at 31 December	**8,984**	**696**	**9,680**	7,001	1,756	8,757

In 2021, the UK fund carried out two de-risking steps due to strong progress towards its funding objectives. The strategic allocation to equities was reduced from 20% to 6% of plan assets. In addition, the allocation to investment-grade credit instruments was increased from 12.5% to 26.5%.

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 several risks, the most significant are detailed below.

Risks associated with defined benefit plans

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to AA corporate bond yields. If the return on the plan assets is less than the return on the liabilities implied by this assumption, this will create a deficit. Both the Netherlands and the UK plans hold a significant proportion of equities (although as stated above the UK reduced equity exposure over the year), 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 last ALM study was performed in 2021. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. As at 31 December 2021 the strategic asset mix comprises 38% of plan assets in equity securities, 30% in bonds, 12.5% in other investments, 10% in mortgage and 9.5% in real estate.

In the UK, an actuarial valuation is performed at least on a triennial basis. The valuation is the basis for the funding plan, strategic investment policies and the (long-term) strategic investment mix. The valuation as at 31 October 2021 is currently underway. Following various de-risking activities that took place in 2021, the strategic mix of assets comprises 30% of plan assets in liability-driven investments, 26.5% in corporate bonds, 15% in higher-yielding credit, 15% in private markets, 7.5% in long lease property and 6% in equities. As part of the Funding Agreement, the strategic asset mix will evolve between now and 2030 to provide greater certainty of return, lower volatility and higher cash generation.

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' fixed-rate instruments holdings.

In the Netherlands, interest rate risk is partly managed through fixed-income investments. These investments match the liabilities by 24% on average during the year (2020: 24%). 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 96% of the interest rate sensitivity of the total liabilities as measured on a Gilts +1% liability basis (2020: 84% as measured on the same basis).

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 is partly managed through the use of a mixture of inflation-linked derivative instruments. These instruments match 96% of the inflation-linked liabilities as measured on a Gilts +1% liability basis (2020: 84% as measured on the same basis).

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will increase the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustee of HEINEKEN UK's pension plan implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for the 2015 population of pensioners.

Principal actuarial assumptions as at the balance sheet date

Based on the significance of the Dutch and UK pension plans compared with the other plans, the table below refers to the major actuarial assumptions for those two plans as at 31 December:

	The Netherlands		UK[1]	
In %	**2021**	2020	**2021**	2020
Discount rate as at 31 December	1.1	0.5	1.8	1.4
Future salary increases	2.0	2.0	—	—
Future pension increases	1.3	0.2	3.4	3.0

1 The UK plan is closed for future accrual, leading to certain assumptions being equal to zero.

For the other defined benefit plans, the following actuarial assumptions apply as at 31 December:

	Europe		Americas	
In %	**2021**	2020	**2021**	2020
Discount rate as at 31 December	0.3-1.1	0.2-0.8	8.0-8.2	6.9-12.0
Future salary increases	0.0-3.1	0.0-3.5	0.0-4.5	0.0-4.5
Future pension increases	0.0-2.0	0.0-1.5	0.0-3.5	0.0-3.5
Medical cost trend rate	—	—	5.1-7.0	0.0-15.1

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2020', fully generational. For the UK, the future mortality rates are obtained by applying the Continuous Mortality Investigation 2020 projection model.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

HEINEKEN expects the contributions to be paid for the defined benefit plans for 2022 to be in line with 2021.

Sensitivity analysis

As at 31 December, changes to one of the relevant actuarial assumptions that are considered reasonably possible, holding other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	2021		2020	
Effect in millions of €	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(876)	989	(620)	689
Future salary growth (0.25% movement)	33	(31)	15	(13)
Future pension growth (0.25% movement)	403	(407)	378	(338)
Medical cost trend rate (0.5% movement)	4	(3)	6	(5)
Life expectancy (1 year)	484	(479)	438	(436)

ACCOUNTING ESTIMATES

To make the actuarial calculations for the defined benefit plans, HEINEKEN needs to make use of assumptions for discount rates, future pension increases and life expectancy as described in this note. The actuarial calculations are made by external actuaries based on inputs from observable market data, such as corporate bond returns and yield curves to determine the discount rates used, mortality tables to determine life expectancy and inflation numbers to determine future salary and pension growth assumptions.

ACCOUNTING POLICIES

Defined contribution plans

A defined-contribution plan is a post-retirement plan for which HEINEKEN pays fixed contributions to a separate entity. HEINEKEN has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay out employees.

Defined benefit plans

A defined benefit plan is a post-retirement 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 benefits that employees have earned in return for their service in the current and prior periods; those benefits are 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 high quality credit-rated bonds that have maturity dates approximating to the terms of HEINEKEN's obligations and 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. 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.

9.2 PROVISIONS

Provisions within HEINEKEN mainly relate to restructuring, and claims and litigation that arise in the ordinary course of business. The outcome depends on future events, which are by nature uncertain.

In millions of €	Note	Claims and litigation	Taxes	Restructuring	Onerous contracts	Other	**Total**
Balance as at 1 January 2021		255	255	422	28	144	1,104
Transfers		(52)	57	—	—	(11)	(6)
Changes in consolidation	10.1	—	62	—	—	1	63
Provisions made during the year		55	18	74	7	73	227
Provisions used during the year		(4)	(5)	(186)	(4)	(19)	(218)
Provisions reversed during the year		(68)	(53)	(78)	(8)	(52)	(259)
Effect of movements in exchange rates		2	6	1	2	2	13
Unwinding of discounts		8	4	1	—	—	13
Balance as at 31 December 2021		**196**	**344**	**234**	**25**	**138**	**937**
Non-current		152	286	105	6	87	636
Current		44	58	129	19	51	301

The provisions as at 31 December 2021 do not contain significant provisions relating to climate-related matters.

Claims and litigation

The provisions for claims and litigation of €196 million (2020: €255 million) mainly relate to civil and labour claims in Brazil.

Taxes

The provisions for taxes of €344 million (2020: €255 million) relate to indirect taxes not within the scope of IAS 12 and mainly relate to Brazil. Tax legislation in Brazil is highly complex and subject to interpretation, therefore the timing of the cash outflows for these provisions is uncertain.

Restructuring

The decrease in the provisions for restructuring of €188 million is mainly related to the usage of the prior year provision for the productivity programme related to EverGreen.

Other provisions

Included are, among others, provisions for credit risk on surety and guarantees issued of €53 million (2020: €57 million).

ACCOUNTING ESTIMATES

In determining the likelihood and timing of potential cash outflows, HEINEKEN needs to make estimates. For claims, litigation and tax provisions, HEINEKEN bases its assessment on internal and external legal assistance and established precedents. For large restructuring, management assesses the timing of the costs to be incurred, which influences the classification as current or non-current liabilities.

ACCOUNTING POLICIES

A provision is a liability of uncertain timing or amount. A provision is recognised when HEINEKEN has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable (>50%) that an outflow of economic benefits will be required to settle the obligation. In the case of accounting for business combinations, provisions are also recognised when the likelihood is less than probable but more than remote (>5%).

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 the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as part of net finance expenses.

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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be received by HEINEKEN 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. Before a provision is established, HEINEKEN recognises any impairment loss on the assets associated with that contract.

Other provisions

A provision for guarantees is recognised at the time the guarantee is issued (refer to note 9.3 for the total guarantees outstanding). The provision is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model and the amount initially recognised.

9.3 CONTINGENCIES

HEINEKEN's contingencies are mainly in the area of tax, civil cases and guarantees.

As at 31 December 2021, HEINEKEN does not have significant contingencies relating to climate-related matters.

Tax

The tax contingencies mainly relate to tax positions in Latin America and include a large number of cases with a risk assessment lower than probable but possible. Assessing the amount of tax contingencies is highly judgemental, and the timing of possible outflows is uncertain. The best estimate of tax-related contingent liabilities is €1,139 million (2020: €707 million), out of which €77 million (2020: €70 million) qualifies for indemnification. For several tax contingencies that were part of acquisitions, an amount of €175 million (2020: €197 million) has been recognised as provisions and other non-current liabilities in the balance sheet (refer to notes 9.2 and 11.6).

Other contingencies

Brazil civil cases

Part of other contingencies relates to civil cases in Brazil. Management's best estimate of the potential financial impact for these cases is €47 million (2020: €27 million).

Other

Part of other contingencies relate to two follow-on damage cases for a total amount claimed of €478 million, which arose as a result of the fine imposed by the Greek Competition Commission in 2014 against our subsidiary Athenian Brewery for alleged abuse of its dominant position. It is not possible to estimate the outcome of these claims with any degree of certainty for a number of reasons, including but not limited to the fact that (i) Athenian Brewery's appeal against the fine imposed by the Greek Competition Commission is pending before the Greek Council of State, (ii) the question whether the Dutch courts can assume (international) jurisdiction over these claims, insofar they are made against Athenian Brewery, is pending before the Dutch Supreme Court, and (iii) Athenian Brewery and HEINEKEN have raised defences against these claims, both on procedural grounds and on the merits. The amount of these potential liabilities (if any) can therefore not be measured with sufficient reliability. There are no reimbursements applicable for these cases.

As at 31 December 2021, €37 million (2020: €15 million) of other contingencies related to acquisitions is included in provisions (refer to note 9.2).

Guarantees

In millions of €	**Total 2021**	Less than 1 year	1-5 years	More than 5 years	**Total 2020**
Guarantees to banks for loans (to third parties)	349	60	283	6	330
Other guarantees	2,025	1,340	501	184	865
Guarantees	**2,374**	**1,400**	**784**	**190**	1,195

Guarantees to banks for loans relate to loans and advances 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 credit risk related to these loans (refer to note 9.2 for the provision for credit risk on these guarantees).

Other guarantees include a €1.1 billion guarantee issued concerning the offer to acquire Distell Group Holdings Limited (refer to note 13.2).

ACCOUNTING ESTIMATES AND JUDGEMENTS

HEINEKEN operates in a high number of jurisdictions and is subject to a wide variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to interpretation. As a result, HEINEKEN is required to exercise significant judgement in the recognition of taxes payable and determination of tax contingencies.

Also for the other contingencies, HEINEKEN is required to exercise significant judgement to determine whether the risk of loss is possible but not probable. Contingencies involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions.

ACCOUNTING POLICIES

A contingent liability is a liability of uncertain timing and amount. Contingencies are not recognised in the balance sheet because the existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of HEINEKEN or because the risk of loss is estimated to be possible (>5%) but not probable (<50%) or because the amount cannot be measured reliably.

10. ACQUISITIONS, DISPOSALS AND INVESTMENTS

10.1 ACQUISITIONS AND DISPOSALS

Acquisition of additional shares in UBL

On 23 June 2021, HEINEKEN acquired an additional 39,644,346 ordinary shares in UBL for €673 million (including directly attributable costs), taking its shareholding in UBL from 46.5%

to 61.5%. On this date, HEINEKEN did not obtain control as UBL's Articles of Association contained certain provisions that precluded HEINEKEN from exercising control.

On 29 July 2021, an Annual General Meeting of Shareholders of UBL was held in which relevant provisions in the Articles of Association were changed. Following these changes, HEINEKEN obtained control and consolidated UBL as of that date.

UBL is the market leader in India with a strong network of breweries across the country with a large portfolio led by the Kingfisher brand. The acquisition transforms HEINEKEN's existing business by extending its footprint, increasing scale and further strengthening its brand portfolio.

The Kingfisher brand portfolio represents the majority of the intangible assets valued at UBL. The goodwill is mainly attributable to earnings beyond the period over which intangible assets are amortised. None of the goodwill recognised is expected to be deductible for income tax purposes.

Upon obtaining control, the existing equity interest in UBL was revalued to fair value, which resulted in a gain in previously-held equity interest of €1,270 million (refer to note 6.2 and 10.3). The fair value of the equity interest was based on the share price at the date of obtaining control of UBL (level 1 fair value hierarchy).

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date and the fair value of the previously-held interest in UBL:

In millions of €	UBL
Property, plant and equipment	405
Intangible assets	3,637
Inventories	121
Trade and other receivables	149
Cash and cash equivalents	59
Other assets	40
Assets acquired	**4,411**
Current liabilities	165
Deferred tax liabilities	950
Other non-current liabilities	80
Liabilities assumed	**1,195**
Total net identifiable assets	**3,216**

In millions of €	
Fair value of previously-held interest	2,609
Plus: Non-controlling interests	1,238
Minus: Net identifiable assets acquired	3,216
Goodwill on acquisition	**631**

Non-controlling interests are measured at the proportionate share in the recognised net assets.

UBL received an order from the Competition Commission in India with the imposition of €89 million as a penalty, related to an investigation of allegations of price-fixing. No provision is recognised in the opening balance sheet as it is not possible to reliably estimate its ultimate financial impact, given the nascency of the competition regime, limited precedent on the quantum of penalty payable if an appeal is filed as well as HEINEKEN's defence. The penalty forms part of 'Other contingencies', refer to note 9.3.

No material acquisition-related costs have been recognised in the income statement for the period ended 31 December 2021.

HEINEKEN considers the measurement period for acquiring control of UBL to be closed as at 31 December 2021. Any adjustments afterwards will be recognised in the consolidated income statement.

The amount of revenue recognised for UBL after obtaining control amounts to €665 million; the amount of loss recognised after obtaining control amounts to €(8) million. If control was obtained on 1 January 2021, revenue and profit for HEINEKEN would have been €27,475 million and €3,520 million respectively.

The acquisition of additional shares in UBL is the only significant acquisition during the year. There were no other significant acquisitions or disposals during 2021.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of brands and reacquired rights acquired in a business combination is generally determined using the multi-period excess earnings method (MEEM). The valuation takes into account forecasted cash inflows and outflows and a fair return on all other assets that support the generation of the related cash flows.

Estimates are also applied when determining the fair value of legal cases and tax positions in the acquired entity. The fair value is based on estimates of the likelihood, the expected timing and the amount of the potential cash outflow. Provisions for legal cases and non-income tax positions are recognised at fair value even if it is not probable that an outflow will be required to settle the obligation. After initial recognition and until the liability is settled, cancelled or expired, the contingent liability is measured at the higher of the amount that would be recognised in accordance with IAS 37 and the initial liability amount. For income tax positions, HEINEKEN applies IAS 12, which requires recognition of provisions only when the likelihood of cash outflow is considered probable.

ACCOUNTING POLICIES

When HEINEKEN obtains control over an entity, the initial accounting for its assets and liabilities is at fair value. The difference between 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) and the net recognised amount of the identifiable assets acquired and liabilities assumed, is calculated. When the difference is negative, a bargain purchase gain is recognised immediately in the income statement. When the difference is positive, goodwill is recognised on the balance sheet.

Changes to the initial fair value of the acquired assets and liabilities, based on new information about the circumstances at the acquisition date, can be made up to a maximum of 12 months after the acquisition date.

Acquisition-related costs are directly expensed in the income statement.

10.2 ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

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

In millions of €	**2021**	2020
Current assets	10	—
Property, plant and equipment	27	17
Other non-current assets	—	7
Assets classified as held for sale	**37**	24
Current liabilities	(19)	—
Non-current liabilities	(1)	—
Liabilities associated with assets classified as held for sale	**(20)**	—

ACCOUNTING ESTIMATES AND JUDGEMENTS

HEINEKEN classifies assets or disposal groups as held for sale when they are available for immediate sale in their present condition and the sale is highly probable. HEINEKEN should be committed to the sale and it should be unlikely that the plan to sell will be withdrawn. This might be difficult to demonstrate in practice and involves judgement.

ACCOUNTING POLICIES

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.

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.

10.3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

HEINEKEN has interests in several joint ventures and associates. The total carrying amount of these associates and joint ventures was €4,148 million as at 31 December 2021 (2020: €4,437 million) and the total share of profit and other comprehensive income was a profit of €304 million in 2021 (2020: €(15) million, loss). The share of profit of associates and joint ventures includes a net reversals of impairment losses of €10 million (2020: €139 million, impairment).

As of 29 July 2021, HEINEKEN has obtained control of UBL and is consolidated within HEINEKEN as of that date and therefore no longer included in investments in associates and joint ventures (refer to note 10.1).

The associate CRH (Beer) Limited ('CBL') is considered to be individually material. HEINEKEN holds a shareholding of 40% in CBL as of 29 April 2019. CBL holds a controlling interest of 51.67% in China Resources Beer (Holdings) Co. Ltd. ('CR Beer'), a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, operating in the beer business in China. Consequently, HEINEKEN has an effective 20.67% economic interest in CR Beer. Based on the closing share price of HKD63.85 as at 31 December 2021, the fair value of this economic interest in CR Beer amounts to €4,847 million. The carrying amount of CBL as at 31 December 2021 amounts to €2,752 million.

Set out below is the summarised financial information of CR Beer, not adjusted for the percentage of ownership held by HEINEKEN. The financial information has been amended to reflect adjustments made by HEINEKEN when using the equity method (such as fair value adjustments). Due to a difference in reporting timelines, the financial information is included with a two-month delay. This means that the financial information included relates to the period November 2020-October 2021. The reconciliation of the summarised financial information to the carrying amount of the effective interest in CR Beer is also presented.

In millions of €	31 October 2021	31 October 2020
Summarised balance sheet (100%)		
Non-current assets	8,671	7,657
Current assets	1,822	1,281
Non-current liabilities	(1,774)	(1,313)
Current liabilities	(2,673)	(2,241)
Net assets	**6,046**	5,384
Reconciliation to carrying amount		
Opening net assets	5,384	5,801
Profit for the period	301	47
Other comprehensive income	532	(395)
Dividends paid	(171)	(69)
Closing net assets	**6,046**	5,384
Heineken N.V.'s share in %	20.67%	20.67%
Heineken N.V.'s share	1,250	1,113
Goodwill	1,502	1,395
Carrying amount	**2,752**	2,508

In millions of €	November 2020 to October 2021	November 2019 to October 2020
Summarised income statement (100%)		
Revenue	4,360	3,996
Profit	**301**	47
Other comprehensive income	532	(395)
Total comprehensive income	**833**	(348)
Dividends received	36	14

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 (net of income tax):

	Joint ventures		Associates[1]	
In millions of €	**2021**	2020	**2021**	2020
Carrying amount of interests	**984**	1,574	**3,164**	2,863
Share of:				
Profit or (loss) from continuing operations	113	(34)	137	3
Other comprehensive income/(loss)	30	(2)	24	18
	143	(36)	**161**	21

1 Includes the investment in CR Beer, which is considered to be individually material. The other joint ventures and associates are considered to be individually immaterial.

ACCOUNTING POLICIES

Associates are entities in which HEINEKEN has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures (JVs) are the arrangements in which HEINEKEN has joint control.

HEINEKEN's investments in associates and JVs are accounted for using the equity method of accounting, meaning they are initially recognised at cost. The consolidated financial statements include HEINEKEN's share of the net profit or loss of the associates and JVs whereby the result is determined using the accounting policies of HEINEKEN.

When HEINEKEN's share of losses exceeds the carrying amount of the associate or joint venture, 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 JV.

11. FINANCING AND CAPITAL STRUCTURE

11.1 NET FINANCE INCOME AND EXPENSE

Interest expenses are mainly related to interest charges over the outstanding bonds, commercial paper and bank loans (refer to note 11.3). Other net finance income and expenses comprise dividend income, fair value changes of financial assets and liabilities measured at fair value, transactional foreign exchange gains and losses (on a net basis), unwinding of discount on provisions and interest on the net defined benefit obligation.

In millions of €	Note	**2021**	2020
Interest income		**49**	50
Interest expenses		**(462)**	(497)
Dividend income from fair value through OCI investments		6	10
Net change in fair value of derivatives		(10)	13
Net foreign exchange gain/(loss)[1]		(78)	(133)
Unwinding discount on provisions	9.2	(13)	(11)
Interest on the net defined benefit obligation	9.1	(14)	(23)
Other		123	1
Other net finance income/(expenses)		**14**	(143)
Net finance income/(expenses)		**(399)**	(590)

1 Transactional foreign exchange effects of working capital and foreign currency-denominated loans, the latter being offset by the net change in fair value of derivatives.

Interest expenses include the interest component of lease liabilities of €58 million (2020: €60 million). The line other mainly includes €96 million of finance income on the recognised tax credits in Brazil, refer to note 6.2.

ACCOUNTING POLICIES

Interest income and expenses are recognised as they accrue, using the effective interest method.

Dividend income is recognised in the income statement on the date that HEINEKEN's right to receive payment is established, which is the ex-dividend date in the case of quoted securities.

11.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. In general bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents in the statement of cash flows.

In millions of €	Note	**2021**	2020
Cash and cash equivalents		3,248	4,000
Bank overdrafts	11.3	(692)	(481)
Cash and cash equivalents in the statement of cash flows		**2,556**	3,519

For more information on HEINEKEN's liquidity risk exposure refer to note 11.5.

The following table presents recognised 'Cash and cash equivalents' and 'Bank overdrafts', and the impact of the netting of gross amounts. The 'Net amount' below refers to the impact on HEINEKEN's balance sheet if all amounts subject to legal offset rights are netted.

In millions of €	Gross amounts	Net amounts presented in the statement of financial position	Amounts subject to legal offset rights	Net amount
				2021
ASSETS				
Cash and cash equivalents	3,248	3,248	(412)	2,836
LIABILITIES				
Bank overdrafts	(692)	(692)	412	(280)
				2020
ASSETS				
Cash and cash equivalents	4,000	4,000	(235)	3,765
LIABILITIES				
Bank overdrafts	(481)	(481)	235	(246)

HEINEKEN operates in several territories where there is limited availability of foreign currency resulting in restrictions on remittances. Mainly as a result of these restrictions, €401 million (2020: €373 million) of cash included in cash and cash equivalents is restricted for use by HEINEKEN, yet available for use in the relevant subsidiary's day-to-day operations.

ACCOUNTING POLICIES

Cash and cash equivalents are initially recognised at fair value and subsequently at amortised cost.

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. Where there is an intention to settle on a net basis, cash and overdraft balances relating to the cash pooling arrangements are reported on a net basis in the statement of financial position.

11.3 BORROWINGS

HEINEKEN mainly uses bonds, commercial paper and bank loans to ensure sufficient financing to support its operations. Net interest-bearing debt is the key metric for HEINEKEN to measure its indebtedness.

In millions of €	Note	2021 Non-current	2021 Current	2021 Total	2020 Non-current	2020 Current	2020 Total
Unsecured bond issues		12,600	935	13,535	13,242	1,200	14,442
Lease liabilities		850	256	1,106	936	263	1,199
Bank loans		130	637	767	374	38	412
Other interest-bearing liabilities		60	151	211	64	983	1,047
Deposits from third parties[1]		—	562	562	—	615	615
Bank overdrafts		—	692	692	—	481	481
Total borrowings		**13,640**	**3,233**	**16,873**	14,616	3,580	18,196
Market value of cross-currency interest rate swaps	11.5			33			14
Cash and cash equivalents	11.2			(3,248)			(4,000)
Net interest-bearing debt position				**13,658**			14,210

1 Mainly employee deposits.

As at 31 December 2021, €66 million of the €767 million of bank loans is secured (2020: €106 million). Other interest-bearing liabilities includes €0 million of centrally issued commercial paper (2020: €698 million).

In millions of €	Unsecured bond issues	Lease liabilities	Bank loans	Other interest-bearing liabilities	Deposits from third parties	Derivatives used for financing activities	Assets and liabilities used for financing activities
Balance as at 1 January 2021	**14,442**	**1,199**	**412**	**1,047**	**615**	**14**	**17,729**
Consolidation changes[1]	—	4	30	—	—	—	34
Effect of movements in exchange rates	286	34	1	10	4	26	361
Addition of leases	—	265	—	—	—	—	265
Proceeds	—	—	589	983	(1)	—	1,571
(Re)payments	(1,203)	(298)	(266)	(1,818)	(64)	(7)	(3,656)
Interest paid over lease liability	—	(57)	—	—	—	—	(57)
Other	10	(41)	1	(11)	8	—	(33)
Balance as at 31 December 2021	**13,535**	**1,106**	**767**	**211**	**562**	**33**	**16,214**

1 Refer to note 10.1.

In millions of €	Unsecured bond issues	Lease liabilities	Bank loans	Other interest-bearing liabilities	Deposits from third parties	Derivatives used for financing activities	Assets and liabilities used for financing activities
Balance as at 1 January 2020	12,788	1,258	484	695	693	28	15,946
Consolidation changes	—	2	(47)	(24)	—	—	(69)
Effect of movements in exchange rates	(314)	(83)	(21)	(63)	(4)	(19)	(504)
Addition of leases	—	341	—	—	—	—	341
Proceeds	2,973	—	290	2,748	21	5	6,037
(Re)payments	(1,016)	(281)	(295)	(2,300)	(90)	—	(3,982)
Interest paid over lease liability	—	(60)	—	—	—	—	(60)
Other	11	22	1	(9)	(5)	—	20
Balance as at 31 December 2020	14,442	1,199	412	1,047	615	14	17,729

Changes in borrowings

In 2021, the decrease in borrowings is mainly due to the repayment of bonds and other interest-bearing liabilities, which exceeds the proceeds from other interest-bearing liabilities incurred.

Cash flows from financing activities are mainly generated by bonds, commercial paper, bank loans and other interest-bearing liabilities presented above. Additionally, HEINEKEN also uses derivatives related to its financing, which can be recognised as assets or liabilities. The above table details the reconciliation of the liabilities and assets arising from financing activities to the cash flow from financing activities. Bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents in the statement of cash flows. For more information on derivatives refer to note 11.6.

The average effective interest rate on the net debt position as at 31 December 2021 was 2.7% (2020: 3.0%). The average maturity of the bonds as at 31 December 2021 was 8 years (2020: 8 years).

Centrally available financing headroom

The centrally available financing headroom at Group level was approximately €4.6 billion as at 31 December 2021 (2020: €5.2 billion) and consisted of the undrawn revolving credit facility and cash minus short-term bank borrowings.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgement is required to determine the lease term and the incremental borrowing rate. The assessment of whether HEINEKEN is reasonably certain to exercise extension options or not to make use of termination options impacts the lease term, which as a result could affect the amount of lease liabilities recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

ACCOUNTING POLICIES

Borrowings

Borrowings are initially measured at fair value less transaction costs. Subsequently, the borrowings are measured at amortised cost using the effective interest rate method. Borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

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. For the accounting policy on cash and cash equivalents and derivatives refer to notes 11.2 and 11.6, respectively.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate. Lease liabilities are subsequently increased by the interest cost on the lease liabilities and decreased by lease payments made. The lease liabilities will be remeasured when there is a change in the amount to be paid (e.g. due to indexation) or when there is a change in the assessment of the lease terms.

The IBR is determined on a country level. For each country, there are separate rates depending on the contract currency and the term of the lease. The IBR is calculated based on the local risk-free rate plus a country default spread and a credit spread.

The lease term is determined as the non-cancellable period of a lease, together with:

- Periods covered by a unilateral option to extend the lease if HEINEKEN is reasonably certain to make use of that option
- Periods covered by an option to terminate the lease if HEINEKEN is reasonably certain not to make use of that option

HEINEKEN applies the following practical expedients for the recognition of leases:

- Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics
- Include non-lease components in the lease liability for equipment leases

11.4 CAPITAL AND RESERVES

Share capital

Refer to the table below for the Company's issued share capital as at 31 December. All issued shares are fully paid.

	2021		2020	
Share capital	Ordinary shares of €1.60	Nominal value in millions of €	Ordinary shares of €1.60	Nominal value in millions of €
1 January	**288,030,168**	**461**	288,030,168	461
Changes	—	—	—	—
31 December	**288,030,168**	**461**	288,030,168	461

The Company's authorised capital amounts to €1.5 billion, consisting of 937,500,000 shares of €1.60 nominal value (2020: 937,500,000 shares of €1.60 nominal value).

Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company.

Share premium

As at 31 December 2021, the share premium amounted to €1,257 million (2020: €1,257 million).

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities 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 FVOCI equity investments. HEINEKEN transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised. 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 the share of profit of joint ventures and associates minus dividends received. For retained earnings of subsidiaries that cannot be freely distributed due to legal or other restrictions, a legal reserve is recognised. Furthermore, part of the reserve comprises a legal reserve for capitalised development costs.

Purchase own shares by Heineken N.V.

Refer to the table below with the changes in 2021 in own shares held by Heineken N.V. This results in a decreased interest in shareholding by Heineken Holding N.V.

The related dilution effect has been recognised directly in equity.

Own shares held by Heineken N.V.	Number of shares
1 January 2021	**279,732**
Changes	128,320
31 December 2021	**408,052**

Dividends

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

In millions of €	2021	2020
Final dividend previous year €0.70, respectively €1.04 per qualifying share	202	300
Interim dividend current year €0.28, respectively €nil per qualifying share	80	—
Total dividend declared and paid	**282**	300

For 2021, a payment of a total cash dividend of €1.24 per share (2020: €0.70) will be proposed at the AGM of Heineken N.V. If approved, the final dividend of €0.96 will be paid on 3 May 2022, as an interim dividend of €0.28 per share was paid on 11 August 2021. The payment will be subject to a 15% Dutch withholding tax.

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

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

In millions of €	2021	2020
Dividend per qualifying share €1.24 (2020: €0.70)	357	202
Addition to/(reduction of) retained earnings	1,306	(304)
Net profit/(loss)	**1,663**	(102)

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

In millions of €	2021	2020
NCI percentage[1]	**49.960%**	49.971%
Non-current assets	39,272	33,612
Current assets	9,578	9,020
Non-current liabilities	(17,056)	(17,372)
Current liabilities	(12,094)	(10,868)
Net assets	**19,700**	14,392
Carrying amount of NCI	**8,763**	6,788
Net revenue	**21,941**	19,715
Profit /(loss)	**3,535**	(88)
OCI	1,340	(2,016)
Total comprehensive income	**4,875**	(2,104)
Profit/(loss) allocated to NCI[2]	**1,661**	(102)
OCI allocated to NCI[2]	**2,278**	(1,063)
Cash flow from operating activities	4,181	3,136
Cash flow from investing activities	(2,277)	(1,438)
Cash flow from financing activities	(2,883)	1,238
Net increase (decrease) in cash and cash equivalents	**(979)**	2,936
Final dividend previous year	403	599
Interim dividend current year	161	—
Total dividend	**564**	599
Dividend allocated to NCI	**282**	297

1 Of which 8.632% (2020: 8.632%) relates to FEMSA and 41.363% (2020: 41.363%) to the public.
2 Calculated based on 49.960% (2020: 49.971%) of the equity attributable to Heineken N.V.

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

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total NCI as at 31 December 2021 amounted to €2,344 million (2020: €1,000 million).

Capital management

Heineken Holding N.V.'s capital management is strongly related to Heineken N.V.'s capital management because every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued at the level of Heineken Holding N.V. This enables Heineken N.V. to pursue its long-term policy in the interest of the Heineken N.V. shareholders.

There were no major changes in Heineken Holding N.V.'s approach to capital management during the year. The policy of the Board of Directors of Heineken Holding N.V. is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and acquisitions of Heineken N.V.

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

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

ACCOUNTING POLICIES

Shares are classified as equity. 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 recorded at purchase price 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.

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

11.5 CREDIT, LIQUIDITY AND MARKET RISK

This note summarises the financial risks that HEINEKEN is exposed to, and HEINEKEN's policies and processes that are in place for managing these risks. For more information on derivatives used in managing risk refer to note 11.6.

Risk management framework

The Executive Board of Heineken N.V. sets rules and monitors the adequacy of HEINEKEN's risk management and control systems. These systems are regularly reviewed to reflect changes in market conditions and HEINEKEN's activities.

Managing the financial risks and financial resources includes the use of derivatives, primarily spot and forward exchange contracts, options and interest rate swaps. It is HEINEKEN's policy not to enter into speculative transactions.

In the normal course of business HEINEKEN is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of a loss to HEINEKEN when a customer or counterparty fails to pay.

All local operations are required to comply with the Global Credit Policy and develop local credit management procedures accordingly. HEINEKEN reviews and updates the Global Credit Policy periodically to ensure that adequate controls are in place to mitigate credit risk.

Credit risk arises mainly from HEINEKEN's receivables from customers like trade receivables, loans to customers and advances to customers. At the balance sheet date, there were no significant concentrations of credit risk.

Loans and advances to customers

HEINEKEN's loans and receivables include loans and advances to customers. Loans and advances to customers are usually backed by collateral such as properties. HEINEKEN charges interest on loans to its customers.

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 these policies, all customers requiring credit above 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. This review can include external ratings, where available, and in some cases bank references. Credit limits are determined for each customer and are reviewed regularly. Customers that fail to meet HEINEKEN's credit requirements transact only with HEINEKEN on either a prepayment or cash on delivery basis.

Customers are monitored, on a country basis, according to their credit risk characteristics. A distinction is made between individuals and legal entities, type of distribution channel, geographic location, ageing profile, maturity and existence of previous financial difficulties.

HEINEKEN has a policy in place in respect of compliance with Anti-Money Laundering Laws. HEINEKEN considers it important to know with whom business is done and from whom payments are received.

Allowances

HEINEKEN establishes allowances for impairment of loans and advances to customers, trade and other receivables using an expected credit losses model. These allowances cover specific loss components that relate to individual exposures, and a collective loss component established for groups of similar customers. The collective loss allowance is determined based on historical data of payment statistics and updated periodically to incorporate forward-looking information. The loans and advances to customers, trade and other receivables are written off when there is no reasonable expectation of recovery. The assessment of recovery also considers the ongoing effects of COVID-19 and the inherent economic uncertainties.

Investments

HEINEKEN invests centrally available cash balances in deposits and liquid investments with various counterparties that have strong credit ratings. HEINEKEN actively monitors these credit ratings.

Guarantees

HEINEKEN's policy is to avoid issuing guarantees unless this leads to substantial benefits for HEINEKEN. For some loans to customers HEINEKEN does issue guarantees. In these cases, HEINEKEN aims to receive security from the customer to limit the credit risk exposure.

Heineken N.V. has issued a joint and several liability statements to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands. Refer to note A.1 of the Heineken N.V. Company Financial Statements.

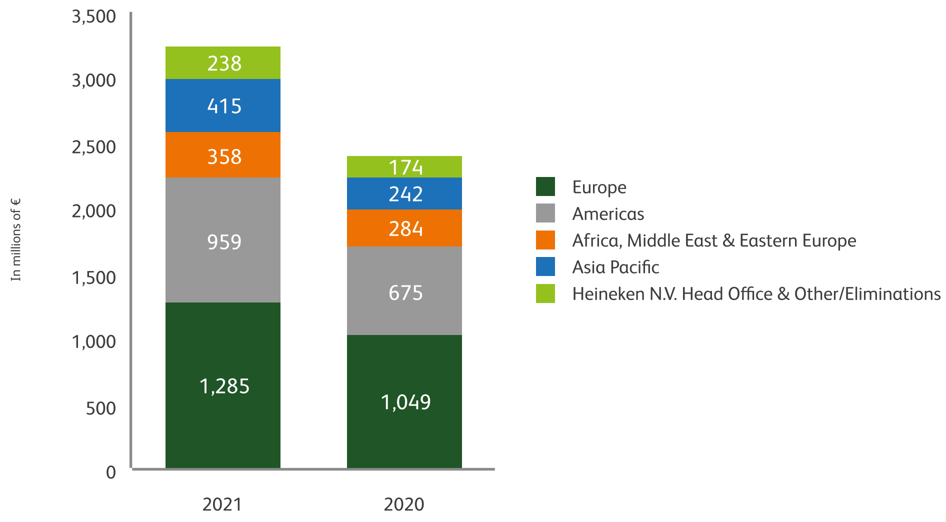
Exposure to credit risk

The maximum exposure to credit risk as at 31 December is as follows:

In millions of €	Note	2021	2020
Cash and cash equivalents	11.2	3,248	4,000
Trade and other receivables, excluding prepayments	7.2	3,254	2,424
Derivative assets	11.6	102	98
Fair value through OCI investments	8.4	14	13
Loans and advances to customers	8.3	209	194
Other non-current receivables	8.4	299	307
Guarantees to banks for loans (to third parties)	9.3	349	330
		7,475	7,366

The exposure to credit risk by segment for trade and other receivables excluding prepayments is as follows:

Exposure to credit risk



Liquidity risk

Liquidity risk is the risk that HEINEKEN will have difficulties meeting payment obligations associated with its financial liabilities, like payment of financial debt or trade payables when they are due. HEINEKEN's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due without incurring unacceptable losses.

HEINEKEN remains focused on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. HEINEKEN seeks to align the maturity profile of its long-term debts with its forecasted cash flow generation. More information about borrowing facilities is presented in note 11.3. Furthermore, strong cost and cash management, as well as controls over investment proposals, are in place.

Contractual maturities

The following table presents an overview of the expected timing of cash-out and inflows of non-derivative financial liabilities and derivative financial assets and liabilities, including interest payments.

2021

In millions of €	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
FINANCIAL LIABILITIES					
Interest-bearing liabilities	(15,766)	(18,584)	(3,293)	(5,766)	(9,525)
Lease liabilities	(1,106)	(1,554)	(293)	(632)	(629)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(8,036)	(8,036)	(7,978)	(37)	(21)
DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)					
Cross-currency interest rate swaps	(33)	(98)	6	(45)	(59)
Forward exchange contracts	(13)	(36)	(34)	(2)	—
Commodity derivatives	64	64	62	2	—
Other derivatives	1	21	—	7	14
Total	**(24,889)**	**(28,223)**	**(11,530)**	**(6,473)**	**(10,220)**

2020

In millions of €	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
FINANCIAL LIABILITIES					
Interest-bearing liabilities	(16,997)	(20,067)	(3,672)	(5,899)	(10,496)
Lease liabilities	(1,199)	(1,684)	(314)	(706)	(664)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(6,392)	(6,392)	(6,348)	(25)	(19)
DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)					
Cross-currency interest rate swaps	(14)	(61)	8	(62)	(7)
Forward exchange contracts	4	(12)	(12)	—	—
Commodity derivatives	18	18	18	—	—
Other derivatives	3	16	1	4	11
Total	(24,577)	(28,182)	(10,319)	(6,688)	(11,175)

For more information on the derivative assets and liabilities refer to note 11.6.

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 financial instruments. The objective of HEINEKEN's market risk management is to manage and control market risk exposures within acceptable boundaries.

HEINEKEN enters into derivatives and other financial liabilities to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting or establish natural hedges to minimise the impact of market risks in profit or loss. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules.

Foreign currency risk

HEINEKEN is exposed to:

- Transactional risk on (future) sales, working capital, (future) purchases, deposits, borrowings and dividends denominated in a currency other than the respective functional currencies of HEINEKEN entities
- Translational risk, which is the risk resulting from the translation of foreign operations into the reporting currency of HEINEKEN

The main currencies that give rise to this risk are the US Dollar, Mexican Peso, Brazilian Real, British Pound, Vietnamese Dong and Euro. In 2021, the transactional foreign exchange risk was hedged in line with the hedging policy to the extent possible. The overall transactional and translational impact on the reported numbers of HEINEKEN was negative.

In managing foreign currency risk, HEINEKEN aims to ensure the availability of foreign currencies and to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates and the availability of foreign currencies, especially in emerging markets, will have an impact on profit.

HEINEKEN hedges up to 90% of its net US Dollar export cash flows on the basis of rolling cash flow forecasts of sales and purchases. Material cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. For this hedging, HEINEKEN mainly uses forward exchange contracts. 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. 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 hedging of translation risk, using net investment hedges is recognised in the translation reserve, as can be seen in the consolidated statement of comprehensive income.

HEINEKEN's policy is to hedge material recognised transactional exposure like trade payables, receivables, borrowings and declared dividends. For material unrecognised transactional exposures like forecasted sales in foreign currencies, HEINEKEN hedges the exposure between agreed percentages according to the policy.

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on a subsidiary level. The resulting exposure at Group level is hedged by means of foreign-currency denominated external debts and by forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British Pound, US Dollar and Swiss Franc. In some cases, HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

HEINEKEN has financial liabilities in foreign currencies like US Dollar and British Pound to hedge local operations, which generate cash flows that have the same or closely correlated functional currencies. The corresponding interest on these liabilities is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of HEINEKEN, 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

Based on notional amounts, HEINEKEN's transactional exposure to the US Dollar and Euro as at 31 December is as follows. The Euro column relates to transactional exposure to the Euro within subsidiaries which are reporting in other currencies. The amounts below include intra-HEINEKEN cash flows.

	2021		2020	
In millions	EUR	USD	EUR	USD
Financial assets	173	5,098	111	4,940
Financial liabilities	(2,186)	(5,457)	(2,374)	(5,433)
Gross balance sheet exposure	**(2,013)**	**(359)**	(2,263)	(493)
Estimated forecast sales next year	151	1,208	154	1,207
Estimated forecast purchases next year	(2,060)	(2,412)	(1,825)	(2,346)
Gross exposure	**(3,922)**	**(1,563)**	(3,934)	(1,632)
Net notional amounts foreign exchange contracts	325	670	373	885
Net exposure	**(3,597)**	**(893)**	(3,561)	(747)
SENSITIVITY ANALYSIS				
Equity	(139)	23	(158)	27
Profit/(Loss)	(33)	(5)	(30)	(6)

The sensitivity analysis above shows the impact on equity and profit of a 10% strengthening of the US Dollar against the Euro or, in the case of the Euro, a strengthening of the Euro against all other currencies as at 31 December 2021. This analysis assumes that all other variables, in particular interest rates, remain constant. In the case of a 10% weakening, the effects are equal but with an opposite effect.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates affect the fair value or cash flows of a financial instrument. The most significant interest rate risk for HEINEKEN relates to borrowings (note 11.3).

By 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 will have an impact on profit.

HEINEKEN opts for a mix of fixed and variable interest rate financial instruments like bonds, commercial paper and bank loans, combined with the use of derivative interest rate instruments. Currently, HEINEKEN's interest rate position is more weighted towards fixed than floating. Interest rate derivative instruments that can be used are (cross-currency) interest rate swaps, forward rate agreements, caps and floors.

Interest rate risk – profile

At the reporting date, the interest rate profile of HEINEKEN's interest-bearing financial instruments is as follows:

In millions of €	**2021**	2020
FIXED RATE INSTRUMENTS		
Financial assets	196	122
Financial liabilities	(14,862)	(16,473)
Cross-currency interest rate swaps	441	407
	(14,225)	(15,944)
VARIABLE RATE INSTRUMENTS		
Financial assets	3,534	4,289
Financial liabilities	(2,010)	(1,724)
Cross-currency interest rate swaps	(463)	(463)
	1,061	2,102

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would not have a material impact on equity and profit or loss.

Commodity price risk

Commodity price risk is the risk that changes in the prices of commodities will affect HEINEKEN's cost. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, giving forward guidance of key input costs to allow for business planning. Since the outbreak of COVID-19, commodity markets have become increasingly volatile and 2021 saw some of the largest price increases witnessed over the last 20 years. The main commodity exposure relates to the purchase of aluminium cans, glass bottles, malt and utilities. Commodity price risk is in principle mitigated by negotiating fixed prices in supplier contracts with various contract durations.

Another method to mitigate commodity price risk is by entering into commodity derivatives. HEINEKEN enters into commodity derivatives for aluminium hedging and to a certain extent other derivatives for commodities like fuel, corn and sugar. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements.

Sensitivity analysis for aluminium hedges

Despite the increased prices of aluminium, a 10% change in the market price of aluminium would not have a material impact on equity.

11.6 DERIVATIVE FINANCIAL INSTRUMENTS

HEINEKEN uses derivatives in order to manage market risks. Refer to the table below for the fair value of derivatives recorded on the balance sheet of HEINEKEN as per reporting date:

	2021		2020	
In millions of €	Asset	Liability	Asset	Liability
Current	96	(46)	77	(52)
Non-current[1]	6	(37)	21	(35)
	102	**(83)**	98	(87)

1 Non-current derivative assets and liabilities are part of 'Other non-current assets' (note 8.4) and 'Other non-current liabilities' respectively.

Generally, HEINEKEN seeks to apply hedge accounting or make use of natural hedges in order to minimise profit and loss or cash flow volatility. Refer to the table below for derivatives that are used in hedge accounting:

	2021		2020	
In millions of €	Asset	Liability	Asset	Liability
No hedge accounting - CCIRS	—	—	3	—
No hedge accounting - Other	6	(8)	9	(12)
Cash flow hedge - Forwards	26	(34)	46	(37)
Cash flow hedge - Commodity forwards	69	(5)	21	(3)
Fair value hedge - CCIRS	—	(11)	—	(35)
Net investment hedge - CCIRS	—	(23)	18	—
Net investment hedge - Forwards	1	(2)	1	—
	102	**(83)**	98	(87)

Cash flow hedges

The hedging of future, highly probable forecasted transactions are designated as cash flow hedges. Cash flow hedges are entered into to cover commodity price risk and transactional foreign exchange risk.

Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering into local currency-denominated borrowings, forward contracts and cross-currency interest rate swaps, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings, forward contracts and swaps are designated as net investment hedges and fully effective, as such, there was no ineffectiveness recognised in profit and loss in 2021 (2020: nil). As at 31 December 2021, the fair value of these borrowings was €188 million (2020: €200 million), the market value of forward contracts was €1 million, negative (2020: €1 million positive) and the market value of these swaps was €23 million negative (2020: €18 million positive).

Fair value hedges

HEINEKEN has entered into several cross-currency interest rate swaps (CCIRS) which have been designated as fair value hedges to hedge the foreign exchange rate risk on the principal amount and future interest payments of certain US Dollar borrowings. The borrowings and the cross-currency interest rate swaps have the same critical terms. The accumulated loss arising on derivatives as designated hedging instruments in fair value hedges amounts to €13 million as at 31 December 2021 (2020: €38 million). The gain arising on the adjustment for the hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship also amounts to €13 million as at 31 December 2021 (2020: €38 million).

Hedge effectiveness

Hedge effectiveness is determined at the start of the hedge relationship and periodically through a prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and the hedging instrument. This assessment is done qualitatively by comparing the critical terms, and if needed quantitative assessments are done using hypothetical derivatives. For the current hedges, no hedge ineffectiveness is expected.

ACCOUNTING POLICIES

Derivative financial instruments are recognised initially at fair value. Subsequent accounting for derivatives depends on whether or not the derivatives are designated as hedging instruments in a cash flow, fair value or net investment hedge. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities. Refer to note 13.1 for fair value measurements. Virtual power purchase agreements (such as power purchase agreements with a net settlement mechanism and no physical delivery of energy) are accounted for at fair value and are included as part of derivatives assets and liabilities.

Cash flow hedge

Changes in the fair value are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. The ineffective part is recognised as other net finance income/(expense). When the hedged risk impacts the profit or loss, the amounts previously recognised in other comprehensive income are recycled through other comprehensive income and transferred to the same item in the profit or loss as the hedged item. When the hedged risk subsequently results in a non-financial asset or liability (e.g. inventory or P,P&E), the amount previously recognised in the cash flow hedge reserve is directly included in its carrying amount and does not affect other comprehensive income.

Fair value hedge

The fair value changes of derivatives used in fair value hedges are recognised in profit or loss.

Net investment hedge

The fair value changes of derivatives used in net investment hedges are recognised in other comprehensive income and presented within equity in the translation reserve. Any ineffectiveness is recognised in profit or loss.

12. TAX

12.1 INCOME TAX EXPENSE

Recognised in profit or loss

In millions of €	2021	2020
CURRENT TAX EXPENSE		
Current year	780	688
Under/(over) provided in prior years	42	15
	822	703
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences, tax losses and tax credits	48	(438)
De-recognition/(recognition) of deferred tax assets	(41)	(2)
Effect of changes in tax rates	(10)	(13)
Under/(over) provided in prior years	(20)	(5)
	(23)	(458)
Total income tax expense in profit or loss	**799**	245

Reconciliation of the effective tax rate

In millions of €	2021	2020
Profit before income tax	4,334	157
Share of (profit)/loss of associates and joint ventures	(250)	31
Profit before income tax excluding share of profit/(loss) of associates and joint ventures	**4,084**	188

	%	2021	%	2020
Income tax using the Company's domestic tax rate	25.0	1,021	25.0	47
Effect of tax rates in foreign jurisdictions	0.3	12	(5.6)	(10)
Effect of non-deductible expenses	1.8	73	66.2	124
Effect of tax incentives and exempt income	(9.0)	(369)	(34.3)	(64)
De-recognition/(recognition) of deferred tax assets	(1.0)	(41)	(1.0)	(2)
Effect of unrecognised current year losses	0.6	24	67.9	128
Effect of changes in tax rates	(0.2)	(10)	(6.9)	(13)
Withholding taxes	1.6	67	26.2	49
Under/(over) provided in prior years	0.5	22	5.5	10
Other reconciling items	—	—	(12.7)	(24)
	19.6	**799**	130.3	245

The tax exempt gain on revaluation of the previously-held equity interest in UBL decreased the effective tax rate in 2021. Furthermore, the change in the reported effective tax rate is mainly driven by the increase in the profit before income tax basis. As a result, the impact of permanent differences is lower and there are fewer operational losses for which no deferred tax assets could be recognised.

For the income tax impact on items recognised in other comprehensive income and equity, refer to note 12.3.

12.2 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 €	Assets 2021	Assets 2020	Liabilities 2021	Liabilities 2020	Net 2021	Net 2020
Property, plant and equipment	119	104	(728)	(623)	(609)	(519)
Intangible assets[1]	49	45	(2,002)	(1,049)	(1,953)	(1,004)
Investments	34	35	(5)	(5)	29	30
Inventories	52	57	(3)	(3)	49	54
Borrowings	286	281	—	(3)	286	278
Post-retirement obligations	225	279	(14)	(5)	211	274
Provisions	265	258	—	(13)	265	245
Other items	157	182	(190)	(181)	(33)	1
Tax losses carried forward	466	421	—	—	466	421
Tax assets/(liabilities)	**1,653**	1,662	**(2,942)**	(1,882)	**(1,289)**	(220)
Set-off of tax	(971)	(883)	971	883	—	—
Net tax assets/(liabilities)	**682**	779	**(1,971)**	(999)	**(1,289)**	(220)

1 Refer to note 10.1.

Of the total net deferred tax assets of €682 million as at 31 December 2021 (2020: €779 million), €566 million (2020: €528 million) is recognised in respect of subsidiaries in various countries where there have been 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. This judgement is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries, joint ventures and associates, with an impact of €521 million (2020: €236 million). This is because HEINEKEN is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

Tax losses carried forward

HEINEKEN has tax losses carried forward of €3,752 million as at 31 December 2021 (2020: €3,663 million), out of which €236 million (2020: €409 million) expires in the following five years, €128 million (2020: €490 million) will expire after five years and €3,388 million (2020: €2,764 million) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of tax losses carried forward of €1,959 million (2020: €1,858 million) as it is not probable that taxable profit will be available to offset these losses. Out of this €1,959 million (2020: €1,858 million), €198 million (2020: €256 million) expires in the following five years, €10 million (2020: €233 million) will expire after five years and €1,751 million (2020: €1,369 million) can be carried forward indefinitely.

Movement in deferred tax balances during the year

In millions of €	1 January 2021	Changes in consolidation[1]	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	31 December 2021
Property, plant and equipment	(519)	(43)	(16)	(35)	—	4	(609)
Intangible assets	(1,004)	(917)	(96)	64	—	—	(1,953)
Investments	30	—	1	(2)	—	—	29
Inventories	54	(1)	1	(5)	—	—	49
Borrowings	278	—	13	(6)	3	(2)	286
Post-retirement obligations	274	—	6	(32)	(36)	(1)	211
Provisions	245	10	5	8	—	(3)	265
Other items	1	—	(5)	(10)	(18)	(1)	(33)
Tax losses carried forward	421	(1)	7	41	(2)	—	466
Net tax assets/(liabilities)	**(220)**	**(952)**	**(84)**	**23**	**(53)**	**(3)**	**(1,289)**

1 Refer to note 10.1.

In millions of €	1 January 2020	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	31 December 2020
Property, plant and equipment	(705)	(1)	74	122	—	(9)	(519)
Intangible assets	(1,329)	2	128	195	—	—	(1,004)
Investments	36	—	(7)	1	—	—	30
Inventories	35	—	—	19	—	—	54
Borrowings	308	1	(1)	(36)	(3)	9	278
Post-retirement obligations	274	—	(10)	—	10	—	274
Provisions	274	6	(58)	23	—	—	245
Other items	(78)	—	4	87	(12)	—	1
Tax losses carried forward	410	1	(37)	47	—	—	421
Net tax assets/(liabilities)	(775)	9	93	458	(5)	—	(220)

ACCOUNTING ESTIMATES AND JUDGEMENTS

The tax legislation in the countries in which HEINEKEN operates is often complex and subject to interpretation. In determining the current and deferred income tax position, judgement is required. New information may become available that causes HEINEKEN to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

ACCOUNTING POLICIES

Income tax comprises current and deferred 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.

Deferred tax is a tax payable or receivable in the future and 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 on temporary differences related to:

- 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
- Investments in subsidiaries, associates and joint ventures to the extent that HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable (>50% chance) that they will not reverse in the foreseeable future
- The initial recognition of non-deductible goodwill

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

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.

Current and deferred tax are recognised in the income statement (refer to note 12.1), except when it relates to a business combination or for items directly recognised in equity or other comprehensive income (refer to note 12.3).

12.3 INCOME TAX ON OTHER COMPREHENSIVE INCOME AND EQUITY

	2021			2020		
In millions of €	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Items that will not be reclassified to profit or loss:						
Remeasurement of post-retirement obligations[1]	247	(37)	210	53	9	62
Net change in fair value through OCI investments	16	(7)	9	(90)	(8)	(98)
Items that may be subsequently reclassified to profit or loss:						
Currency translation differences	1,037	(4)	1,033	(2,169)	55	(2,114)
Change in fair value of net investment hedges	(54)	—	(54)	76	—	76
Change in fair value of cash flow hedges	119	(22)	97	58	(13)	45
Cash flow hedges reclassified to profit or loss[2]	(4)	1	(3)	5	(1)	4
Net change in fair value through OCI investments	—	—	—	(1)	—	(1)
Cost of hedging	(7)	1	(6)	(8)	2	(6)
Share of other comprehensive income of associates/joint ventures	54	—	54	16	—	16
Other comprehensive income/(loss)	**1,408**	**(68)**	**1,340**	(2,060)	44	(2,016)

1 Refer to note 9.3.
2 An amount of €14 million (2020: nil) relates to realised hedge results from non-financial assets reported directly in equity.

13. OTHER

13.1 FAIR VALUE

In this note, more information is disclosed regarding the fair value and the different methods of determining fair values.

Financial instruments - hierarchy

The financial instruments included on the HEINEKEN statement of financial position are measured at either fair value or amortised cost. To measure the fair value, HEINEKEN generally uses external valuations with market inputs. The measurement of fair value can be subjective in some cases and may be dependent on inputs used in the calculations. The different valuation methods are referred to as ‘hierarchies’ as described below.

- Level 1 - The fair value is determined using quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - The fair value is calculated using 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 3 - The fair value is determined using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and liabilities according to their fair value hierarchy.

In millions of €	Note	Carrying amount	Level 1	Level 2	Fair value Level 3
Fair value through OCI investments	8.4	135	36	—	99
Non-current derivative assets	11.6	6	—	3	3
Current derivative assets	11.6	96	—	96	—
Total 2021		**237**	**36**	**99**	**102**
Total 2020		215	33	97	85
Non-current derivative liabilities	11.6	(37)	—	(35)	(2)
Borrowings[1]	11.3	(14,302)	(14,185)	(1,246)	—
Current derivative liabilities	11.6	(46)	—	(46)	—
Total 2021		**(14,385)**	**(14,185)**	**(1,327)**	**(2)**
Total 2020	11.3	(14,941)	(15,508)	(1,163)	—

1 Borrowings excluding lease liabilities, deposits, bank overdrafts and other interest-bearing liabilities.

Refer to the table below for detail of the determination of level 3 fair value measurements as at 31 December:

In millions of €	**2021**	2020
Fair value through OCI investments based on level 3		
Balance as at 1 January	**84**	125
Fair value adjustments recognised in other comprehensive income	15	(41)
Balance as at 31 December	**99**	84

The fair values for the level 3 fair value through OCI investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

ACCOUNTING ESTIMATES

The different methods applied by HEINEKEN to determine the fair value require the use of estimates.

Investments in equity securities

The fair value of financial assets at fair value through profit or loss and fair value through OCI is determined by reference to their quoted closing bid price at the reporting date or, if unquoted, determined using an appropriate valuation technique. These valuation techniques maximise the use of observable market data where available.

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 the current price for the residual maturity of the contract using 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 include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

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. 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.

13.2 OFF-BALANCE SHEET COMMITMENTS

The raw materials purchase contracts mainly relate to malt, bottles and cans which are used in the production and sale of finished products.

In millions of €	Total 2021	Less than 1 year	1-5 years	More than 5 years	Total 2020
Property, plant and equipment ordered	414	405	3	6	363
Raw materials purchase contracts	12,046	3,955	7,123	968	9,586
Marketing and merchandising commitments	696	353	339	4	851
Other off-balance sheet obligations	2,493	861	795	837	1,773
Off-balance sheet obligations	**15,649**	**5,574**	**8,260**	**1,815**	12,573
Undrawn committed bank facilities	**3,962**	**439**	**3,523**	**—**	3,941

On 15 November 2021, HEINEKEN announced that it intends to acquire control of Distell Group Holdings Limited (Distell) and Namibia Breweries Limited (NBL). On that date, HEINEKEN has entered into an Implementation Agreement with Distell, NBL and Ohlthaver & List Group of Companies (O&L), to integrate their respective and relevant businesses in Southern Africa into one enlarged company. The shareholders of NBL approved the proposed transaction on 20 December 2021, and the shareholders of Distell will vote on the proposed transaction on 15 February 2022 (refer to note 13.5). Completion of the proposed transaction is conditional on obtaining various regulatory approvals including anti-trust approval in South Africa, Namibia and certain other African countries. The proposed transaction includes a cash commitment of €1.6 billion of which €1.1 billion is included in other guarantees (refer to note 9.3) and the remaining €0.5 billion is included in other off-balance sheet obligations.

Furthermore, other off-balance sheet obligations include energy, distribution and service contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

ACCOUNTING POLICIES

Off-balance sheet commitments are reported on an undiscounted basis.

Raw materials purchase contracts

Raw material purchase contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed upon based upon predefined price formulas.

13.3 RELATED PARTIES

Identification of related parties

The following parties are considered to be related to Heineken Holding N.V.:

- Its Board of Directors
- The Executive Board and Supervisory Board of Heineken N.V.
- L'Arche Green N.V.
- L'Arche Holding B.V.
- Stichting Administratiekantoor Priores
- Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)
- Associates and Joint ventures of Heineken N.V.
- HEINEKEN pension funds (refer to note 9.1)
- Employees of HEINEKEN (refer to note 6.4)

Heineken Holding N.V.'s ultimate controlling party is C.L. de Carvalho-Heineken. For the structure of HEINEKEN reference is made to the Report of the Board of Directors, page 12.

Board of Directors of Heineken Holding N.V. remuneration

The individual members of the Board of Directors received the following remuneration from Heineken Holding N.V.:

In thousands of €	**2021**	2020
C.L. de Carvalho-Heineken	90	90
M.R. de Carvalho	90	90
Remuneration executive members	**180**	180
M. Das	120	120
J.A. Fernández Carbajal	90	90
C.M. Kwist	90	90
A.A.C. de Carvalho	90	90
A.M. Fentener van Vlissingen	90	90
L.L.H. Brassey	90	90
J.F.M.L. van Boxmeer	90	53
Remuneration non-executive members	**660**	623
	840	803

Refer to the separate Remuneration Report on page 19 and further.

As at 31 December 2021, the Board of Directors represented 151,687,713 shares in the Company (2020: 151,685,148 shares).

Heineken N.V. key management remuneration

In millions of €	**2021**	2020
Executive Board of Heineken N.V.	15	10
Supervisory Board of Heineken N.V.	1	1
Total	**16**	11

Executive Board of Heineken N.V. remuneration

The remuneration of the members of the Executive Board of Heineken N.V. consists of a fixed component and a variable component. The variable component is made up of a Short-term Incentive (STI) and a Long-term Incentive (LTI). The STI is based on financial and operational measures (75%) and on individual leadership measures (25%) as set by the Supervisory Board of Heineken N.V. at the beginning of the year. Refer to note 6.5 for information related to the LTI component. Also refer to the separate Remuneration Report of Heineken N.V.

As at 31 December 2021, Mr. R.G.S. van den Brink held 4,379 Company shares and Mr. H.P.J van den Broek held 3,321 Company shares (2020: Mr. R.G.S. van den Brink 4,379).

	2021				2020			
In thousands of €	R.G.S. van den Brink	L.M. Debroux[2&3]	H.P.J. van den Broek[1]	Total	J.F.M.L. van Boxmeer	R.G.S. van den Brink	L.M. Debroux	Total
Fixed salary	1,250	283	496	2,029	500	631	737	1,868
Short-term incentive	3,168	—	897	4,065	—	—	—	—
Matching share entitlement	1,436	—	407	1,843	—	—	—	—
Long-term incentive[4]	2,266	1,349	428	4,043	1,597	396	(235)	1,758
Extraordinary share award	—	—	1,883	1,883	—	—	—	—
Pension contributions	287	61	117	465	120	154	179	453
End of service indemnity	—	708	—	708	5,520	—	—	5,520
Other emoluments	30	80	—	110	16	80	154	250
Total	**8,437**	**2,481**	**4,228**	**15,146**	7,753	1,261	835	9,849

1 Appointed on 1 June 2021 as CFO and member of the Executive Board.
2 Stepped down as CFO and member of the Executive Board as of 1 May 2021.
3 In 2021, an estimated tax penalty of €1.2 million to the Dutch tax authorities was recognised in relation to the remuneration of Ms. L.M Debroux. This tax was an expense to the employer and therefore not included in the table above
4 In 2021, the accrual for the long-term incentive plans for Ms. L.M Debroux (LTI plan 2019-2021 and 2020-2022) have been recognised as per performance projection on 30 April 2021.

The matching share entitlements for each year are based on the performance in that year. The Executive Board members of Heineken N.V. receive 25% of their STI pay in (investment) shares. In addition, they have the opportunity to indicate before year-end whether they wish to receive up to another 25% of their STI in (investment) shares. All (investment) shares are restricted for sale for five calendar years, after which they are matched 1:1 by (matching) shares. For 2021 the Executive Board members of Heineken N.V. elected to receive additional (investment) shares, hence the 'Matching share entitlement' in the table above is based on a 50% investment. In 2020, following the decision not to pay out the STI relating to the performance year 2020, no investment shares were issued for the members of the Executive Board of Heineken N.V. The corresponding matching shares vest immediately and as such a fair value of €1.8 million was recognised in the 2021 income statement. The matching share entitlements are not dividend-bearing during the five-calendar year holding period of the investment shares. Therefore, the fair value of the matching share entitlements has been adjusted for missed expected dividends by applying a discount based on the dividend policy and vesting period.

Supervisory Board of Heineken N.V. remuneration

The individual members of the Supervisory Board of Heineken N.V. received the following remuneration:

In thousands of €	2021	2020
J.M. Huët	225	225
J.A. Fernández Carbajal	142	154
M. Das	130	130
M.R. de Carvalho	135	135
V.C.O.B.J. Navarre[1]	45	105
J.G. Astaburuaga Sanjinés	122	116
P. Mars-Wright	126	126
M. Helmes	125	125
R.L. Ripley	125	110
N.K. Paranjpe[2]	78	—
I.H. Arnold	110	115
	1,363	1,341

[1] Stepped down on 22 April 2021
[2] Appointed on 22 April 2021.

Mr. J.M. Huët held 3,719 shares of Heineken Holding N.V. as at 31 December 2021 (2020: 3,719 shares). Mr. M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2021(2020: 100,008 shares). As at 31 December 2021 and 2020, the Supervisory Board members of Heineken N.V. did not hold any of the Company's bonds or option rights. Mr. M.R. de Carvalho held 100,008 shares of Heineken Holding N.V. as at 31 December 2021 (2020: 100,008 shares).

Other related party transactions

	Associates & Joint Ventures		FEMSA		Total	
In millions of €	**2021**	2020	**2021**	2020	**2021**	2020
Sales	388	364	752	831	1,140	1,195
Purchases	235	178	166	131	401	309
Accounts receivables	127	109	137	135	264	244
Accounts payables and other liabilities	39	37	80	65	119	102

There are no significant transactions with L'Arche Green N.V., L'Arche Holding B.V. and Stichting Administratiekantoor Priores.

13.4 HEINEKEN ENTITIES

Control of HEINEKEN

The shares of the Company are traded on Euronext Amsterdam.

Heineken Holding N.V. holds an interest in Heineken N.V. of 50.005% of the issued capital (being 50.040% (2020: 50.029%) of the outstanding capital following the purchase of own shares by Heineken N.V.).

L'Arche Green N.V. holds 52.599% (2020: 52.599%) of the Heineken Holding N.V. shares.

The Heineken family has an interest of 88.86% in L'Arche Green N.V. Mrs C.L. de Carvalho-Heineken also owns a direct 0.03% stake in Heineken Holding N.V.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued 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 Section 357 of the Republic of Ireland Companies Act 2014, Heineken N.V. irrevocably guarantees, in respect of the financial year from 1 January 2021 up to and including 31 December 2021, the liabilities referred to in Schedule 3 of the Republic of Ireland Companies Act 2014 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, The West Cork Bottling Company Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

Significant subsidiaries of Heineken N.V.

Set out below are Heineken N.V.'s significant subsidiaries at 31 December 2021. The subsidiaries as listed below are held by Heineken N.V. and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The disclosed significant subsidiaries represent the largest subsidiaries and represent an approximate total revenue of €16 billion and total asset value of €31 billion and are structural contributors to the business.

Apart from obtaining control of UBL (refer to note 10.1), there were no significant changes to the HEINEKEN structure and ownership interests.

		Percentage of ownership	
	Country of incorporation	**2021**	2020
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0	100.0
Bavaria S.A.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	56.3	56.1
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	65.2	65.2
LLC Heineken Breweries	Russia	100.0	100.0
Heineken Vietnam Brewery Limited Company	Vietnam	60.0	60.0
SCC - Sociedade Central de Cervejas e Bebidas S.A.	Portugal	99.9	99.9
United Breweries Limited	India	61.5	46.5
Heineken South Africa (Proprietary) Limited	South Africa	82.4	82.4

13.5 SUBSEQUENT EVENTS

On 15 February 2022, the shareholders of Distell approved the proposed transaction referred to in note 13.2. Completion of the proposed transaction is conditional on obtaining various regulatory approvals including anti-trust approval in South Africa, Namibia and certain other African countries. If all the conditions are fulfilled, completion of the proposed transaction is expected in Q3 2022 and HEINEKEN will acquire control of Distell and NBL, which will be integrated into HEINEKEN's business to create a regional beverage champion for South Africa.

STATEMENT OF THE BOARD OF DIRECTORS

The members of the Board of Directors signed the financial statements in order to comply with their statutory obligation pursuant to Section 101, subsection 2, Book 2, of the Dutch Civil Code and Article 5.25c, paragraph 2 sub c, of the Financial Markets Supervision Act.

Amsterdam, 15 February 2022

Board of Directors
Mr M. Das, *non-executive director (chairman)*
Mrs C.L. de Carvalho-Heineken, *executive director*
Mr M.R. de Carvalho, *executive director*
Mr J.A. Fernández Carbajal, *non-executive director*
Mrs C.M. Kwist, *non-executive director*
Mr A.A.C. de Carvalho, *non-executive director*
Mrs A.M. Fentener van Vlissingen, *non-executive director*
Mrs L.L.H. Brassey, *non-executive director*
Mr J.F.M.L. van Boxmeer, *non-executive director*

04 Other Information

Heineken Holding N.V. Annual Report 2021

Other information

Provisions of the Articles of Association concerning appropriation of profit

The relevant provisions of the Articles of Association concerning appropriation of profit read as follows:

- Article 10, paragraph 4: *Profit distributions may only be made if the shareholders' equity of the company exceeds the sum of the paid-up and called portion of the issued capital and the reserves prescribed by law.*
- Article 10, paragraph 6: *Out of the profit as shown by the income statement adopted by the general meeting, the shareholders shall be paid the same dividend per share as paid by Heineken N.V. for the year concerned, having due regard to the provisions of paragraph 4. If and to the extent that the dividend paid by Heineken N.V. is in the form of a stock dividend, the dividend paid to the shareholders shall also be in the form of a stock dividend. The remainder shall be appropriated to the reserves. The general meeting shall be authorised to make distributions from the reserves.*

Remuneration of the Board of Directors

The Articles of Association determine in Article 7, paragraph 8: *Remuneration of the members of the Board of Directors, in so far such remuneration without a doubt does not follow from the remuneration policy as adopted by the general meeting, shall be determined by the general meeting. The company prepares an annual remuneration report for the individual members of the Board of Directors in compliance with relevant legal provisions. The remuneration report is submitted to the Annual General Meeting for an advisory vote.*

Shares held by the Board of Directors

As at 31 December 2021, the Board of Directors represented 151,687,713 shares of the Company (2020: 151,685,148).

Independent auditor's report

To the Annual General meeting of Heineken Holding N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended 31 December 2021 of Heineken Holding N.V. (the 'company' or 'HEINEKEN'), based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying company financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 2021, and of its result for the year ended 31 December 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying consolidated financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 2021, and of its result and its cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code

The company financial statements comprise:

1. The company balance sheet as at 31 December 2021.
2. The company profit and loss account for for the year ended 31 December 2021.
3. The notes comprising a summary of the accounting policies and other explanatory information.

The consolidated financial statements comprise:

1. The consolidated statement of financial position for the year ended 31 December 2021.
2. The following statements for the year ended 31 December 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Heineken Holding N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement, we determined the materiality for the financial statements as a whole at € 170 million (2020: € 140 million). The increase compared to 2020 is predominantly the result of business recovery during 2021, and the substantial initial impact of the COVID-19 pandemic on the 2020 financial statements of Heineken Holding N.V. The materiality of 2021 is based primarily on a materiality benchmark of consolidated revenues and supporting benchmarks, including profit before tax and total assets as compared to a singular benchmark of 7% of profit before tax in the pre-COVID year 2019. We have also taken into account misstatements and/or possible misstatements that, in our opinion, are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group audit team, having regard to the materiality of the consolidated financial statements. Component materiality for our three largest components was € 57 million, and our materiality for other components did not exceed € 51 million.

We agreed with the Board of Directors that misstatements in excess of € 8.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that, in our view, must be reported on qualitative grounds.

Scope of the group audit

Heineken Holding N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Heineken Holding N.V.

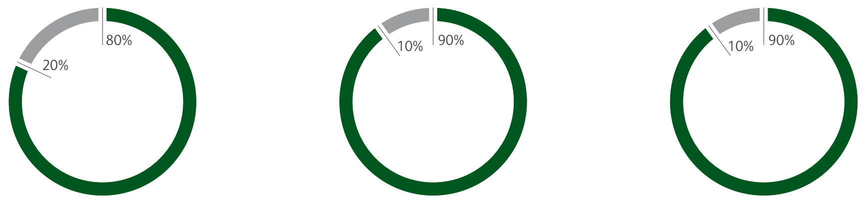
Our group audit mainly focused on significant group entities in terms of size and financial interest or where significant risks or complex activities were present, leading to full scope audits performed for 28 components, including 2 non-consolidated components.

We have performed audit procedures ourselves at Heineken Holding N.V., corporate entities and the operations in the Netherlands. Furthermore, we performed audit procedures at group level on areas such as consolidation, disclosures, impairment testing for goodwill and other non-current assets, joint ventures, financial instruments, acquisitions and divestments. Specialists were involved amongst others in the areas of treasury, information technology, tax, accounting, pensions and valuations. For selected component audit teams, the group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components, including awareness for risks related to management override of controls.

Furthermore, we developed a plan for overseeing each component audit team based on its relative significance and specific risk characteristics, also considering COVID-19 related travel and containment restrictions. Our oversight procedures included remote working paper reviews for The Netherlands, United Kingdom, France, Spain, Italy, Austria, Poland, Brazil, Mexico, USA, Russia, Nigeria, Vietnam, South Africa, Democratic Republic of Congo, Indonesia, Ethiopia, Cambodia, China, and India, virtual meetings with the component auditor and component management. We also reviewed component audit team deliverables for the countries listed above and additional countries in scope to gain a sufficient understanding of the work performed based on our instructions. Due to current realities, almost all oversight procedures have been performed remotely whereby we varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations. For smaller components, we have performed review procedures or specific audit procedures.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Revenues | **Profit before income tax** | **Assets**



Full scope audit coverage
Other coverage

Fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

In identifying potential risks of material misstatement due to fraud and non-compliance with laws and regulations, we evaluated the Company's risk assessment, had inquiries with management, those charged with governance and others within the group, including but not limited to, in-house legal teams, compliance officers, internal audit and financial reporting teams. We further involved a forensic specialist, evaluated integrity committee reports (which include the Company's Speak Up reports) and material litigation reports.

Following these procedures and the presumed risks under the prevailing audit standards, we considered fraud risks related to management override of controls and related to manual entries to revenue. Our audit procedures to respond to these fraud risks include, amongst others, an evaluation of relevant internal controls and supplementary substantive audit procedures, including journal entry testing and detailed testing of manual entries to revenues. Data analytics, including analyses for high-risk journals, are part of our audit approach to address fraud risks, which could have a material impact on the financial statements.

Further, we performed procedures including the following:

- Incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures. Among others, these include a periodical reassessment of the group audit scope, planning and audit findings meetings or video calls with auditors of reporting entities. Reference is made to the section "Scope of the group audit".
- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Significant management estimates and judgements that might have a major impact on the financial statements are disclosed in note 3(b) of the financial statements. Certain management estimates and judgements are considered most significant to our audit; reference is made to the section "Our key audit matters".
- Performed a retrospective review of management judgments and assumptions related to significant accounting estimates, as disclosed in note 3(b) of the financial statements, reflected in prior year financial statements.

Resulting from our risk assessment procedures, and whilst considering that effects from non-compliance could considerably vary, we considered adherence to (corporate) tax and pension laws and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures to the extent material for the related financial statements. Apart from these, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Examples of such other laws and regulations are those relating to anti-bribery and corruption, competition and data privacy laws, and human rights. As required by auditing standards, we performed audit procedures to identify non-compliance with these laws and regulations through inquiries with management, those charged with governance and others within the group and inspection of relevant correspondence with regulatory authorities. We also inspected lawyers' letters and remained alert to indications of (suspected) non-compliance throughout the audit, held inquiries with group legal counsel and internal audit, and obtained a written representation that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

Going concern

Our responsibilities, as well as the responsibilities of the Board of Directors, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating management's assessment of the Company's ability to continue as a going concern and considering the impact of financial, operational, and other conditions. Based on these procedures, we did not identify any reportable findings related to the entity's ability to continue as a going concern. '

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

The matters considered as key to our audit continue to include impairment testing of intangible assets and property, plant and equipment and management judgment related to provisions for uncertain tax positions and the recoverability of deferred tax assets. For this year, we did not include revenues from contracts with customers, expected credit losses and internal control over financial reporting as separate key audit matters due to their individual significance to the audit of the financial statements, the results of our audit including risk assessment procedures and less complex auditor judgement involved with the evaluation of related estimates, and the design of further audit procedures respectively. The ongoing impact of COVID-19 on its business has been reflected in the specific audit considerations related to the projecting of future cash flows for impairment testing and assessing recoverability of deferred tax assets.

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.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT — REFER TO NOTES 8.1 AND 8.2 TO THE FINANCIAL STATEMENTS

Key audit matter

Intangible assets (including goodwill) and property, plant and equipment amounted to EUR 33,163 million at 31 December 2021 and represented 68 percent of the consolidated total assets. For the purposes of impairment testing, goodwill is allocated and monitored on a (groups of) Cash Generating Unit ('CGU') level. Other intangibles and property, plant and equipment, are grouped to CGUs. For goodwill, management is required to assess the recoverable amount of the respective CGUs (or groups of CGUs). Recoverable amounts of other non-current assets are assessed upon the existence of a triggering event.

In view of the ongoing effects of COVID-19, the projected sales volumes, revenues and discount rates used in impairment testing continue to involve a higher degree of uncertainty. As a result of impairment testing for the current year, management concluded on an impairment loss of EUR 207 million. Further details on the accounting and disclosures under IAS 36 Impairment of Assets are included in notes 8.1 and 8.2 to the financial statements.

Given the significant judgement made by management to estimate recoverable amounts in the current economic climate, procedures to evaluate the reasonableness of projected sales volumes, revenues and discount rates used in management's impairment tests of intangible assets (including goodwill) and property, plant and equipment required a high degree of auditor judgement and an increased extent of effort, including the need to involve our fair value specialists.

How the scope of our audit responded to the key audit matter

Our audit procedures related to the projected cash flows and discount rates used by management included the following, amongst others:

- We obtained an understanding of management's process over the impairment trigger tests and the resulting impairment tests.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated sensitivities in management's projections that could cause a substantial change to the impairments recorded, and or cause headroom to change in an impairment.
- We evaluated projected cash flows by:
  - o Comparing the projections to historical forecasts, historical growth rates, including assessing the effects of the ongoing pandemic, and information included in HEINEKEN's internal communications to the management, its board and those charged with governance.
  - o Challenging and comparing the projected sales volumes and revenues to, for example, external economic outlook data, external market data on the beer market and expected inflation rates.
- With the assistance of our fair value specialists, we evaluated the reasonableness of discount rates, including testing the source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rates selected by management.

Observation

Applying the aforementioned materiality, we did not identify any reportable findings in management's assessment of the recoverability of intangible assets (including goodwill) and property, plant and equipment, the impairments recorded and the disclosures in Note 8.1 and 8.2.

MANAGEMENT JUDGEMENT RELATED TO THE PROVISIONS FOR UNCERTAIN TAX POSITIONS AND THE RECOVERABILITY OF DEFERRED TAX ASSETS — REFER TO NOTES 9.2 AND 12 TO THE FINANCIAL STATEMENTS

Key audit matter

HEINEKEN operates across several tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business. In those cases where the amount of tax payable is uncertain, management establishes provisions based on its judgement of the probable amount of the related tax liability. Deferred tax assets are only recognized to the extent that it is probable that future taxable income will be available, against which unused tax losses can be utilized. This assessment is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives and the impact of COVID-19. HEINEKEN recorded uncertain tax positions and deferred tax assets for an amount of EUR 344 million and EUR 682 million, respectively, as of 31 December 2021.

The accounting for uncertain tax positions and deferred tax assets, as detailed in Notes 9.2 and 12 to the financial statements, inherently requires management to apply judgement in quantifying appropriate provisions (including assessing probable outcomes) for uncertain tax positions, and in determining the recoverability of deferred tax assets. Given the significant judgement applied by management, performing procedures to evaluate the reasonableness of probable outcomes for uncertain tax positions and the recoverability of deferred tax assets based on budgets and business plans, required a higher degree of auditor judgement, an increased extent of effort and a need to involve our in-country tax specialists.

How the scope of our audit responded to the key audit matter

Our audit procedures to address management's judgements related to the provisions for uncertain tax positions and recoverability of deferred tax assets included the following, amongst others:

- We obtained an understanding of management’s tax process related to the assessment of uncertain tax positions and the recoverability of deferred tax assets.

- We involved our in-country tax specialists to assess tax risks, tax carry forward facilities, legislative developments and the status of ongoing local tax authority audits.
- We challenged, with the help of our tax specialists, management's judgement applied in quantifying provisions for tax uncertainties and assessing probable outcomes based on correspondence with tax authorities, case law and opinions from management's tax experts.
- We evaluated management's ability to forecast taxable income accurately by comparing prior forecasts on future taxable income with the actual income for the year.
- We evaluated management's recoverability assessment, including the likelihood of generating sufficient future taxable income based on budgets, business plans, and tax losses carry forward facilities in the various tax jurisdictions (including expiry dates).

Observation Applying the aforementioned materiality, we have audited the provisions for uncertain tax positions and the valuation of deferred tax assets as well as the related disclosure in notes 9.2 and 12 and have no reportable findings.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information as included on the pages 2 to 21 and page 75 that consists of:

- Report of the Board of Directors.
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- Other information included in the Annual Report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information regarding the Report of the Board of Directors and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Board of Directors as auditor of Heineken Holding N.V. on April 24, 2014, as of and for the audit for the year ending 31 December 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format ("ESEF")

In the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format is regulated that the Annual Report of the Company has to be prepared in a single electronic reporting format ("ESEF"). The requirements to be met are set out in the aforementioned delegated regulation (these requirements are hereinafter referred to as: the regulatory technical standards or RTS on ESEF).

In our opinion, the Annual Report made up in XHTML format, including the partly tagged Consolidated Financial Statements as included in the reporting package by the Company, has been prepared in all material respects in accordance with the RTS on ESEF.

Management is responsible for preparing the Annual Report, including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components in a reporting package. Our responsibility is to obtain reasonable assurance for our conclusion whether the Annual Report in this reporting package, is in accordance with the requirements. We have taken into consideration what is stated in Alert 43.

Our procedures included:

- Obtaining an understanding of the HEINEKEN's financial reporting process, including the preparation of the reporting package;
- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications; and
- Examining the information related to the Consolidated Financial Statements in the reporting package to determine whether all required tagging has been applied and whether they are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit, review or other procedures had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect, we also submit an additional report to the those charged with governance in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 15 February 2022

Deloitte Accountants B.V.

M.J. van der Vegte

Glossary

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

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

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

Cash flow (used in)/from operational investing activities
This represents the total of cash flow from sale and purchase of Property, plant and equipment and Intangible assets, proceeds and receipts of Loans to customers and Other investments.

Centrally available financing headroom
This consists of the undrawn part of revolving credit facility and cash minus commercial paper and other short-term borrowings.

Consolidation changes
Changes as a result of acquisitions and disposals.

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Digital sales value
Value of the digital transactions with our customers for our products via our eB2B platforms at outlet level, including our net revenue and the margin captured by third-party distributors.

Earnings per share (EPS)
Basic
Net profit/(loss) divided by the weighted average number of shares – basic – during the year.

Diluted
Net profit/(loss) divided by the weighted average number of shares – diluted – during the year.

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

Effective tax rate
Income tax expense expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures.

Eia
Exceptional items and amortisation of acquisition-related intangible assets.

Exceptional items
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.

Free operating cash flow
Total of cash flow from operating activities and cash flow from operational investing activities.

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

Group operating profit (beia)
Consolidated operating profit (beia) plus attributable share of operating profit (beia) from joint ventures and associates, excluding Head Office and eliminations.

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

Net debt
Non-current and current interest-bearing borrowings (incl. lease liabilities), bank overdrafts and market value of cross-currency interest rate swaps less cash and cash equivalents.

Net profit/(loss)
Profit/(loss) after deduction of non-controlling interests (profit/(loss) attributable to shareholders of Heineken Holding N.V.).

Net revenue
Revenue as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

Net revenue per hectolitre
Net revenue divided by total consolidated volume.

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.

Price mix on a constant geographic basis
Refers to the different components that influence net revenue per hectolitre, namely the changes in the absolute price of each individual sku and their weight in the portfolio. The weight of the countries in the total revenue in the base year is kept constant.

Profit/(Loss)
Total profit/(loss) of HEINEKEN before deduction of non-controlling interests.

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

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

Volume
Brand specific volume (Heineken® volume, Amstel® volume, etc.)
Brand volume produced and sold by consolidated companies plus 100% of brand volume sold under licence agreements by joint ventures, associates and third parties.

Beer volume
Beer volume produced and sold by consolidated companies.

Premium beer
Beer sold at a price index equal or greater than 115 relative to the average market price of beer.

Non-beer volume
Cider, soft drinks and other non-beer volume produced and sold by consolidated companies.

Third-party products volume
Volume of third-party products (beer and non-beer) resold by consolidated companies.

Total consolidated volume
The sum of beer volume, non-beer volume and third-party products volume.

Licensed volume
100% of volume from HEINEKEN's beer brands sold under licence agreements by joint ventures, associates and third parties.

Group beer volume
The sum of beer volume, licensed beer volume and attributable share of beer volume from joint ventures and associates.

Weighted average number of shares
Basic
Weighted average number of outstanding shares.

Diluted
Weighted average number of shares outstanding, adjusted for the weighted average number of own shares purchased or held.

Information

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Disclaimer

This Annual Report contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest-rate and exchange-rate fluctuations, changes in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in this Annual Report.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

HEINEKEN does not undertake any obligation to update the forward-looking statements contained in this Annual Report. Market share estimates contained in this Annual Report are based on outside sources, such as specialised research institutes, in combination with management estimates.