HEINEKEN HOLDING NV

2019

Ann

HEINEKEN HOLDING N.V.
ANNUAL REPORT 2019

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

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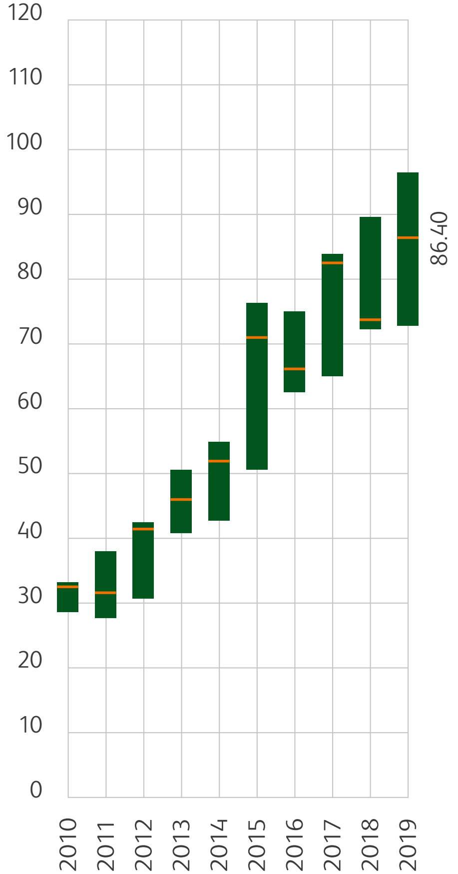
SHAREHOLDER INFORMATION

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



Share price range

Year-end price

Average trade in 2019:
109,119 shares per day

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.)

	2019	2018
Americas	38.1	38.2
United Kingdom/Ireland	28.9	28.4
Netherlands	1.1	1.0
Rest of Europe	8.8	8.8
Rest of the world	3.0	3.5
Retail	4.4	4.4
Unidentified	15.7	15.7
	100.0	100.0

Source: CMi2i estimate based on
available information December 2019

SHAREHOLDER INFORMATION (CONTINUED)

HEINEKEN HOLDING N.V.

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 2019, the average daily trading volume of Heineken Holding N.V. shares was 109,119 shares.

Market capitalisation

Shares in issue and outstanding as at 31 December 2019: 288,030,168 shares of €1.60 nominal value.

At a year-end price of €86.40 on 31 December 2019, the market capitalisation of Heineken Holding N.V. as at the balance sheet date was €24.9 billion.

Year-end price	€86.40	31 December 2019
Highest closing price	€96.40	26 July 2019
Lowest closing price	€72.80	14 January 2019

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)*;
- 1 July 2013: Gardner Russo & Gardner LLC (3.78%, 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 13.

Dividend per share*

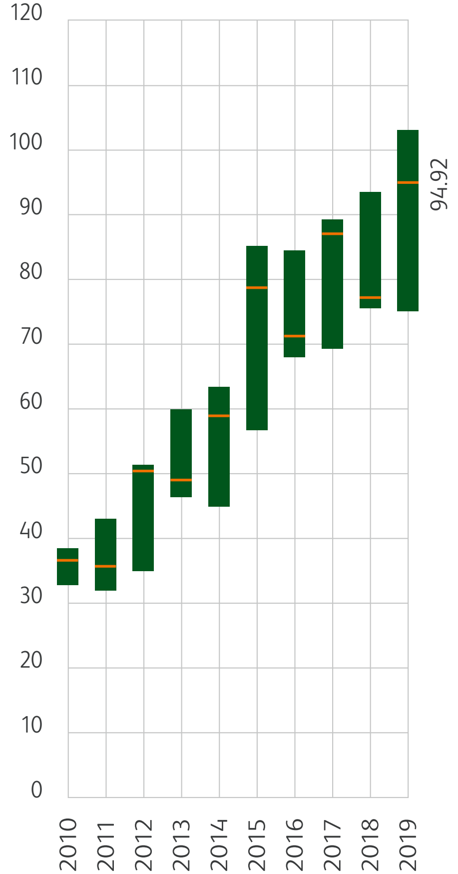
in €

2010	0.76
2011	0.83
2012	0.89
2013	0.89
2014	1.10
2015	1.30
2016	1.34
2017	1.47
2018	1.60
2019	1.68 (proposed)

* Before 2018 this applied to ordinary shares.

SHAREHOLDER INFORMATION (CONTINUED)

Heineken N.V. share price
in €
Euronext Amsterdam

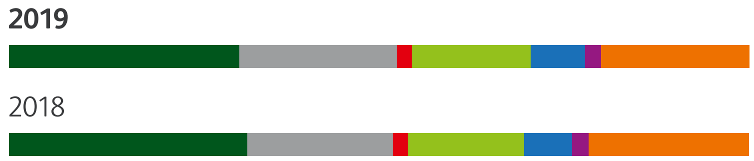


Share price range

Year-end price

Average trade in 2019:
603,174 shares per day

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.)



	2019	2018
Americas	31.1	32.2
United Kingdom/Ireland	21.3	19.7
Netherlands	2.0	2.0
Rest of Europe	16.1	15.7
Rest of the world	7.3	6.5
Retail	2.2	2.2
Unidentified	20.0	21.7
	100.0	100.0

Source: CMi2i estimate based on
available information December 2019

SHAREHOLDER INFORMATION (CONTINUED)

HEINEKEN N.V.

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 programme.

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

In 2019, the average daily trading volume of Heineken N.V. shares was 603,174 shares.

Market capitalisation

Shares outstanding as at 31 December 2019: 575,308,043 shares of €1.60 nominal value (excluding own shares held by Heineken N.V.).

At a year-end price of €94.92 on 31 December 2019, the market capitalisation of Heineken N.V. as at the balance sheet date was €54.6 billion.

Year-end price	€94.92	31 December 2019
Highest closing price	€103.05	26 July 2019
Lowest closing price	€75.08	14 January 2019

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.)[1];
- 19 September 2017: Voting Trust (FEMSA), through its affiliate CB Equity LLP (8.63%) (initial notification: 30 April 2010).

[1] The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 13.

Financial calendar in 2019 for both Heineken Holding N.V. and Heineken N.V.

Announcement of 2019 results	12 February
Publication of Annual Report	21 February
Trading update first quarter 2020	22 April
Annual General Meeting of Shareholders[2]	23 April
Quotation ex-final dividend 2019	27 April
Final dividend 2019 payable	7 May
Announcement of half-year results 2020	3 August
Quotation ex-interim dividend 2020	5 August
Interim dividend 2020 payable	13 August
Trading update third quarter 2020	28 October

[2] 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 2008, HEINEKEN established a Euro Medium Term Note (EMTN) programme which was last updated in March 2019. The programme allows Heineken N.V. to issue Notes for a total amount of up to €20 billion. Approximately €9.3 billion is outstanding under the programme per 31 December 2019.

Heineken N.V. was assigned solid investment grade credit ratings by Moody's Investors Service and Standard & Poor's in 2012. The ratings from both agencies, Baa1/P-2 and BBB+/A-2 respectively, have 'stable' outlooks as per the date of the 2019 Annual Report.

In 2019 the following notes were issued under HEINEKEN's Euro Medium Term Note Programme:

- In May 2019, €200 million of 2-year Fixed Rate to Floating Rate Notes with an initial coupon of 0.00%;
- In June 2019, €100 million tap into 17 March 2031 Notes with a yield of 1.23%, which are listed on the Luxembourg Stock Exchange;
- In July 2019, €200 million tap into 4 May 2026 Notes with a yield of 0.28%, which are listed on the Luxembourg Stock Exchange.

HEINEKEN has a €2.0 billion Euro Commercial Paper (ECP) programme to facilitate its cash management operations and to diversify its funding sources. There was €532 million ECP in issue per 31 December 2019.

SHAREHOLDER INFORMATION (CONTINUED)

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
EUR EMTN 2020	2 August 2012	EUR1,000 million	2.125	4 August 2020	XS0811554962
EUR EMTN 2021	4 April 2013	EUR500 million	2.000	6 April 2021	XS0911691003
EUR EMTN 2021	10 September 2015	EUR500 million	1.250	10 September 2021	XS1288852939
144A/RegS 2022	3 April 2012	USD750 million	3.400	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD1,000 million	2.750	1 April 2023	US423012AD54
EUR EMTN 2023	23 October 2015	EUR140 million	1.700	23 October 2023	XS1310154536
EUR EMTN 2024	19 March 2012	EUR500 million	3.500	19 March 2024	XS0758420748
EUR EMTN 2024	7 December 2015	EUR460 million	1.500	7 December 2024	XS1330434389
EUR EMTN 2025	2 August 2012	EUR750 million	2.875	4 August 2025	XS0811555183
EUR EMTN 2025	20 October 2015	EUR225 million	2.000	20 October 2025	XS1309072020
EUR EMTN 2026	4 May 2016	EUR1,000 million[1]	1.000	4 May 2026	XS1401174633
EUR EMTN 2027	29 November 2016	EUR500 million	1.375	29 January 2027	XS1527192485
EUR EMTN 2027	17 September 2018	EUR600 million	1.250	17 March 2027	XS1877595444
144A/RegS 2028	29 March 2017	USD1,100 million	3.500	29 January 2028	US423012AF03
EUR EMTN 2029	30 January 2014	EUR200 million	3.500	30 July 2029	XS1024136282
EUR EMTN 2031	3 October 2017	EUR800 million	1.500	3 October 2029	XS1691781865
EUR EMTN 2031	17 September 2018	EUR750 million[2]	1.750	17 March 2031	XS1877595014
EUR EMTN 2032	12 May 2017	EUR500 million	2.020	12 May 2032	XS1611855237
EUR EMTN 2033	15 April 2013	EUR180 million	3.250	15 April 2033	XS0916345621
EUR EMTN 2033	19 April 2013	EUR100 million	2.562	19 April 2033	XS0920838371
144A/RegS 2042	10 October 2012	USD500 million	4.000	1 October 2042	US423012AE38
144A/RegS 2047	29 March 2017	USD650 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 2020	3 March 2009	SGD21.75 million	3.780	3 March 2020	SG7V34954621
SGD MTN 2022	7 January 2010	SGD16.25 million	4.000	7 January 2022	SG7U93952517

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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mrs C.L. de Carvalho-Heineken (1954)
Executive director
Dutch nationality
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)
Executive director
English nationality
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)
Non-executive director (chairman)
Dutch nationality
Appointed in 1994; reappointed in 2017*
Profession: Lawyer
*Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**:* Heineken N.V. (delegated member); Greenchoice B.V. (chairman)
*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)
Non-executive director
Mexican nationality
Appointed in 2010; reappointed in 2018*
Profession: 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 FEMSA, 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

Mrs C.M. Kwist (1967)
Non-executive director
Dutch nationality
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)
Non-executive director
Dutch and English nationality
Appointed in 2013; reappointed in 2017*
Profession: Company director
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**
*Other positions***:* Board member of Stichting Administratiekantoor Priores

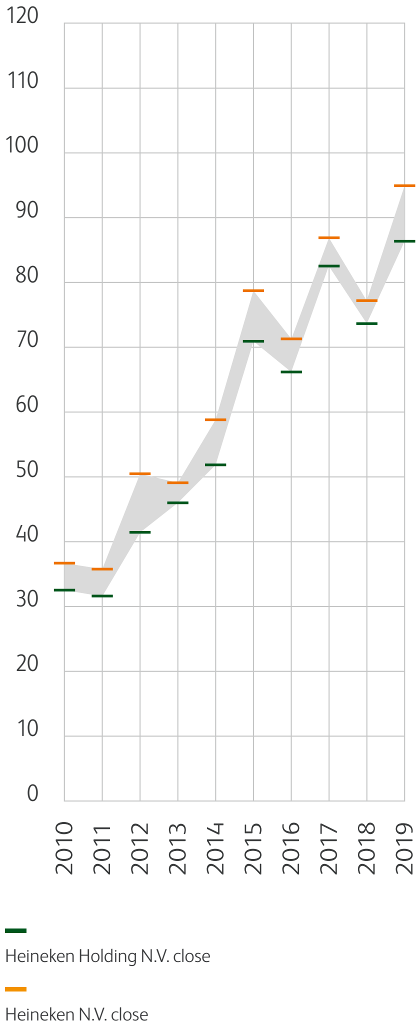
Mrs A.M. Fentener van Vlissingen (1961)
Non-executive director
Dutch nationality
Appointed in 2018*
Profession: Company director
*Supervisory board seats (or non-executive board memberships) in Large Dutch Entities***: SHV Holdings N.V. (chairman)
*Other positions***:* Board member of Lhoist; Member of the Global Advisory Council of Bank of America

Mrs L.L.H. Brassey (1986)
Non-executive director
English nationality
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

* 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.

REPORT OF THE BOARD OF DIRECTORS

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



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 over sixty 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 one of the best-known international premium lagers.

ACTIVITIES

The Board of Directors held six meetings with the Preparatory Committee of the Supervisory Board of Heineken N.V. in 2019.

The strategic plan, including the sustainability strategy as described in the Heineken N.V. Annual Report, and the annual plan of Heineken N.V. were presented to the Board of Directors.

A recurrent element in all the meetings was discussion of the results of Heineken N.V.: volumes, revenues and operating profit organic growth, consolidation effects and foreign exchange effects were reviewed by region. The Chairman/CEO of the Executive Board of Heineken N.V. commented on conditions 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 such as low and no-alcohol beverages, cider and craft beer and e-commerce and technology upgrades were also discussed as were global sponsorships.

General economic conditions, the socio-economic and geopolitical context in which performance has to be placed, currency volatility and regulatory pressure were discussed, as were significant developments affecting HEINEKEN's business in specific countries, such as the political and economic situations in Ethiopia and Haiti.

Other matters discussed during the year included proposals for acquisitions, investments, disposals and other opportunities for Heineken N.V. such as the extension of the commercial agreement with HEINEKEN Mexico and OXXO, the opening of a new brewery in Mozambique, the long-term strategic partnership with China Resources for mainland China, Hong Kong and Macau, and the entering into the Ecuadorian beer market with the acquisition of Biela y Bebidas del Ecuador BIELESA.

Other items on the agenda included bond issues, the dividend policy and cost management. Heineken N.V.'s cash flows, funding ratios and share price were also addressed.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

As part of the sustainability strategy, among others, the 'Every Drop' programme, focused on protecting water resources, and the 'Drop the C' programme, which aims to reduce carbon emissions from production, were discussed.

The composition of the Supervisory Board and the Executive Board of Heineken N.V. 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 2018 and the first half of 2019. At the meeting of the Board of Directors at which the Report of the Board of Directors and the financial statements for 2018 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 Mozambique for the opening of a brewery as well as to Central Europe (Slovenia, Croatia and Poland) and Asia (Singapore, Indonesia, Myanmar and China) to visit breweries.

REVIEW OF 2019

Share price

The share price of the Heineken Holding N.V. share has increased from €73.40 at the beginning of the year to €86.40 on 31 December. The gap between the Heineken N.V. and Heineken Holding N.V. share prices moved between 2.69% and 9.10% through the year, ending at 8.98% on 31 December.

Price movements are shown in the graph on page 10. More information regarding the shares can be found on page 5 of this report.

Interest in Heineken N.V.

The nominal value of our Company's interest in Heineken N.V. as at 31 December 2019 was €461 million (31 December 2018: €461 million).

The nominal value of the shares issued by our Company as at the same date was also €461 million.

As at 31 December 2019, our Company's interest in Heineken N.V. represented 50.005% of the issued capital (being 50.065% 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 €7,993 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the Company balance sheet.

Our Company's 50.065% share in Heineken N.V.'s 2019 profit of €2,166 million is recognised as income of €1,087 million in the 2019 Company income statement. This share in Heineken N.V.'s profit consists of both distributed and retained earnings for 2019.

HEINEKEN N.V. PERFORMANCE IN 2019 AND OUTLOOK

Performance

Heineken N.V. posted a net profit of €2,166 million in 2019.

Top-line performance continued to be strong in second part of 2019, with a good balance between price mix and volume growth. Net revenue per hectolitre (beia) grew in all regions on a constant geographic basis, driven by pricing and premiumisation.

Net revenue (beia) grew 5.6% organically, supported by a 3.3% increase in net revenue (beia) per hectolitre and a 2.2% increase in total consolidated volumes. The underlying price mix on a constant geographic basis was up 3.4%. In the second half of the year net revenue (beia) increased 5.7% (1H19: 5.6%), with total consolidated volume growth of 2.0% (1H19: 2.5%), net revenue (beia) per hectolitre up 3.6% (1H19: 3.0%) and price mix on a constant geographic basis of 3.2% (1H19: 3.5%).

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

Outlook

For 2020, HEINEKEN anticipates its business to deliver:

- A superior top-line growth driven by volume, price and premiumisation
- A low-single digit increase of input costs per hectolitre, with the benefit of lower prices in some commodities largely offset by transactional currency headwinds
- Continued cost management initiatives and productivity improvements to fuel investment behind our brands, innovation, e-commerce platforms, technology upgrades and sustainability programmes.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

As a result, HEINEKEN currently expects operating profit (beia) to grow by mid-single digit on an organic basis, barring major negative macro economic or political developments. In particular it is at this stage not possible to assess the extent and duration of the impact of Coronavirus on the economy and on HEINEKEN's business.

HEINEKEN also anticipates:

- An average interest rate (beia) broadly in line with 2019 (2019: 2.9%)
- An effective tax rate (beia) broadly in line with 2019 (2019: 27.6%)
- Capital expenditure related to property, plant and equipment of around €2 billion (2019: €1.9 billion).

FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Directors will submit the financial statements for 2019 to the General Meeting of Shareholders. These financial statements, on pages 22 to 76 of this report, have been audited by Deloitte Accountants B.V., whose report can be found on page 77.

Heineken N.V. proposes to distribute a dividend for 2019 of €1.68 per share of €1.60 nominal value, of which €0.64 per share of €1.60 nominal value has already been paid as interim dividend.

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 our Company for 2019 totals €483.9 million in cash, of which €184.3 million has already been received by way of interim dividend. The final dividend due will therefore be €299.6 million.

In accordance with the provisions of Article 10, paragraph 9, of the Articles of Association, an interim dividend of €0.64 per share of €1.60 nominal value was distributed to shareholders on 8 August 2019. Pursuant to the provisions of Article 10 of the Articles of Association, a final dividend of €1.04 per share of €1.60 nominal value currently issued will be payable to shareholders as of 7 May 2020. Like the holders of Heineken N.V. shares, holders of Heineken Holding N.V. shares will therefore receive a total dividend for 2019 of €1.68 per share of €1.60 nominal value. A total of €483.9 million will be distributed to holders of Heineken Holding N.V. shares.

CORPORATE GOVERNANCE STATEMENT

Introduction

In this statement, Heineken Holding N.V. addresses its corporate governance structure and explains which best practice provisions of the Dutch Corporate Governance Code the Company does not apply, and why. This report 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 article 5:25c, paragraph 2 sub c of the Financial Supervision Act (*Wet op het financieel toezicht*).

Dutch Corporate Governance Code

The Company is required to comply with, among other regulations, the revised Dutch Corporate Governance Code which has been amended on 8 December 2016 (the "Code"). Deviations from the Code are explained in accordance with the Code's "comply or explain" principle. The Code is available at www.mccg.nl.

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, as further explained below.

At the Annual General Meeting of Shareholders on 20 April 2005, the departure from the Dutch Corporate Governance Code of 9 December 2003 was put to the vote and approved. The departure from the Dutch Corporate Governance Code as revised in 2008 was discussed at the Annual General Meeting of Shareholders on 22 April 2010. The departure from the Code as revised in 2016 was discussed at the Annual General Meeting of Shareholders on 19 April 2018.

Structure of HEINEKEN

Organisational structure

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 2019 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. (31 December 2018: 52.599% interest of the outstanding 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.

Heineken Holding N.V. abolished the 250 priority shares from its capital structure on 20 April 2018 by converting them into 314 ordinary shares, following a resolution to that effect taken in the Annual General Meeting of Shareholders on 19 April 2018. In connection with the abolishment of the priority shares, the Company repurchased the 314 ordinary shares. As a consequence, Heineken Holding N.V. held 314 shares in its own capital. These 314 shares held in treasury did not carry any voting rights, nor any dividend rights. A resolution to cancel these treasury shares was taken in the Annual General Meeting of Shareholders on 25 April 2019, which resolution took effect on 28 June 2019. As a consequence, Heineken Holding N.V. no longer holds any treasury shares.

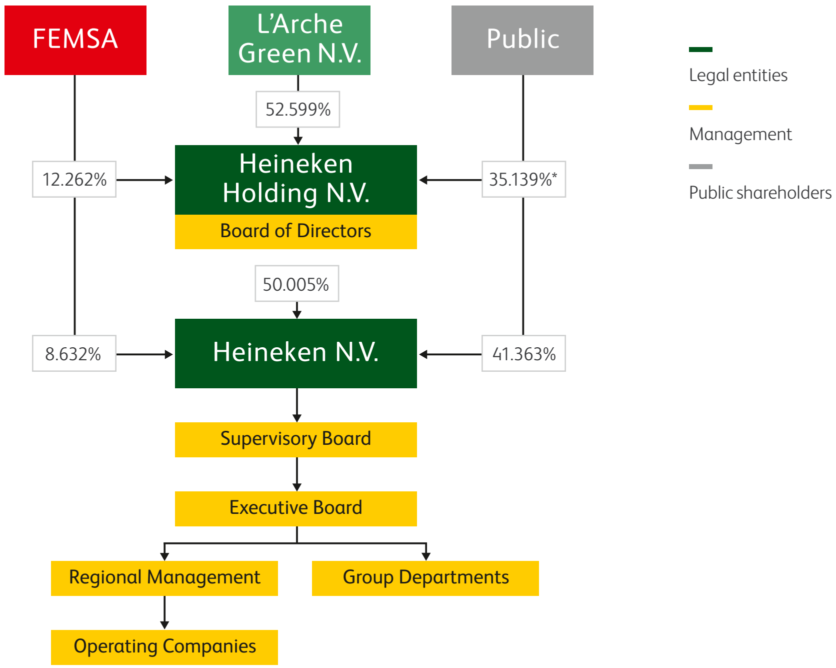
REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Policy principles and activities

Standing at the head of HEINEKEN, Heineken Holding N.V. is not an ordinary holding company as already set forth in the profile on page 2. Since its formation in 1952, Heineken Holding N.V.'s main object pursuant to its Articles of Association has been to manage or supervise the management of 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 it 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. It is supervised in the performance of its duties by Heineken N.V.'s Supervisory Board.

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.



* Including the 0.03% stake held directly by C.L. de Carvalho-Heineken

Heineken Holding N.V.'s governance structure

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 members (*uitvoerende bestuurders*) and six non-executive members (*niet-uitvoerende bestuurders*). The Board of Directors has not installed committees.

Within Heineken Holding N.V., there are established rules governing the disclosure of share price sensitive information and regarding the holding of and transactions in Heineken Holding N.V. and Heineken N.V. shares and other securities that are applicable to the Board of Directors and, where required, other persons directly associated with the Company. These rules are available on the Company's website.

In addition, the Board of Directors has rules regarding its functioning and internal organisation. The Articles of Association and the rules of the Board of Directors, which provide more information on the Board of Directors and the Company's governance structure, are also available on the Company's website.

Compliance with the Code

Heineken Holding N.V. intends to preserve its existing structure and policy principles as described above and does therefore not apply those best practice provisions of the Code which are inconsistent with this structure or these policy principles. As stated in the Code, there should be a basic recognition that corporate governance must be tailored to a company-specific situation and therefore that non-application of individual provisions by a company may be justified. Given the specific structure and policy principles of Heineken Holding N.V., Heineken Holding N.V. does not apply the best practice provisions described below. Most of these best practice provisions are fulfilled by Heineken N.V. instead. Heineken Holding N.V. complies with the other best practice provisions of the Code.

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. Values for maintaining a culture within HEINEKEN aligned with its strategy for long-term value creation are set and carried out at the level of Heineken N.V. as well. 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 of the Code. As to Heineken N.V., this is described in the Heineken N.V. Report of the Executive Board.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Risk management

As Heineken Holding N.V. does not perform operational management activities, it does not have, unlike Heineken N.V., 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. Therefore, the Board of Directors will not provide the statement pursuant to best practice provision 1.4.3 (i) and (ii) of the Code. As to Heineken N.V., 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. As to Heineken N.V., this is described in the Heineken N.V. Report of the Executive Board.

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. Heineken Holding N.V. therefore does not apply best practice provision 2.1.1 of the Code.

Diversity

The importance of diversity is recognised by Heineken Holding N.V. as described in the diversity policy for the Board of Directors, which considers the elements of a diverse composition in terms of nationality, gender, age, expertise and experience. The purpose of this policy is to achieve a diverse composed Board of Directors on all aforementioned subjects. Currently, the executive members of the Board of Directors are one female and one male member; the composition is therefore deemed to be balanced. The non-executive members currently consist of three female and three male members; the composition is therefore deemed to be balanced as well.

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, 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, 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, five of the six non-executive members 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 five non-executive members 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%

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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%.

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 members 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.

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 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. as described above. Heineken Holding N.V. does therefore not apply best practice provisions 2.3.2 up to and including 2.3.5 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 a member of the Supervisory Board of Heineken N.V.

Chairman of the Board of Directors

Due to 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 not applied as the Board of Directors has not appointed a vice-chairman.

As the Board of Directors has not installed committees as described in the paragraph "Committees" above, best practice provision 2.3.6 sub v of the Code cannot be fully applied.

The Board of Directors does not conduct sessions to evaluate its own functioning, and that of its individual members as described on this page. Best practice provision 2.3.6 sub vi of the Code can therefore not be applied.

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, as described on page 13 and 14. Best practice provision 2.3.6 sub ix of the Code can therefore not be applied.

Due to no operational activities at the level of Heineken Holding N.V., a monitoring of suspected misconduct or irregularities cannot be performed on this level as described on this page Best practice provision 2.3.6 sub x of the Code can therefore not be applied.

Attendance

The Board of Directors confirms that all non-executive members of the Board of Directors have adequate time available to give sufficient attention to the concerns of the Company. In 2019, the attendance rate was 94% for the meetings of the Board of Directors. Many non-executive members were able to attend all meetings. In case of absence, members are fully informed in advance, enabling them to provide input for the meeting, and they are also updated on the meeting outcome.

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 members 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 six occasions in 2019. 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 2018 and the first half of 2019.

	Meetings of the Board of Directors
Mr M. Das	8/8
Mr J.A. Fernández Carbajal	8/8
Mrs C.M. Kwist	8/8
Mr A.A.C. de Carvalho	7/8
Mrs A.M. Fentener van Vlissingen	7/8
Mrs L.L.H. Brassey	7/8

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Misconduct and irregularities

Due to no operational activities at the level of Heineken Holding N.V., a monitoring of suspected misconduct or irregularities cannot be performed on this level. Heineken Holding N.V. does therefore not apply best practice provisions 2.6.1 up to and including 2.6.4 of the Code. As to Heineken N.V., this is described in the Heineken N.V. Report of the Executive Board.

Conflict of interest

In 2019, 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 enabled by an amendment to the Articles of Association in 2001. The policy on the remuneration of members of the Board of Directors was approved by the General Meeting of Shareholders in 2005. Under this policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V. For 2019, this meant €120,000 a year for the chairman and €90,000 a year for the other members of 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 this policy was applied can be found in note 13.3 to the consolidated financial statements and in the Remuneration Report on page 20 and further.

In line with requirements under the European Shareholders' Rights Directive, implemented into Dutch law per 1 December 2019, we will submit for approval to the General Meeting of Shareholders on 23 April 2020 an updated remuneration policy for the Board of Directors. The proposed remuneration policy is materially the same as the prevailing remuneration policy, that was adopted by the General Meeting of Shareholders in 2005, and that has been lastly implemented in 2018.

Policy on bilateral contacts with shareholders

As bilateral contacts with shareholders, analyst meetings, presentations to institutional and other investors, press conferences and the like take place at the level of Heineken N.V., Heineken Holding N.V. 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 the website: www.theheinekencompany.com.

BOARD OF DIRECTORS

The Board of Directors consists of eight 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 and Mrs L.L.H. Brassey.

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

At the Annual General Meeting of Shareholders on 25 April 2019 Mrs C.L. de Carvalho-Heineken and Mr M.R. de Carvalho were reappointed as executive members of the Board of Directors and Mrs C.M. Kwist was reappointed as a non-executive member of the Board of Directors, each for the maximum period of four years as of 25 April 2019.

In accordance with the current rotation schedule, no member of the Board of Directors will stand down at the Annual General Meeting of Shareholders on 23 April 2020.

THE GENERAL MEETING OF SHAREHOLDERS

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

Notice of meeting

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Right of shareholders to place items on agenda

An item that one or more shareholders which alone or together (i) represent at least 1% of the issued capital or (ii) have a value of at least €50 million have requested to be placed on the agenda shall be included in the notice of meeting or announced in a similar manner, provided that the Board of Directors receives the request in writing, which request is to be furnished with reasons or accompanied by a proposal for a resolution, not later than the 60th day before the date of the General Meeting of Shareholders. If shareholders have requested that an item be placed on the agenda, they shall explain this to the meeting and answer any questions thereon.

Best practice provision 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.

Record date

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

Attendance by proxy or electronic communication

All shareholders are entitled, either in person or represented by a proxy appointed in writing, to attend the General Meeting of Shareholders, to address the meeting and to exercise their voting rights. If shareholders wish to exercise their rights through a proxy appointed in writing, the instrument appointing the proxy must be received by the Board of Directors not later than the date stated for that purpose in the notice of the meeting. The Board of Directors may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication. The Board of Directors may impose certain conditions on the use of electronic communications, which will in that case be stated in the notice of meeting.

Attendance register

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

Chairman of the General Meeting of Shareholders

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

Voting

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

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

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

Once cast, a vote cannot be retracted.

Minutes

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Resolutions to be adopted by the General Meeting of Shareholders

The General Meeting of Shareholders has authority to adopt resolutions concerning among others the following matters: (i) issue of shares by the Company or 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), (ii) 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), (iii) authorisation of the Board of Directors to resolve that the Company acquires its own shares other than for no consideration, (iv) cancellation of shares and reduction of the share capital, (v) appointment of members of the Board of Directors from a non-binding recommendation drawn up by the Board of Directors, (vi) the remuneration policy for the Board of Directors, (vii) suspension and dismissal of members of the Board of Directors, (viii) adoption of the financial statements, (ix) discharge of the members of the Board of Directors in respect of their management, (x) the profit reservation and distribution policy, (xi) a substantial change in the corporate governance structure, (xii) (re)appointment of the external auditor, (xiii) amendment of the Articles of Association and (xiv) 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, in any event including resolutions relating to (a) transfer of all or virtually all of the Company's enterprise to a third party, (b) entry into or termination of a lasting cooperation between the Company or a subsidiary and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for the Company and (c) acquisition or disposal by the Company or a subsidiary of an interest in the capital of another company amounting to one third or more of the Company's assets as disclosed in its consolidated statement of financial position and notes thereto according to its most recently adopted financial statements.

Provision of information

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

Priority shares

The Company abolished the 250 priority shares from its capital structure on 20 April 2018, following a resolution to that effect taken in the Annual General Meeting of Shareholders on 19 April 2018.

FURTHER INFORMATION PURSUANT TO THE ARTICLE 10 TAKEOVER DIRECTIVE DECREE

Shares

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).

Heineken Holding N.V. abolished the 250 priority shares from its capital structure on 20 April 2018 by converting them into 314 ordinary shares, following a resolution to that effect taken in the Annual General Meeting of Shareholders on 19 April 2018. In connection with the abolishment of the priority shares, the Company repurchased the 314 ordinary shares. As a consequence, Heineken Holding N.V. held 314 shares in its own capital. These 314 shares held in treasury did not carry any voting rights, nor any dividend rights. A resolution to cancel these treasury shares was taken in the Annual General Meeting of Shareholders on 25 April 2019, which resolution took effect on 28 June 2019. As a consequence, Heineken Holding N.V. no longer holds any treasury shares.

Persons who hold shares on a predetermined record date may attend and exercise their voting rights at General Meetings of Shareholders. The record date for the Annual General Meeting of Shareholders on 23 April 2020 has been set 28 days before the Annual General Meeting of Shareholders, i.e. on 26 March 2020.

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) needs to be notified on substantial shareholdings (i.e. of 3% or more).

For the changes notified on substantial shareholdings in the share capital of Heineken Holding N.V. in 2019 reference is made to page 5.

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.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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.

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 of candidates drawn up by the Board of Directors.

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

Amendment of the Articles of Association

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

Acquisition of own shares

The General Meeting of Shareholders on 25 April 2019 authorised the Board of Directors, for the statutory maximum period of 18 months, commencing on 25 April 2019, 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 the date of the Annual General Meeting of Shareholders of 2019;
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

The General Meeting of Shareholders on 25 April 2019 furthermore authorised the Board of Directors, for a period of 18 months, commencing on 25 April 2019, 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 per the date of the Annual General Meeting of Shareholders of 2019.

The General Meeting of Shareholders on 25 April 2019 also authorised the Board of Directors, for a period of 18 months, commencing on 25 April 2019, 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 per the date of the Annual General Meeting of Shareholders of 2019.

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.

INFORMATION PURSUANT TO THE DECREE ON THE DISCLOSURE OF NON-FINANCIAL INFORMATION

As a holding company, Heineken Holding N.V.'s main object is to manage or supervise the management of HEINEKEN and to provide services for Heineken N.V. The policy principles of Heineken Holding N.V. are set out on page 10. Heineken Holding N.V. itself does not engage in operational activities and does not employ staff.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Therefore, it 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 N.V. does have such policies in place which are reflected in the Heineken N.V. Sustainability Review. 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.

Page 14 provides further insight in the diversity policy of Heineken Holding N.V.

REMUNERATION REPORT

This Remuneration Report includes three sections. It describes the prevailing Board of Directors remuneration policy, it furthermore provides details of the Board of Directors actual remuneration for performance ending in, or at year-end, 2019 and finally outlines the implementation for 2020.

Part I Remuneration policy

Remuneration of the members of the Board of Directors was enabled by an amendment to the Articles of Association in 2001. The prevailing policy on the remuneration of the members of the Board of Directors was approved by the General Meeting of Shareholders in 2005 and it has been lastly implemented in 2018.

Under this current policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V.

Part II Actual remuneration for performance ending in, or at year-end, 2019

In line with the prevailing Board of Directors remuneration policy, the members of the Board of Directors receive a fixed remuneration for their services.

In accordance with the Shareholders' Rights Directive, implemented into Dutch law per 1 December 2019, as well as the Draft Guidelines to the Shareholders' Rights Directive, the following tables provide an overview of the Board of Directors actual remuneration for performance ending in, or at year-end 2019. 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 a member of the Supervisory Board of Heineken N.V. In line with Section 135b, subsection 4f, 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.

Table 1 Remuneration Board of Directors

In thousands of €	**2019**	2018
C.L. de Carvalho-Heineken	90	60
M.R. de Carvalho	231	156
Remuneration executive members	**321**	216
M. Das	253	175
J.A. Fernández Carbajal	243	169
C.M. Kwist	90	60
A.A.C. de Carvalho	90	60
A.M. Fentener van Vlissingen	90	60
L.L.H. Brassey	90	60
Remuneration non-executive members	**856**	584
	1,177	800

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

In thousands of €	Financial year	Base board fees	Committee fees	Travel allowances	Total remuneration
Member of the Supervisory Board of Heineken N.V.					
M. Das	**2019**	90	40	3	133
	2018	60	25	0	85
M.R. de Carvalho	**2019**	90	45	6	141
	2018	60	30	6	96
J.A. Fernández Carbajal	**2019**	90	40	23	153
	2018	60	25	24	109

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Part III Implementation for 2020

The Board of Directors carefully studied the Shareholders' Rights Directive, implemented into Dutch law per 1 December 2019, as well as the Draft Guidelines to the Shareholders' Rights Directive, to ensure the identification of any potential gap in our remuneration policy and 2019 annual reporting. While Heineken Holding N.V. endorses greater transparency around remuneration, the structure of HEINEKEN prevents Heineken Holding N.V. from complying with a number of the implemented provisions under Dutch law. In line with the requirements of the new legislation, we will submit for approval to the General Meeting of Shareholders on 23 April 2020 an updated remuneration policy for the Board of Directors. The proposed remuneration policy is materially the same as the prevailing remuneration policy, that was adopted by the General Meeting of Shareholders in 2005, and that has been lastly implemented in 2018. This Remuneration Report for financial year 2019 will also be submitted to the General Meeting of Shareholders on 23 April 2020 for advisory vote.

HEINEKEN has engaged with main shareholders to gather feedback on our current remuneration policy. We also encourage all our shareholders to attend the 2020 Annual General Meeting of Shareholders to provide their views.

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 2019 give a true and fair view of our assets and liabilities, our financial position and profit as at 31 December 2019, and the results of our consolidated operations for the financial year 2019; and
- the Report of the Board of Directors includes a fair review of the position as at 31 December 2019 and the development and performance during the financial year 2019 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, 11 February 2020

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*

HEINEKEN HOLDING NV

2019

FINANCIAL STATEMENTS 2019

HEINEKEN HOLDING N.V. INCOME STATEMENT

For the year ended 31 December In millions of €	Note	2019	2018*
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	1,087	966
Profit before income tax		—	—
Income tax income/(expense)	III	—	—
Profit		**1,087**	966

*Restated for IAS 37. Refer to note 4 for further details.

HEINEKEN HOLDING N.V. BALANCE SHEET

Before appropriation of profit
As at 31 December

In millions of €	Note	2019	2018*
Participating interest in Heineken N.V.	I	7,993	7,242
Total financial fixed assets		**7,993**	7,242
Cash		—	—
Total current assets		—	—
Total assets		**7,993**	7,242
Issued capital		461	461
Share premium		1,257	1,257
Translation reserve		(1,511)	(1,657)
Hedging reserve		(8)	(18)
Cost of hedging reserve		2	5
Fair value reserve		158	173
Other legal reserves		560	550
Reserve for own shares		—	—
Retained earnings		5,987	5,505
Profit for the year		1,087	966
Total shareholders' equity		**7,993**	7,242
Other payables		—	—
Total current liabilities		—	—
Total shareholders' equity and liabilities		**7,993**	7,242

*Restated for IAS 37. Refer to note 4 for further details.

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	Reserve for own shares	Retained earnings	Profit for the year	Shareholders' equity
Balance as at 31 December 2017	461	1,257	(1,574)	58	—	167	482	—	4,805	977	6,633
Changes in accounting policy*	—	—	(11)	—	2	—	—	—	88	—	79
Balance as at 1 January 2018*	461	1,257	(1,585)	58	2	167	482	—	4,893	977	6,712
Profit for the year	—	—	—	—	—	—	108	—	(108)	966	966
Other comprehensive income	—	—	(72)	(76)	3	6	—	—	112	—	(27)
Total comprehensive income	—	—	(72)	(76)	3	6	108	—	4	966	939
Transfer to retained earnings	—	—	—	—	—	—	—	—	977	(977)	—
Transfer between reserves	—	—	—	—	—	—	(40)	—	40	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(438)	—	(438)
Purchase own shares	—	—	—	—	—	—	—	—	—	—	—
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	—	(19)	—	(19)
Dilution	—	—	—	—	—	—	—	—	1	—	1
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	—	13	—	13
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	—	13	—	13
Changes in consolidation by Heineken N.V.	—	—	—	—	—	—	—	—	21	—	21
Balance as at 31 December 2018	461	1,257	(1,657)	(18)	5	173	550	—	5,505	966	7,242

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Profit for the year	Shareholders' equity
Balance as at 31 December 2018	461	1,257	(1,657)	(18)	5	173	550	—	5,505	966	7,242
Changes in accounting policy*	—	—	—	—	—	—	—	—	2	—	2
Balance as at 1 January 2019	**461**	**1,257**	**(1,657)**	**(18)**	**5**	**173**	**550**	**—**	**5,507**	**966**	**7,244**
Profit for the year	—	—	—	—	—	—	86	—	(86)	1,087	1,087
Other comprehensive income	—	—	144	43	(3)	5	—	—	(108)	—	81
Total comprehensive income	**—**	**—**	**144**	**43**	**(3)**	**5**	**86**	**—**	**(194)**	**1,087**	**1,168**
Realised hedge result from non-financial assets by Heineken N.V.	—	—	—	(33)	—	—	—	—	—	—	(33)
Transfer to retained earnings	—	—	—	—	—	—	—	—	966	(966)	—
Transfer between reserves	—	—	2	—	—	(20)	(76)	—	94	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(475)	—	(475)
Cancellation own shares	—	—	—	—	—	—	—	—	—	—	—
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	—	209	—	209
Negative dilution	—	—	—	—	—	—	—	—	(64)	—	(64)
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	—	7	—	7
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	—	(63)	—	(63)
Balance as at 31 December 2019	**461**	**1,257**	**(1,511)**	**(8)**	**2**	**158**	**560**	**—**	**5,987**	**1,087**	**7,993**

*Restated for IAS 37 (refer to note 4 for further details), IFRS16 and IFRS 9.

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 company domiciled in the Netherlands.

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 11 February 2020 and will be submitted for adoption to the General Meeting of Shareholders on 23 April 2020.

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 50.065% (2018: 50.516%) 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 2019 (€461 million as at 31 December 2018).

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2019 amounted to €27.3 billion (31 December 2018: €22.2 billion).

Balance as at 31 December 2017	6,633
Changes in accounting policy*	79
Balance as at 1 January 2018*	6,712
50.516% of the profit of Heineken N.V.	966
Dividend payments received by Heineken Holding N.V.	(438)
Movements in translation reserve	(72)
Movements cash flow hedges	(73)
Movements fair value adjustments	6
Actuarial gains and losses	112
Movements in retained earnings	34
Purchase own shares by Heineken N.V.	(19)
Dilution	1
Share-based payments by Heineken N.V.	13
Balance as at 31 December 2018	7,242
Balance as at 31 December 2018	7,242
Changes in accounting policy*	2
Balance as at 1 January 2019	**7,244**
50.065% of the profit of Heineken N.V.	1,087
Dividend payments received by Heineken Holding N.V.	(475)
Movements in translation reserve	144
Movements hedges	7
Movements fair value adjustments	5
Actuarial gains and losses	(108)
Movements in retained earnings	(63)
Purchase own shares by Heineken N.V.	209
Dilution	(64)
Share-based payments by Heineken N.V.	7
Balance as at 31 December 2019	**7,993**

*Restated for IAS 37 (refer to note 4 for further details), IFRS16 and IFRS 9.

NOTES TO THE HEINEKEN HOLDING N.V. FINANCIAL STATEMENTS (CONTINUED)

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 2019, being 50.065% of €2,166 million (2018: 50.516% of €1,913 million).

NOTE III OTHER REVENUES AND EXPENSES AFTER INCOME TAX

Expenses made to manage and provide services to Heineken N.V. amounting to €1.146 thousand (2018: €1.394 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 20 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 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 regulation.

In 2019 €10.3 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 (2018: €10.3 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 €	**2019**	2018	**2019**	2018	**2019**	2018
Audit of Heineken Holding N.V. and its subsidiaries	**3.1**	2.7	**6.4**	6.6	**9.5**	9.3
Other audit services	**0.3**	0.4	**0.2**	0.2	**0.5**	0.6
Tax services	**—**	—	**0.1**	0.1	**0.1**	0.1
Other non-audit services	**—**	0.1	**0.2**	0.2	**0.2**	0.3
	3.4	3.2	**6.9**	7.1	**10.3**	10.3

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, 11 February 2020

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*

CONSOLIDATED INCOME STATEMENT

	Note	2019	2018*
For the year ended 31 December			
In millions of €			
Revenue	6.1	**28,521**	26,811
Excise tax expense	6.1	(4,552)	(4,322)
Net revenue	6.1	**23,969**	22,489
Other income	6.2	95	75
Raw materials, consumables and services	6.3	(14,592)	(14,001)
Personnel expenses	6.4	(3,880)	(3,749)
Amortisation, depreciation and impairments	6.6	(1,959)	(1,693)
Total other expenses		**(20,431)**	(19,443)
Operating profit		**3,633**	3,121
Interest income	11.1	75	71
Interest expenses	11.1	(529)	(492)
Other net finance income/(expenses)	11.1	(59)	(64)
Net finance expenses		**(513)**	(485)
Share of profit of associates and joint ventures	10.3	164	210
Profit before income tax		**3,284**	2,846
Income tax expense	12.1	(910)	(741)
Profit		**2,374**	2,105
Attributable to:			
Shareholders of Heineken Holding N.V. (net profit)		1,087	966
Non-controlling interests in Heineken N.V.		1,079	947
Non-controlling interests in Heineken N.V. group companies		208	192
Profit		**2,374**	2,105
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	3.77	3.35
Diluted earnings per share (€)	6.7	3.77	3.35

*Restated for IAS 37. Refer to note 4 for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018*
For the year ended 31 December			
In millions of €			
Profit		**2,374**	2,105
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement obligations	12.3	(210)	221
Net change in fair value through OCI investments	12.3	9	11
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	12.3	369	(106)
Change in fair value of net investment hedges	12.3	(43)	(3)
Change in fair value of cash flow hedges	12.3	64	(67)
Cash flow hedges reclassified to profit or loss	12.3	21	(77)
Net change in fair value through OCI investments	12.3	1	—
Cost of hedging	12.3	(5)	6
Share of other comprehensive income of associates/joint ventures	12.3	(20)	(36)
Other comprehensive income, net of tax	12.3	**186**	(51)
Total comprehensive income		**2,560**	2,054
Attributable to:			
Shareholders of Heineken Holding N.V.		1,168	939
Non-controlling interests in Heineken N.V.		1,160	919
Non-controlling interests in Heineken N.V. group companies		232	196
Total comprehensive income		**2,560**	2,054

*Restated for IAS 37. Refer to note 4 for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December In millions of €	Note	2019	2018*
Intangible assets	8.1	17,769	17,459
Property, plant and equipment	8.2	13,269	11,359
Investments in associates and joint ventures	10.3	4,868	2,021
Loans and advances to customers	8.3	277	341
Deferred tax assets	12.2	647	626
Other non-current assets	8.4	1,255	1,220
Total non-current assets		**38,085**	33,026
Inventories	7.1	2,213	1,920
Trade and other receivables	7.2	4,123	3,795
Current tax assets		123	71
Derivative assets	11.6	28	35
Cash and cash equivalents	11.2	1,821	2,903
Assets classified as held for sale	10.2	111	401
Total current assets		**8,419**	9,125
Total assets		**46,504**	42,151

*Restated for IAS 37. Refer to note 4 for further details.

As at 31 December In millions of €	Note	2019	2018*
Heineken Holding N.V. shareholders' equity	11.4	7,993	7,242
Non-controlling interests in Heineken N.V.	11.4	8,154	7,283
Non-controlling interests in Heineken N.V. group companies	11.4	1,164	1,183
Total equity		**17,311**	15,708
Borrowings	11.3	13,366	12,628
Post-retirement obligations	9.1	1,189	954
Provisions	9.2	756	833
Deferred tax liabilities	12.2	1,422	1,431
Other non-current liabilities	11.6	153	168
Total non-current liabilities		**16,886**	16,014
Borrowings	11.2/11.3	3,686	2,358
Trade and other payables	7.3	7,520	6,891
Returnable packaging deposits	7.4	565	569
Provisions	9.2	184	164
Current tax liabilities		283	245
Derivative liabilities	11.6	69	70
Liabilities associated with assets classified as held for sale	10.2	—	132
Total current liabilities		**12,307**	10,429
Total equity and liabilities		**46,504**	42,151

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December In millions of €	Note	2019	2018*
OPERATING ACTIVITIES			
Profit		2,374	2,105
Adjustments for:			
Amortisation, depreciation and impairments	6.6	1,959	1,693
Net interest expenses	11.1	454	421
Other income	6.2	(95)	(75)
Share of profit of associates and joint ventures and dividend income on fair value through OCI investments		(173)	(228)
Income tax expenses	12.1	910	741
Other non-cash items		240	201
Cash flow from operations before changes in working capital and provisions		**5,669**	4,858
Change in inventories		(257)	(129)
Change in trade and other receivables		(245)	(66)
Change in trade and other payables and returnable packaging deposits		510	908
Total change in working capital		8	713
Change in provisions and post-retirement obligations		(121)	(31)
Cash flow from operations		**5,556**	5,540
Interest paid		(528)	(555)
Interest received		52	118
Dividends received		181	109
Income taxes paid		(924)	(824)
Cash flow related to interest, dividend and income tax		**(1,219)**	(1,152)
Cash flow from operating activities		**4,337**	4,388

For the year ended 31 December In millions of €	Note	2019	2018*
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and intangible assets		177	111
Purchase of property, plant and equipment		(1,915)	(1,888)
Purchase of intangible assets		(186)	(167)
Loans issued to customers and other investments		(249)	(239)
Repayment on loans to customers and other investments		64	41
Cash flow (used in)/from operational investing activities		**(2,109)**	(2,142)
Free operating cash flow		*2,228*	*2,246*
Acquisition of subsidiaries, net of cash acquired		(183)	(70)
Acquisition of/additions to associates, joint ventures and other investments		(2,875)	(159)
Disposal of subsidiaries, net of cash disposed of		244	15
Disposal of associates, joint ventures and other investments		50	1
Cash flow (used in)/from acquisitions and disposals		**(2,764)**	(213)
Cash flow (used in)/from investing activities		**(4,873)**	(2,355)
FINANCING ACTIVITIES			
Proceeds from borrowings		2,288	1,694
Repayment of borrowings		(2,150)	(1,545)
Payment of lease commitments		(259)	—
Dividends paid		(1,223)	(1,090)
Purchase own shares and share issuance by Heineken N.V.		428	(20)
Acquisition of non-controlling interests		(103)	(2)
Other		3	(4)
Cash flow (used in)/from financing activities		**(1,016)**	(967)
Net cash flow		**(1,552)**	1,066
Cash and cash equivalents as at 1 January		2,248	1,177
Effect of movements in exchange rates		(9)	5
Cash and cash equivalents as at 31 December	11.2	**687**	2,248

*Restated for IAS 37. Refer to note 4 for further details.

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	Reserve for own shares	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 31 December 2017		461	1,257	(1,574)	58	—	167	482	—	5,782	6,633	6,688	1,200	14,521
Changes in accounting policy*		—	—	(11)	—	2	—	—	—	88	79	77	1	157
Balance as at 1 January 2018*		**461**	**1,257**	**(1,585)**	**58**	**2**	**167**	**482**	**—**	**5,870**	**6,712**	**6,765**	**1,201**	**14,678**
Profit*		—	—	—	—	—	—	108	—	858	966	947	192	2,105
Other comprehensive income	12.3	—	—	(72)	(76)	3	6	—	—	112	(27)	(28)	4	(51)
Total comprehensive income*		—	—	(72)	(76)	3	6	108	—	970	939	919	196	2,054
Transfer to retained earnings		—	—	—	—	—	—	(40)	—	40	—	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	—	(438)	(438)	(428)	(212)	(1,078)
Purchase own shares	11.4	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase own shares by Heineken N.V.	11.4	—	—	—	—	—	—	—	—	(19)	(19)	(19)	20	(18)
Dilution		—	—	—	—	—	—	—	—	1	1	(1)	—	—
Share-based payments by Heineken N.V.		—	—	—	—	—	—	—	—	13	13	13	—	26
Acquisition of non-controlling interests in Heineken N.V. group companies		—	—	—	—	—	—	—	—	13	13	13	(30)	(4)
Changes in consolidation by Heineken N.V.		—	—	—	—	—	—	—	—	21	21	21	8	50
Balance as at 31 December 2018		461	1,257	(1,657)	(18)	5	173	550	—	6,471	7,242	7,283	1,183	15,708

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	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 31 December 2018		461	1,257	(1,657)	(18)	5	173	550	—	6,471	7,242	7,283	1,183	15,708
Changes in accounting policy*		—	—	—	—	—	—	—	—	2	2	1	—	3
Balance as at 1 January 2019*		**461**	**1,257**	**(1,657)**	**(18)**	**5**	**173**	**550**	**—**	**6,473**	**7,244**	**7,284**	**1,183**	**15,711**
Profit		—	—	—	—	—	—	86	—	1,001	1,087	1,079	208	2,374
Other comprehensive income	12.3	—	—	144	43	(3)	5	—	—	(108)	81	81	24	186
Total comprehensive income		**—**	**—**	**144**	**43**	**(3)**	**5**	**86**	**—**	**893**	**1,168**	**1,160**	**232**	**2,560**
Realised hedge results from non-financial assets		—	—	—	(33)	—	—	—	—	—	(33)	(33)	—	(66)
Transfer to retained earnings		—	—	2	—	—	(20)	(76)	—	94	—	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	—	(475)	(475)	(474)	(272)	(1,221)
Cancellation own shares	11.4	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase own shares by Heineken N.V.	11.4	—	—	—	—	—	—	—	—	209	209	209	11	429
Negative dilution		—	—	—	—	—	—	—	—	(64)	(64)	64	—	—
Share-based payments by Heineken N.V.		—	—	—	—	—	—	—	—	7	7	7	—	14
Acquisition of non-controlling interests in Heineken N.V. group companies		—	—	—	—	—	—	—	—	(63)	(63)	(63)	5	(121)
Changes in consolidation by Heineken N.V.		—	—	—	—	—	—	—	—	—	—	—	5	5
Balance as at 31 December 2019		**461**	**1,257**	**(1,511)**	**(8)**	**2**	**158**	**560**	**—**	**7,074**	**7,993**	**8,154**	**1,164**	**17,311**

*Restated for IAS 37 (refer to note 4 for further details), IFRS16 and IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, Amsterdam. The consolidated financial statements of the Company as at 31 December 2019 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 portfolio 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 2019 have been adopted by the EU. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB.
- Prepared by the Board of Directors and authorised for issue on 11 February 2020 and will be submitted for adoption to the General Meeting of Shareholders on 23 April 2020.
- Prepared on the historical cost basis unless otherwise indicated.
- Presented in Euro, which is the Company's functional currency.
- Rounded to the nearest million unless stated otherwise.

The deferred tax note 12.2 has been updated for 2018 to reflect a revised breakdown per deferred tax category.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Next to this, the recognised amounts are based on factors which by default are associated with uncertainties. Therefore actual results may differ from estimates. Within the consolidated financial statements the estimates and judgements are described per note (if applicable). The following notes contain the most significant estimates and judgements:

Note	Particular area involving significant estimates and judgements
6.1 Operating segments	Judgement on acting as principal versus agent with respect to excise tax expense
8.1 Intangible assets and 8.2 Property, plant and equipment	Assumptions used in impairment testing
8.2 Property, plant and equipment and 11.3 Borrowings	Judgement used in the determination of the lease term and assumptions used in the determination of the incremental borrowing rate
9.1 Post-retirement obligations	Assumptions for discount rates, future pension increases and life expectancy to calculate the defined benefit obligation
9.2 Provisions and 9.3 Contingencies	Estimating the likelihood and timing of potential cash flows relating to claims and litigation
12.2 Deferred tax assets and liabilities	Assessment of the recoverability of past tax losses

4. CHANGES IN ACCOUNTING POLICIES

(a) Changed accounting policies in 2019

The following accounting policy changes have been adopted in 2019 and are reflected in the consolidated financial statements:

IFRS 16 Leases

HEINEKEN has implemented IFRS 16 'Leases' as at 1 January 2019, replacing existing guidance on leases, including IAS 17. The adoption of IFRS 16 has changed the accounting for leases as under the new standard all operating lease contracts are recognised on HEINEKEN's statement of financial position ('balance sheet') by recognising a right of use (ROU) asset and a lease liability, except for short-term and low value leases. Lease expenses previously recorded in the income statement are replaced by depreciation and interest expenses for all lease contracts in scope of the standard. Refer to notes 8.2 Property, plant and equipment and 11.3 Borrowings for the accounting policy on leases.

HEINEKEN has implemented IFRS 16 as at 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers are not restated. HEINEKEN has around 30,000 operating leases mainly relating to stores, pubs, offices, warehouses, cars and (forklift) trucks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In some countries, HEINEKEN is operating both as a lessee (referred to as head lease contracts) and a lessor (referred to as sublease contracts) for pubs. HEINEKEN has analysed the sublease contracts and concluded that under the new standard these contracts are treated as a finance lease, where under the previous standard these same leases were treated as an operating lease.

In the transition to IFRS 16 HEINEKEN applied the following transition expedients:

- Use the option to grandfather the lease classification for existing contracts
- Use the transition option for leases with a remaining contract period of less than one year, meaning that these leases will not be recorded on balance and the payments will be expensed in the income statement on a straight-line basis
- Measure the ROU asset based on the lease liability recognised

As a result of applying IFRS 16, HEINEKEN recognised €1,034 million of ROU assets, €252 million of lease receivables and €1,252 million of lease liabilities as at 1 January 2019. A net amount of €31 million of lease prepayments, lease accruals and onerous lease provisions has been included in ROU assets as at 1 January 2019. An amount of €3 million has been recorded in retained earnings. The ROU assets are included in Property, plant and equipment. The lease receivables are included under Other non-current assets and Trade and other receivables. The lease liabilities are included under current and non-current Borrowings. As at 1 January 2019, deferred tax assets of €291 million related to lease liabilities, and deferred tax liabilities of €291 million related to ROU assets and lease receivables have been recognised. These deferred tax positions are offset and reported on a net basis in the statement of financial position.

When measuring the lease liability, HEINEKEN discounted the lease payments using the incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied is 4.3%.

During 2019, HEINEKEN reported €238 million depreciation and impairment of ROU assets and €55 million interest costs on lease liabilities. In 2018, operating lease expenses were reported under Raw materials, consumables and services and Personnel expenses. No material impact on tax expenses. As a result of the treatment of subleases as a finance lease, revenue decreased with approximately €54 million. The decrease in revenue is fully offset by a decrease in expenses on the head leases and primarily impacts The Netherlands and Belgium.

The lease payments are reported under 'Interest paid' (2019: €55 million) and 'Payment of lease commitments' (2019: €259 million) in the cash flow statement. In 2018, all lease payments were included in the cash flow from operations.

As at 31 December 2018, HEINEKEN reported total off-balance sheet commitments for leases of €2,013 million. The difference between the opening balance sheet impact as at 1 January 2019 and the off-balance sheet commitments is primarily due to discounting of future lease payments and low value and short-term lease commitments, which are not included in the lease liability. Refer to the table below for the reconciliation:

In millions of €	
Operating lease commitments disclosed at 31 December 2018	**2,013**
Impact of discounting using the incremental borrowing rate as at 1 January 2019	(615)
Short-term leases not recognised as a liability	(36)
Low value leases not recognised as a liability	(116)
Other reconciling items	6
Lease liability recognised as at 1 January 2019	**1,252**

Payments relating to contingent liabilities (IAS 37)

Following the IFRS Interpretations Committee agenda decision in January 2019 regarding tax deposits (relating to taxes other than income tax), HEINEKEN has changed its accounting policy with regards to payments relating to contingent liabilities.

Payments relating to contingent liabilities are now, in accordance with the conceptual framework, recognised as an asset on the balance sheet when it is probable (>50%) that HEINEKEN will recover the payment. Previously, these payments were contingent assets under IAS 37, and recognised if the recovery was virtually certain (>95%). Judgement is applied for estimating the likelihood, determining the timing of potential cash inflows and the recoverability.

This change in accounting policy has been recognised retrospectively and increased equity as at 1 January 2018 by €157 million. The impact on 2018 profit amounts to €10 million (increase). The cash flow statement has been restated within the cash flow from operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The restated amounts in the balance sheet as at 31 December 2018 are as follows:

As at 31 December 2018 (In millions of €)	2018 Reported	Change in accounting policy IAS 37	2018 Restated
Deferred tax assets	622	4	626
Other non-current assets	1,084	136	1,220
Trade and other receivables	3,740	55	3,795
Total assets	**41,956**	**195**	**42,151**
Heineken Holding N.V. shareholders' equity	7,158	84	7,242
Non-controlling interests in Heineken N.V.	7,200	83	7,283
Non-controlling interests in Heineken N.V. group companies	1,182	1	1,183
Provisions (non-current)	846	(13)	833
Deferred tax liabilities	1,370	61	1,431
Current tax liabilities	266	(21)	245
Total equity and liabilities	**41,956**	**195**	**42,151**

Other new standards and amendments

Other changes effective in 2019 had no significant impact on the disclosures or amounts recognised in HEINEKEN's consolidated financial statements.

(b) Upcoming changes in accounting policies for 2020

None of the standards and amendments to standards effective in 2020 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, except for the changes in accounting policies described in note 4.

(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 has the ability to 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 JVs (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 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. 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 are 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 transaction date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at exchange rates approximating to the exchange rates ruling at the dates of the transactions, except for foreign operations in hyperinflationary economies. In 2019 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 2019**	Year-end 2018	%	**Average 2019**	Average 2018	%
Brazilian Real (BRL)	**0.2215**	0.2250	(1.6)	**0.2265**	0.2322	(2.5)
Great Britain Pound (GBP)	**1.1754**	1.1179	5.1	**1.1396**	1.1303	0.8
Mexican Peso (MXN)	**0.0476**	0.0446	6.7	**0.0464**	0.0440	5.5
Nigerian Naira (NGN)	**0.0024**	0.0024	—	**0.0025**	0.0024	4.2
Polish Zloty (PLN)	**0.2348**	0.2327	0.9	**0.2327**	0.2347	(0.9)
Russian Ruble (RUB)	**0.0143**	0.0125	14.4	**0.0138**	0.0135	2.2
Singapore Dollar (SGD)	**0.6618**	0.6414	3.2	**0.6548**	0.6279	4.3
United States Dollar (USD)	**0.8902**	0.8734	1.9	**0.8932**	0.8466	5.5
Vietnamese Dong in 1,000 (VND)	**0.0385**	0.0376	2.4	**0.0384**	0.0368	4.3

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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. In below table information is provided about these reportable segments:

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Heineken N.V. Head Office & Other/eliminations		Consolidated	
In millions of €	Note	**2019**	2018*	**2019**	2018*	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018*
Net revenue (beia)[1]		**10,629**	10,348	**7,429**	6,781	**3,370**	3,051	**3,205**	2,919	**(740)**	(628)	**23,894**	22,471
Third party revenue[2]		12,601	12,351	7,656	6,928	4,106	3,724	4,106	3,701	52	107	28,521	26,811
Interregional revenue		758	702	32	27	—	—	2	3	(792)	(732)	—	—
Revenue		**13,359**	13,053	**7,688**	6,955	**4,106**	3,724	**4,108**	3,704	**(740)**	(625)	**28,521**	26,811
Excise tax expense[3]		(2,728)	(2,687)	(181)	(174)	(737)	(673)	(906)	(785)	—	(3)	(4,552)	(4,322)
Net revenue		**10,631**	10,366	**7,507**	6,781	**3,369**	3,051	**3,202**	2,919	**(740)**	(628)	**23,969**	22,489
Other income	6.2	12	28	9	19	1	2	73	4	—	22	95	75
Operating profit		**1,286**	1,279	**1,176**	949	**369**	211	**934**	779	**(132)**	(97)	**3,633**	3,121
Net finance expenses	11.1											(513)	(485)
Share of profit of associates and joint ventures	10.3	17	15	67	124	40	37	44	38	(4)	(4)	164	210
Income tax expense	12.1											(910)	(741)
Profit												**2,374**	2,105
Attributable to:													
Shareholders of Heineken Holding N.V. (net profit)												1,087	966
Non-controlling interests in Heineken N.V.												1,079	947
Non-controlling interests in Heineken N.V. group companies												208	192
Operating profit reconciliation													
Operating profit		1,286	1,279	1,176	949	369	211	934	779	(132)	(97)	3,633	3,121
Eia[1]		150	173	28	169	39	200	151	164	18	(19)	387	687
Operating profit (beia)[1]		**1,436**	1,452	**1,204**	1,118	**408**	411	**1,085**	943	**(114)**	(116)	**4,020**	3,808

*Restated for IAS 37. Refer to note 4 for further details.

[1]Note that this is a non-GAAP measure. Due to rounding, this balance will not always cast.

[2]Includes other revenue of €356 million in 2019 (2018: €389 million).

[3]Next to the €4,552 million of excise tax expense included in revenue (2018: €4,322 million), €1,813 million of excise tax expense is collected on behalf of third parties and excluded from revenue (2018: €1,568 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Heineken N.V. Head Office & Other/eliminations		Consolidated	
In millions of €	Note	**2019**	2018*	**2019**	2018*	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018*
Current segment assets		**2,918**	2,816	**2,286**	2,425	**1,451**	1,356	**1,239**	1,487	**394**	1,359	**8,288**	9,443
Non-current segment assets		**12,417**	11,449	**9,149**	8,055	**2,543**	2,299	**7,586**	7,368	**875**	894	**32,570**	30,065
Investments in associates and joint ventures		**305**	296	**864**	909	**237**	213	**3,452**	590	**10**	13	**4,868**	2,021
Total segment assets		**15,640**	14,561	**12,299**	11,389	**4,231**	3,868	**12,277**	9,445	**1,279**	2,266	**45,726**	41,529
Unallocated assets												**778**	622
Total assets												**46,504**	42,151
Segment liabilities		**4,441**	4,765	**2,760**	2,564	**1,590**	1,386	**1,127**	1,093	**2,664**	1,116	**12,582**	10,924
Unallocated liabilities												**16,611**	15,519
Total equity												**17,311**	15,708
Total equity and liabilities												**46,504**	42,151
Purchase of owned P,P&E	8.2	**706**	590	**617**	546	**426**	434	**263**	253	**17**	13	**2,029**	1,836
Acquisition of goodwill	8.1	**33**	10	**13**	(23)	**23**	29	**—**	7	**—**	—	**69**	23
Purchases of intangible assets	8.1	**85**	47	**43**	31	**17**	8	**9**	9	**32**	72	**186**	167
Depreciation of owned P,P&E	8.2	**(538)**	(510)	**(322)**	(273)	**(244)**	(237)	**(135)**	(122)	**(11)**	(13)	**(1,250)**	(1,155)
(Impairment) and reversal of impairment of owned P,P&E	8.2	**—**	—	**—**	—	**(9)**	(133)	**(43)**	—	**—**	—	**(52)**	(133)
Amortisation of intangible assets	8.1	**(76)**	(56)	**(117)**	(131)	**(9)**	(8)	**(160)**	(159)	**(37)**	(30)	**(399)**	(384)
(Impairment) and reversal of impairment of intangible assets	8.1	**—**	—	**—**	—	**(8)**	(21)	**(12)**	—	**—**	—	**(20)**	(21)

*Restated for IAS 37. Refer to note 4 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 €	2019	2018*
Operating profit (beia)	**4,020**	3,808
Amortisation of acquisition-related intangible assets included in operating profit	(309)	(311)
Exceptional items included in operating profit	(78)	(376)
Share of profit of associates and joint ventures	164	210
Net finance expenses	(513)	(485)
Profit before income tax	**3,284**	2,846

*Restated for IAS 37. Refer to note 4 for further details.

The 2019 exceptional items and amortisation of acquisition-related intangibles in operating profit amounts to €387 million (2018: €687 million). This amount consists of:

- €309 million (2018: €311 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €78 million (2018: €376 million) of exceptional items recorded in operating profit. This includes €78 million exceptional benefits on revenue, mainly relating to tax credits in Brazil (no impact in 2018) and €2 million exceptional excise tax expenses (2018: €18 million exceptional excise tax benefit), €91 million of restructuring expenses (2018: €122 million), €85 million of impairments (2018: €183 million mainly in the DRC), €57 million net gain on disposals, mainly relating to the sale of operating entities in China and Hong Kong (2018: €4 million net gain) and €35 million of other net exceptional expenses (2018: €94 million).

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 in a consistent manner 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 assets, liabilities and results. 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 on a monthly basis.

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 P,P&E 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, amongst others, impairments (and reversal of impairments) of goodwill and fixed assets, 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 on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Inter-segment 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 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 portfolio 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 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 recognised is 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 & 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 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 very 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 are 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 is not based on the sales value. In these countries, increases in excise duty 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 legislations, significant judgement is applied in the assessment 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' was added in 2018. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.2 OTHER INCOME

Other income includes the gain from sale of P,P&E and intangible assets. It also includes gains from the sale of subsidiaries, joint ventures and associates. These transactions do not arise from contracts with customers and are therefore presented separately from revenue.

In millions of €	**2019**	2018
Gain on sale of property, plant and equipment	20	31
Gain on sale of intangible assets	—	2
Gain on sale of subsidiaries, joint ventures and associates	75	42
	95	75

In 2019, other income mainly relates to the preliminary gain on sale of HEINEKEN's operating entities in China and Hong Kong (refer to note 10.2).

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.

6.3 RAW MATERIALS, CONSUMABLES AND SERVICES

In millions of €	**2019**	2018*
Raw materials	2,068	1,897
Non-returnable packaging	4,058	3,624
Goods for resale	1,501	1,533
Inventory movements	(75)	(43)
Marketing and selling expenses	2,632	2,494
Transport expenses	1,325	1,266
Energy and water	572	529
Repair and maintenance	519	527
Other expenses	1,992	2,174
	14,592	14,001

*Restated for IAS 37. Refer to note 4 for further details.

Other expenses mainly include consulting expenses of €219 million (2018: €192 million), telecom and office automation of €272 million (2018: €239 million), warehousing expenses of €195 million (2018: €187 million), travel expenses of €150 million (2018: €158 million) and other taxes of €75 million (2018: €56 million). As a result of the implementation of IFRS 16, other expenses include expenses for short-term leases of €73 million and low value leases of €39 million, compared to €375 million reported in 2018 for operating lease expenses. The majority of the operating lease expenses are now reported under amortisation, depreciation and impairments and interest expenses (refer to notes 6.6 and 11.1).

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.

6.4 PERSONNEL EXPENSES

The average number of full-time equivalent (FTE) employees, excluding contractors, in 2019 was 85,853 (2018: 85,610 FTE), divided per region as follows:

Average number of FTE per region
Number of FTE

The decrease in Asia Pacific is mainly due to the sale of operating entities in China and Hong-Kong. Within Europe 4,120 FTE are based in the Netherlands (2018: 4,027 FTE).

HEINEKEN employees are granted with 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 €183 million (2018:€168 million) and restructuring costs of €84 million (2018: €111 million). Restructuring provisions are disclosed in note 9.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In millions of €	Note	**2019**	2018
Wages and salaries		2,536	2,444
Compulsory social security contributions		386	386
Contributions to defined contribution plans		58	51
Expenses/(income) related to defined benefit plans	9.1	78	105
Expenses related to other long-term employee benefits		12	(9)
Equity-settled share-based payment plan	6.5	31	48
Other personnel expenses		779	724
		3,880	3,749

ACCOUNTING POLICIES

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 note 9.1 and 6.5 respectively.

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)

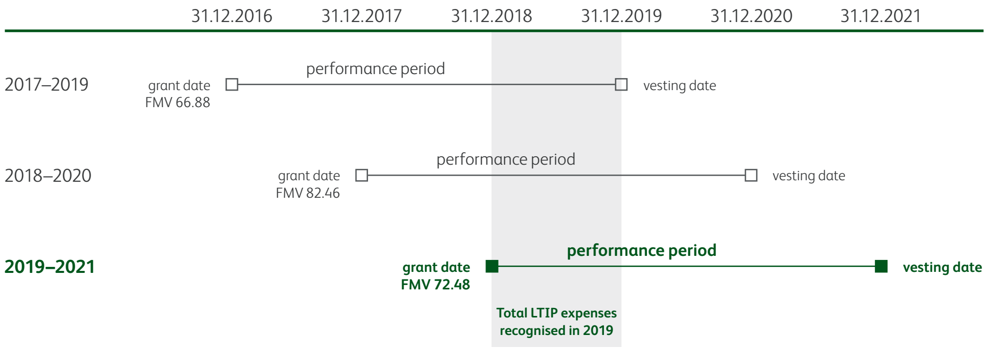
HEINEKEN has a performance-based Long-term incentive plan (LTIP) for Heineken N.V.'s Executive Board and senior management. Under this LTIP, share rights are conditionally awarded to participants on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific 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.

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 grant date, service period and vesting date for the LTIP are visualised below:

LTI Plan



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. are as follows:

	Number of share rights 2019	Number of share rights 2018
Outstanding as at 1 January	2,047,880	2,266,642
Granted during the year	531,949	444,556
Forfeited during the year	(157,276)	(124,039)
Vested previous year	(617,012)	(699,032)
Performance adjustment	(59,523)	159,753
Outstanding as at 31 December	**1,746,018**	2,047,880
Share price as at 31 December	**94.92**	77.20

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. Ownership of the vested LTIP 2017-2019 shares will transfer to the Executive Board members of Heineken N.V. shortly after publication of the annual results in 2020 and to senior management of Heineken N.V. on 1 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other share-based compensation plans

Under the extraordinary share plans for senior management of Heineken N.V. 2,500 shares were granted in 2019 and 7,025 (gross) shares were vested in 2019. These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2019 are €0.2 million (2018: €0.4 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 expenses that are recognised in 2019 amount to €31 million (2018: €48 million).

In millions of €	Note	**2019**	2018
Share rights granted in 2016		—	17
Share rights granted in 2017		13	18
Share rights granted in 2018		8	13
Share rights granted in 2019		10	—
Total expense recognised in personnel expenses	6.4	**31**	**48**

ACCOUNTING ESTIMATES

The grant date fair value is calculated by adjusting the share price at 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 are 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	**2019**	2018
Property, plant and equipment	8.2	1,540	1,288
Intangible assets	8.1	419	405
		1,959	**1,693**

As a result of the implementation of IFRS 16, Property, plant and equipment as presented in the table above includes the depreciation and impairment of ROU assets of €238 million (2018: nil).

ACCOUNTING POLICIES

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

6.7 EARNINGS PER SHARE

The calculation of earnings per share for the period ended 31 December 2019 is based on the profit attributable to the shareholders of the Company (net profit) and the weighted average number of shares outstanding (basic and diluted) during the year ended 31 December 2019.

In € per share (basic or diluted) for the period ended 31 December	**2019**	2018*
Basic earnings per share	3.77	3.35
Diluted earnings per share	3.77	3.35

*Restated for IAS 37. Refer to note 4 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	2019	2018
Total number of shares issued	288,030,168	288,030,482
Effect of own shares held	—	(314)
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

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

In millions of €	**2019**	2018
Raw materials	403	351
Work in progress	252	228
Finished products	488	426
Goods for resale	339	323
Non-returnable packaging	283	230
Other inventories and spare parts	448	362
	2,213	1,920

During 2019 inventories were written down by €7 million to net realisable value (2018: €25 million).

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on 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 in the course of ordinary activities like the sale of inventory, proceeds for contract brewing or royalty fees.

In millions of €	**2019**	2018*
Trade receivables	2,913	2,588
Other receivables	813	817
Trade receivables due from associates and joint ventures	12	8
Prepayments	385	382
	4,123	3,795

*Restated for IAS 37. Refer to note 4 for further details.

Trade and other receivables contain a net impairment loss of €65 million (2018: €38 million) from contracts with customers, which is included in expenses for raw materials, consumables and services.

The ageing of the trade and other receivables (excluding prepayments) as per reporting date can be shown as follows:

2019					Past due
In millions of €	**Total**	Not past due	0-30 days	31-120 days	> 120 days
Gross	4,172	2,814	455	313	590
Allowance	(434)	(44)	(10)	(57)	(323)
	3,738	**2,770**	**445**	**256**	**267**

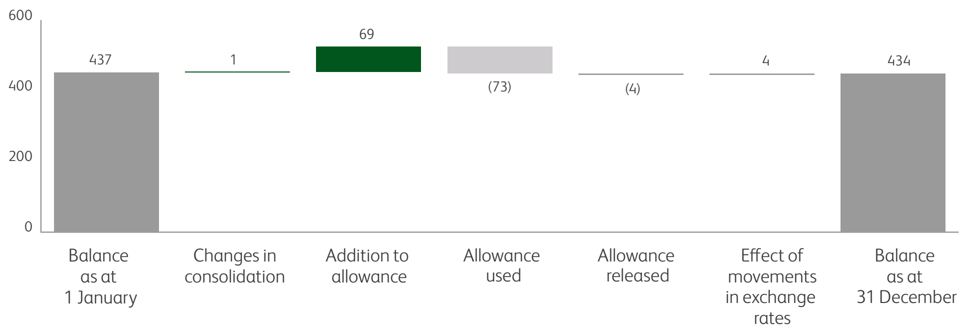
2018*					Past due
In millions of €	**Total**	Not past due	0-30 days	31-120 days	> 120 days
Gross	3,850	2,535	472	275	568
Allowance	(437)	(38)	(5)	(44)	(350)
	3,413	2,497	467	231	218

*Restated for IAS 37. Refer to note 4 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Allowance for credit losses 2019 — Trade and other receivables
In millions of €



In millions of €	**2019**	2018
Balance as at 1 January	**437**	453
Policy changes	—	1
Changes in consolidation	1	1
Addition to allowance	69	42
Allowance used	(73)	(49)
Allowance released	(4)	(4)
Effect of movements in exchange rates	4	(7)
Balance as at 31 December	**434**	437

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

ACCOUNTING POLICIES

Trade and other receivables are held by HEINEKEN in order 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 €	**2019**	2018
Trade payables	4,720	4,016
Accruals	1,386	1,334
Taxation and social security contributions	1,009	1,060
Interest	147	164
Dividends	12	19
Other payables	246	298
	7,520	6,891

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 year-end discounts payable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 is classified as Property, plant and equipment. The category other fixed assets in Property, plant and equipment (refer to note 8.2) includes €922 million (2018: €882 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 sale of the finished product, which is paid back when the empty returnable packaging material is returned.

In millions of €	**2019**	2018
Returnable packaging deposits	565	569

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 the ownership gets transferred and whether 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 site.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

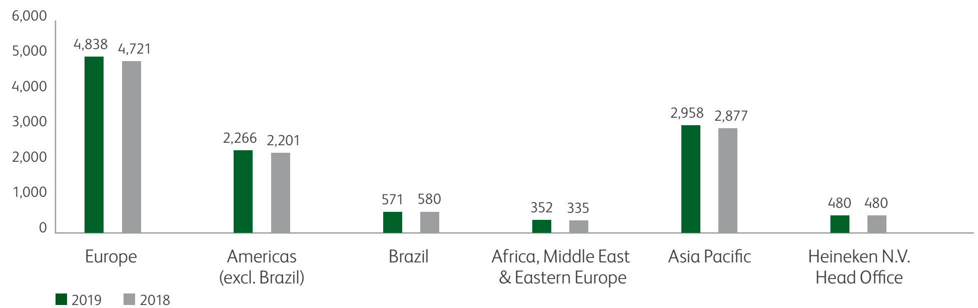
		2019						2018					
In millions of €	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	**Total**	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	**Total**
COST													
Balance as at 1 January		**11,621**	**4,775**	**2,204**	**1,010**	**931**	**20,541**	11,612	4,689	2,334	1,095	782	20,512
Changes in consolidation and other transfers		62	71	21	5	12	171	23	43	6	6	24	102
Purchased/internally developed		—	—	4	6	176	186	—	4	—	7	156	167
Transfer (to)/from assets classified as held for sale	10.2	(5)	—	—	—	—	(5)	(59)	(4)	(65)	(79)	(1)	(208)
Disposals		—	—	—	(3)	(73)	(76)	—	(1)	(109)	(28)	(27)	(165)
Effect of movements in exchange rates		220	133	71	46	(9)	461	45	44	38	9	(3)	133
Balance as at 31 December		**11,898**	**4,979**	**2,300**	**1,064**	**1,037**	**21,278**	11,621	4,775	2,204	1,010	931	20,541
AMORTISATION AND IMPAIRMENT LOSSES													
Balance as at 1 January		**(427)**	**(865)**	**(992)**	**(269)**	**(529)**	**(3,082)**	(407)	(738)	(959)	(270)	(468)	(2,842)
Changes in consolidation and other transfers		—	—	—	—	—	—	—	—	—	(9)	(23)	(32)
Amortisation charge for the year	6.6	—	(134)	(135)	(43)	(87)	(399)	—	(127)	(140)	(50)	(67)	(384)
Impairment losses	6.6	(6)	—	(6)	(6)	(2)	(20)	(20)	—	—	—	(1)	(21)
Transfer (to)/from assets classified as held for sale	10.2	—	—	—	—	—	—	—	4	20	32	1	57
Disposals		—	—	—	—	57	57	—	—	109	27	27	163
Effect of movements in exchange rates		—	(27)	(36)	(10)	8	(65)	—	(4)	(22)	1	2	(23)
Balance as at 31 December		**(433)**	**(1,026)**	**(1,169)**	**(328)**	**(553)**	**(3,509)**	(427)	(865)	(992)	(269)	(529)	(3,082)
CARRYING AMOUNT													
As at 1 January		11,194	3,910	1,212	741	402	17,459	11,205	3,951	1,375	825	314	17,670
As at 31 December		11,465	3,953	1,131	736	484	17,769	11,194	3,910	1,212	741	402	17,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Goodwill impairment testing

For the purpose of impairment testing, goodwill in respect of Europe, Americas (excluding Brazil) and Asia Pacific is allocated and monitored on a regional basis. For Brazil and 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 €11,465 million (2018: €11,194 million) is allocated to each (group of) Cash Generating Unit (CGU) as follows:

Goodwill per (group of) CGU
In millions of €



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 calculations. For CGUs representing more than 95% of goodwill, the recoverable amount is based on a value in use model. Value in use is determined by discounting the future cash flows generated from the continuing use of the unit using a pre-tax discount rate.

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

- Cash flows are projected based on actual operating results and the three-year business plan. Cash flows for a further seven-year period (except for Europe, where a further two-year period was applied) were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this period is justified due to the long-term development of the local beer business and past experiences.
- The beer price growth per year after the first three-year period is assumed to be at specific per country expected annual long-term inflation, based on external sources.
- Cash flows after the first ten-year period (Europe five-year) are extrapolated using a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

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

In %	Pre-tax WACC	Expected annual long-term inflation 2023-2029	Expected volume growth rates 2023-2029
Europe	8.5	2.0	0.9
Americas (excluding Brazil)	12.1	2.9	2.7
Brazil	17.0	3.6	—
Africa, Middle East & Eastern Europe	22.7 - 35.3	6.9 - 8.7	0.0 - 2.9
Asia Pacific	13.5	3.4	3.9
Heineken N.V. Head Office	7.9	2.0	0.9

CGUs for which the recoverable amount is based on a FVLCD model represent less than 5% of goodwill.

The outcome of goodwill impairment tests in 2019 resulted in impairment losses of €6 million (2018: nil).

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

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 value in use 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 technical 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 closely reflects the expected pattern of consumption of the future economic benefits embodied in the intangible asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 the purpose of 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 can not 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 15 - 25 years
- Customer-related and contract-based intangibles 5 - 30 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 or sold. Gains on sale of intangibles are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in depreciation. 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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use. The CGU for other non-financial assets is often the operating company on country level. The recoverable amount of an asset or CGU is the higher of an asset's FVLCD and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and 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 then 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 €	Note	**2019**	2018
Property, plant and equipment - owned assets		12,230	11,359
Right of use assets	4	1,039	—
Property, plant and equipment		**13,269**	11,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Owned assets

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

						2019					2018
In millions of €	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	**Total**	Land and buildings	Plant and equipment	Other fixed assets	Under construction	**Total**
COST											
Balance as at 1 January		**6,978**	**8,872**	**5,344**	**998**	**22,192**	6,911	8,393	5,166	902	21,372
Changes in consolidation and other transfers		25	23	8	3	59	5	74	12	2	93
Purchases		62	91	411	1,465	2,029	36	74	396	1,330	1,836
Transfer of completed projects under construction		328	737	327	(1,392)	—	314	615	315	(1,244)	—
Transfer (to)/from assets classified as held for sale		(23)	—	(1)	—	(24)	(89)	(108)	(31)	—	(228)
Disposals		(133)	(194)	(385)	(13)	(725)	(132)	(105)	(517)	(1)	(755)
Effect of movements in exchange rates		181	109	74	16	380	(67)	(71)	3	9	(126)
Balance as at 31 December		**7,418**	**9,638**	**5,778**	**1,077**	**23,911**	6,978	8,872	5,344	998	22,192
DEPRECIATION AND IMPAIRMENT LOSSES											
Balance as at 1 January		**(2,178)**	**(5,116)**	**(3,539)**	**—**	**(10,833)**	(2,089)	(4,706)	(3,460)	—	(10,255)
Changes in consolidation and other transfers		—	—	—	—	—	—	(64)	(6)	—	(70)
Depreciation charge for the year	6.6	(177)	(440)	(633)	—	(1,250)	(161)	(416)	(578)	—	(1,155)
Impairment losses	6.6	(15)	(27)	(10)	—	(52)	(29)	(89)	(15)	—	(133)
Transfer to/(from) assets classified as held for sale		8	—	—	—	8	10	33	24	—	67
Disposals		25	190	378	—	593	82	100	505	—	687
Effect of movements in exchange rates		(30)	(71)	(46)	—	(147)	9	26	(9)	—	26
Balance as at 31 December		**(2,367)**	**(5,464)**	**(3,850)**	**—**	**(11,681)**	(2,178)	(5,116)	(3,539)	—	(10,833)
CARRYING AMOUNT											
As at 1 January		4,800	3,756	1,805	998	11,359	4,822	3,687	1,706	902	11,117
As at 31 December		5,051	4,174	1,928	1,077	12,230	4,800	3,756	1,805	998	11,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2019 an impairment of Property, plant and equipment of €52 million was charged to profit or loss (2018: €133 million), relating to Asia Pacific and Africa, Middle East & Eastern Europe regions.

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 30,000 leases with a wide range of different terms and conditions, depending on local regulations and practice. Many leases contain extension and termination options, which are included in the lease term if HEINEKEN is reasonably certain to exercise an extension option and reasonably certain not to exercise a termination option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

In millions of €	2019	2018
Land and buildings	807	—
Equipment	232	—
Carrying amount ROU assets as at 31 December	**1,039**	—

During 2019 €271 million was added to the ROU assets as a result of entering into new leases which did not exist at the beginning of the year and the remeasurement of existing leases. The depreciation and impairments of ROU assets during the financial year were as follows:

In millions of €	2019	2018
Land and buildings	158	—
Equipment	80	—
Depreciation and impairments for ROU assets	**238**	—

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 restructurings.

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) or 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 its intended use, they are transferred to the relevant category and depreciation starts. All other P,P&E items are depreciated over their estimated useful live 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HEINEKEN reviews whether impairment triggers exists on Cash Generating Unit (CGU) level. When a triggering event exists, assets are tested for impairment (refer to note 8.1).

De-recognition of Property, plant & 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 is or 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 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 right of use (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, meaning 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.

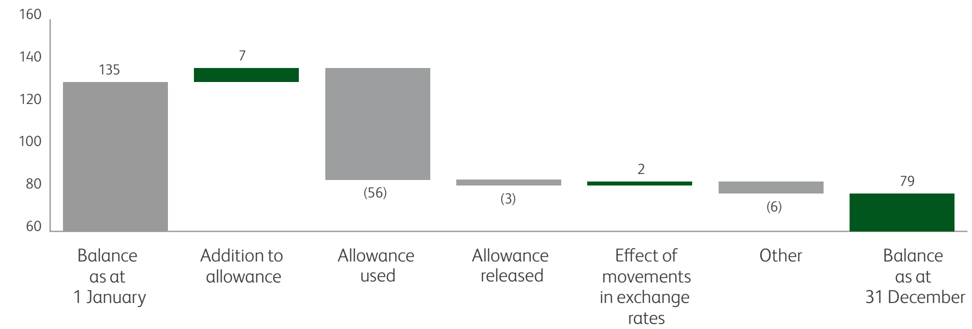
8.3 LOANS AND ADVANCES TO CUSTOMERS

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 are linked to the sales volume of the customer. Loans and advances to customers are usually backed by collateral such as properties.

In millions of €	**2019**	2018
Loans to customers	55	52
Advances to customers	222	289
Loans and advances to customers	**277**	341

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

Allowance for credit losses 2019 — Loans and advances to customers
In millions of €



In millions of €	**2019**	2018
Balance as at 1 January	**135**	145
Policy changes	—	(2)
Addition to allowance	7	5
Allowance used	(56)	(11)
Allowance released	(3)	—
Effect of movements in exchange rates	2	1
Other	(6)	(3)
Balance as at 31 December	**79**	135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

ACCOUNTING ESTIMATES

HEINEKEN determines on 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. Only in case 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 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. 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	2019	2018*
Fair value through OCI investments		408	501
Non-current derivatives	11.6	2	35
Loans to joint ventures and associates		38	9
Long-term prepayments		439	466
Other receivables		368	209
Other non-current assets		**1,255**	1,220

*Restated for IAS 37. Refer to note 4 for further details.

The FVOCI investments primarily consist of equity securities. HEINEKEN designates these investments as FVOCI as these are not held for trading purposes. As at 31 December 2019 the investment of €241 million (2018: €331 million) in the Saigon Alcohol Beer and Beverages Corporation ('SABECO', Vietnam), is the main FVOCI equity investment.

The other receivables include lease receivables of €167 million (2018: nil). Including the short-term portion of lease receivables, the average outstanding term of the lease receivables is 4.6 years (2018: N/A). 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. Collection of this receivable is expected to be beyond a period of five years. A part of the aforementioned receivables qualifies for indemnification towards FEMSA which are 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 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 €	**2019**	2018
Present value of unfunded defined benefit obligations	307	251
Present value of funded defined benefit obligations	9,210	8,260
Total present value of defined benefit obligations	**9,517**	8,511
Fair value of defined benefit plan assets	(8,451)	(7,682)
Present value of net obligations	**1,066**	829
Asset ceiling items	53	51
Defined benefit plans included under non-current assets	7	7
Recognised liability for defined benefit obligations	**1,126**	887
Other long-term employee benefits	63	67
	1,189	954

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 and the United Kingdom 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.

	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
In millions of €	UK	UK	NL	NL	Other	Other	**Total**	**Total**
Total present value of defined benefit obligations	**3,945**	3,611	**4,096**	3,587	**1,476**	1,313	**9,517**	8,511
Fair value of defined benefit plan assets	**(3,529)**	(3,276)	**(3,939)**	(3,488)	**(983)**	(918)	**(8,451)**	(7,682)
Present value of net obligations	**416**	335	**157**	99	**493**	395	**1,066**	829

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 2019, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level is expected to be paid in 2020. As a result of an agreed final payment to settle a closed transitional plan, a one-off contribution of €85 million is expected to be paid in late 2020 or early 2021. Following this payment, the respective plan will be fully funded.

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 leads to a gradual decrease of 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 pensions fund and will be capped on the current contribution level.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Movement in net defined benefit obligation

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

In millions of €	Note	Present value of defined benefit obligations 2019	2018	Fair value of defined benefit plan assets 2019	2018	Present value of net obligations 2019	2018
Balance as at 1 January		**8,511**	9,088	**(7,682)**	(7,908)	**829**	1,180
Included in profit or loss							
Current service cost		81	88	—	—	81	88
Past service cost/(credit)		(1)	14	—	—	(1)	14
Administration expense		—	—	3	4	3	4
Effect of any settlement		(5)	(1)	—	—	(5)	(1)
Expense recognised in personnel expenses	6.4	**75**	101	**3**	4	**78**	105
Interest expense/(income)	11.1	212	197	(182)	(166)	30	31
		287	298	**(179)**	(162)	**108**	136
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from							
Demographic assumptions		(93)	(177)	—	—	(93)	(177)
Financial assumptions		1,065	(329)	—	—	1,065	(329)
Experience adjustments		(125)	9	—	—	(125)	9
Return on plan assets excluding interest income		—	—	(579)	174	(579)	174
Effect of movements in exchange rates		210	(10)	(190)	9	20	(1)
		1,057	(507)	**(769)**	183	**288**	(324)
Other							
Changes in consolidation and reclassification		20	6	(4)	17	16	23
Contributions paid:							
By the employer		—	—	(175)	(170)	(175)	(170)
By the plan participants		24	21	(24)	(23)	—	(2)
Benefits paid		(382)	(395)	382	381	—	(14)
Settlements		—	—	—	—	—	—
		(338)	(368)	**179**	205	**(159)**	(163)
Balance as at 31 December		**9,517**	8,511	**(8,451)**	(7,682)	**1,066**	829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Defined benefit plan assets

			2019			2018
In millions of €	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments:						
Europe	579	—	579	815	—	815
Northern America	1,051	—	1,051	522	—	522
Japan	196	—	196	129	—	129
Asia other	122	—	122	60	—	60
Other	339	69	408	315	193	508
	2,287	**69**	**2,356**	1,841	193	2,034
Debt instruments:						
Bonds – investment grade	3,759	512	4,271	2,150	1,353	3,503
Bonds – non-investment grade	251	240	491	223	507	730
	4,010	**752**	**4,762**	2,373	1,860	4,233
Derivatives	5	(602)	(597)	33	(537)	(504)
Properties and real estate	15	794	809	256	501	757
Cash and cash equivalents	107	17	124	196	(12)	184
Investment funds	66	848	914	523	239	762
Other plan assets	13	70	83	104	112	216
	206	**1,127**	**1,333**	1,112	303	1,415
Balance as at 31 December	**6,503**	**1,948**	**8,451**	5,326	2,356	7,682

The HEINEKEN pension funds monitor the mix of debt and equity securities in their investment portfolios based on market expectations. Material investments within the portfolio are managed on an individual basis. Through its defined benefit pension plans, HEINEKEN is exposed to a number of risks, the most significant 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, which are expected to outperform corporate bonds in the long term, while providing volatility and risk in the short term.

In the Netherlands, an Asset-Liability Matching (ALM) study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 38% of plan assets in equity securities, 30% in bonds, 12.5% in other investments, 10% in mortgage and 9.5% in real estate. The last ALM study was performed in 2018.

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. Following the 2018 valuation a strategic asset mix comprising 30% of plan assets in liability driven investments, 20% in equities, 15% in corporate bonds, 15% in higher yielding credit, 15% in private markets and 5% in long lease property. As part of the Funding Agreement, the strategic asset mix will evolve between now and 2030 to provide a 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 for 23.4% (2018: 24.4%). 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 49% of the interest rate sensitivity of the total liabilities (2018: 34%).

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 49% of the inflation-linked liabilities (2018: 37%).

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustee of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

In %	The Netherlands 2019	The Netherlands 2018	UK[1] 2019	UK[1] 2018
Discount rate as at 31 December	**0.9**	1.8	**2.1**	2.9
Future salary increases	**2.0**	2.0	**—**	—
Future pension increases	**0.5**	0.8	**2.9**	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:

In %	Europe 2019	Europe 2018	Americas 2019	Americas 2018	Africa, Middle East & Eastern Europe 2019	Africa, Middle East & Eastern Europe 2018
Discount rate as at 31 December	**0.3-0.9**	1.0-2.9	**6.8-14.0**	7.0-12.9	**0.9-12.4**	1.8-15.5
Future salary increases	**0.0-3.5**	0.0-4.0	**0.0-4.5**	0.0-4.5	**0.0-5.0**	2.0-11.4
Future pension increases	**0.0-1.5**	0.0-3.0	**0.0-3.6**	0.0-3.5	**0.0-2.9**	0.0-5.0
Medical cost trend rate	**0.0-4.5**	0.0-4.5	**0.0-13.1**	0.0-12.2	**0.0-0.0**	0.0-0.0

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2018', fully generational. For the UK, the future mortality rates are obtained by applying the Continuous Mortality Investigation 2017 projection model.

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

HEINEKEN expects the regular contributions to be paid for the defined benefit plans for 2020 to be in line with 2019. For the pension fund in The Netherlands, a one-off contribution of €85 million is expected to be paid in late 2020 or early 2021.

Sensitivity analysis

As at the reporting date, 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:

Effect in millions of €	31 December 2019 Increase in assumption	31 December 2019 Decrease in assumption	31 December 2018 Increase in assumption	31 December 2018 Decrease in assumption
Discount rate (0.5% movement)	(770)	884	(686)	781
Future salary growth (0.25% movement)	17	(16)	48	(46)
Future pension growth (0.25% movement)	365	(335)	341	(316)
Medical cost trend rate (0.5% movement)	6	(5)	4	(3)
Life expectancy (1 year)	393	(392)	339	(341)

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 obligations 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 are 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 that are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to HEINEKEN, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in HEINEKEN. An economic benefit is available to HEINEKEN if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are changed, the expense or benefit is recognised immediately in profit or loss.

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses and other net finance income and expenses in profit or loss.

9.2 PROVISIONS

Provisions within HEINEKEN mainly relate to 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 €	Claims and litigation	Taxes	Restructuring	Onerous contracts	Other	**Total**
Balance as at 1 January 2019*	355	375	130	49	88	997
Changes in accounting policy[1]	—	—	—	(11)	—	(11)
Provisions made during the year	94	46	86	4	31	261
Provisions used during the year	(6)	(21)	(54)	(1)	(11)	(93)
Provisions reversed during the year	(119)	(63)	(8)	(12)	(26)	(228)
Effect of movements in exchange rates	(3)	(1)	—	1	(2)	(5)
Unwinding of discounts	18	1	—	—	—	19
Balance as at 31 December 2019	**339**	**337**	**154**	**30**	**80**	**940**
Non-current	326	260	93	17	60	756
Current	13	77	61	13	20	184

*Restated for IAS 37. Refer to note 4 for further details.
[1]Change in accounting policy for IFRS 16. Refer to note 4 for further details

Claims and litigation

The provisions for claims and litigation of €339 million mainly relate to civil and labour claims in Brazil.

Taxes

The provisions for taxes of €337 million do not relate to income tax 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 provisions for restructuring of €154 million (2018: €130 million) mainly relate to restructuring programmes in Spain and the Netherlands.

Other provisions

Included are, among others, surety and guarantees provided of €42 million (2018: €47 million).

ACCOUNTING ESTIMATES

In determining the likelihood and timing of potential cash out flows, 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 restructurings, 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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9.3 CONTINGENCIES

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

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 €957 million (2018: €937 million), out of which €171 million (2018: €171 million) qualifies for indemnification. For several tax contingencies that were part of acquisitions, an amount of €306 million (2018: €369 million) has been recognised as provisions and other non-current liabilities in the balance sheet (refer to note 9.2).

Other contingencies

The other contingencies relate to civil cases in Brazil. Management's best estimate of the financial effect for these cases is €39 million (2018: €64 million). For the other contingencies that were part of acquisitions, an amount of €23 million (2018: €31 million) has been recognised as provisions in the balance sheet (refer to note 9.2).

Guarantees

In millions of €	Total 2019	Less than 1 year	1-5 years	More than 5 years	Total 2018
Guarantees to banks for loans (to third parties)	332	47	280	5	325
Other guarantees	1,019	330	378	311	959
Guarantees	**1,351**	**377**	**658**	**316**	1,284

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 risk related to these loans.

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 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

Acquisitions and disposals in 2019

During 2019 no significant acquisitions or disposals took place.

Prior year adjustments

During 2019 all the provisional accounting periods of the 2018 acquisitions have been closed without material adjustments.

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.

Assets held for sale and liabilities associated with assets classified as held for sale

In millions of €	**2019**	2018
Current assets	—	34
Property, plant and equipment	46	183
Intangible assets	—	153
Other non-current assets	65	31
Assets classified as held for sale	**111**	401
Current liabilities	—	(101)
Non-current liabilities	—	(31)
Liabilities associated with assets classified as held for sale	**—**	(132)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In 2018 the assets and liabilities held for sale mainly related to HEINEKEN's operating entities in China and Hong Kong, which have been sold as part of the strategic partnership with China Resources Enterprise, Limited ('CRE') and China Resources Beer (Holdings) Co. Ltd. ('CR Beer'). This transaction was closed in 2019 (refer to note 6.2).

ACCOUNTING ESTIMATES AND JUDGEMENTS

HEINEKEN classifies assets or disposal groups as held for sale when they are available for immediate sale in its present condition and the sale is highly probable. HEINEKEN should be committed to the sale and it should be unlikely that the plan to sale 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 FVLCD.

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 a number of joint ventures and associates. The total carrying amount of these associates and joint ventures was €4,868 million as at 31 December 2019 (2018: €2,021 million) and the total share of profit and other comprehensive income was €144 million in 2019 (2018: €174 million).

The investments in associates and joint ventures includes the interest of HEINEKEN in United Breweries Limited (UBL) in India. On 10 October 2018, officials from the Competition Commission of India visited UBL for an investigation in relation to allegations of price fixing. The related investigation report was communicated to UBL on 13 December 2019. Currently, UBL is in the process of reviewing the investigation report and preparing its response. As the decision of the Competition Commission of India is pending, UBL deems it not practicable at this stage to estimate its potential financial effect, if any.

The associate CRH (Beer) Limited ('CBL') is considered to be individually material. HEINEKEN holds a shareholding of 40% in CRH (Beer) Limited ('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 HKD43.10 as at 31 December 2019 the fair value of this economic interest in CR Beer amounts to €3,304 million. The carrying amount of CBL as at 31 December 2019 amounts to €2,716 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 May-October 2019. The reconciliation of the summarised financial information to the carrying amount of the effective interest in CR Beer is also presented.

In millions of €	**2019**
Summarised balance sheet (100%)	
Non-current assets	8,708
Current assets	1,140
Non-current liabilities	(1,470)
Current liabilities	(2,577)
Net assets	**5,801**
Reconciliation to carrying amount	
Opening net assets[1]	5,887
Profit for the period	61
Other comprehensive income	(86)
Dividends paid	(61)
Closing net assets	**5,801**
Heineken N.V.'s share in %	20.67%
Heineken N.V.'s share	1,199
Goodwill	1,517
Carrying amount	**2,716**
Summarised income statement (100%)	
Revenue	2,500
Profit	**61**
Other comprehensive income	(86)
Total comprehensive income	**(25)**
Dividends received	13

[1]On the acquisition date 29 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	
In millions of €	**2019**	2018	**2019**[1]	2018
Carrying amount of interests	**1,734**	1,748	**3,134**	273
Share of:				
Profit or loss from continuing operations	112	192	52	18
Other comprehensive income	4	(37)	(24)	1
	116	155	**28**	19

[1]The 2019 column 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 those 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 joint ventures 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 comprises dividend income, fair value changes of financial assets and liabilities measured at fair value, transactional foreign exchange gains and losses (on net basis), unwinding of discount on provisions and interest on the net defined benefit obligation.

In millions of €	Note	**2019**	2018*
Interest income		**75**	71
Interest expenses		**(529)**	(492)
Dividend income from fair value through OCI investments		10	16
Net change in fair value of derivatives		(14)	71
Net foreign exchange gain/(loss)[1]		(25)	(102)
Unwinding discount on provisions	9.2	(19)	(17)
Interest on the net defined benefit obligation	9.1	(26)	(31)
Other		15	(1)
Other net finance income/(expenses)		**(59)**	(64)
Net finance income/(expenses)		**(513)**	(485)

*Restated for IAS 37. Refer to note 4 for further details.
[1]Transactional foreign exchange effects of working capital and foreign currency denominated loans, the latter being offset by net change in fair value of derivatives.

Interest expenses include the interest component of lease liabilities of €55 million (2018: N/A).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 for the purpose of the statement of cash flows.

In millions of €	Note	**2019**	2018
Cash and cash equivalents		1,821	2,903
Bank overdrafts	11.3	(1,134)	(655)
Cash and cash equivalents in the statement of cash flows		**687**	2,248

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	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to legal offset rights	Net amount
Balance as at 31 December 2019					
ASSETS					
Cash and cash equivalents	1,821	—	1,821	(600)	1,221
LIABILITIES					
Bank overdrafts	(1,134)	—	(1,134)	600	(534)
Balance as at 31 December 2018					
ASSETS					
Cash and cash equivalents	3,241	(338)	2,903	(260)	2,643
LIABILITIES					
Bank overdrafts	(993)	338	(655)	260	(395)

HEINEKEN operates in a number of territories where there is limited availability of foreign currency resulting in restrictions on remittances. Mainly as a result of these restrictions, €342 million (2018: €330 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 indebtness.

		2019			2018		
In millions of €	Note	Non-current	Current	**Total**	Non-current	Current	**Total**
Unsecured bond issues		11,774	1,014	12,788	12,179	971	13,150
Lease liabilities		1,003	255	1,258	—	—	—
Bank loans		462	22	484	309	17	326
Other interest-bearing liabilities		127	568	695	140	37	177
Deposits from third parties[1]		—	693	693	—	678	678
Bank overdrafts		—	1,134	1,134	—	655	655
Total borrowings		**13,366**	**3,686**	**17,052**	12,628	2,358	14,986
Market value of cross-currency interest rate swaps	11.5			28			(2)
Cash and cash equivalents	11.2			(1,821)			(2,903)
Net interest-bearing debt position				**15,259**			12,081

[1]Mainly employee deposits.

As at 31 December 2019, €103 million of the €484 million of bank loans is secured (2018: €97 million). As at 31 December 2019 other interest bearing liabilities includes €532 million of commercial paper (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Changes in borrowings

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 2019	**13,150**	**—**	**326**	**177**	**678**	**(2)**	**14,329**
Policy changes	—	1,252	—	—	—	—	1,252
Consolidation changes	—	4	15	8	—	—	27
Effect of movements in exchange rates	97	29	(1)	—	1	38	164
Addition of leases	—	268	—	—	—	—	268
Proceeds	516	—	335	1,339	98	—	2,288
(Re)payments	(984)	(259)	(189)	(832)	(105)	(8)	(2,377)
Transfer to liabilities held for sale	—	(4)	—	—	—	—	(4)
Interest paid over lease liability	—	(55)	—	—	—	—	(55)
Other	9	23	(2)	3	21	—	54
Balance as at 31 December 2019	**12,788**	**1,258**	**484**	**695**	**693**	**28**	**15,946**

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 2018	11,948	—	360	1,156	649	(57)	14,056
Consolidation changes	—	—	1	2	—	—	3
Effect of movements in exchange rates	172	—	(18)	39	1	(114)	80
Proceeds	1,242	—	216	25	39	172	1,694
Repayments	(225)	—	(247)	(1,046)	(11)	(4)	(1,533)
Transfer to liabilities held for sale	—	—	—	—	—	—	—
Other	13	—	14	1	—	1	29
Balance as at 31 December 2018	13,150	—	326	177	678	(2)	14,329

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 for the purpose of the statement of cash flows. For more information on derivatives refer to note 11.6.

The interest rate on the net debt position as at 31 December 2019 was 3.0% (2018: 3.2%). This interest rate includes the first time impact of IFRS 16. The average maturity of the bonds as at 31 December 2019 was 7 years (2018: 8 years).

Financing headroom

The committed financing headroom at Group level was approximately €3.0 billion as at 31 December 2019 and consisted of the undrawn revolving credit facility and centrally available cash minus commercial paper and other short-term borrowings. The financing headroom was lower than last year (2018: €5.2 billion) as HEINEKEN maintained higher cash balances in 2018 in anticipation of the settlement of the transactions related to CR Beer in China.

ACCOUNTING ESTIMATES

Significant judgement is required to determine the lease term and the incremental borrowing rate. 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 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 derivatives and cash and cash equivalents refer to notes 11.6. and 11.2 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 ('IBR'). 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.

	2019			2018		
Share capital	Ordinary shares of €1.60	Priority shares of €2.00	Nominal value in millions of €	Ordinary shares of €1.60	Priority shares of €2.00	Nominal value in millions of €
1 January	**288,030,482**	**—**	**461**	288,030,168	250	461
Changes	(314)	—	—	314	(250)	—
31 December	**288,030,168**	**—**	**461**	288,030,482	—	461

The Company's authorised capital amounts to €1,5 billion, consisting of 937,500,000 shares of €1.60 nominal value (2018: 937,500,000 ordinary 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. In respect of the Company's shares that were held by Heineken Holding N.V., rights were suspended.

Share premium

As at 31 December 2019, the share premium amounted to €1,257 million (2018: €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 which 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.

Reserve for own shares

The reserve for own shares comprises the treasury shares held by Heineken Holding N.V. Refer to the table below for the changes in 2019.

Own shares held by Heineken Holding N.V.	Number of shares
1 January 2019	**314**
Changes	(314)
31 December 2019	**—**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Purchase own shares by Heineken N.V.

Refer to the table below with the changes in 2019 in own shares held by Heineken N.V. This results in an 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 2019	**5,823,026**
Changes	(5,128,456)
31 December 2019	**694,570**

Dividends

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

In millions of €	**2019**	2018
Final dividend previous year €1.01, respectively €0.93 per qualifying share	291	268
Interim dividend current year €0.64, respectively €0.59 per qualifying share	184	170
Total dividend declared and paid	**475**	438

For 2019, a payment of a total cash dividend of €1.68 per share (2018: €1.60) will be proposed at the AGM of Heineken N.V. If approved, a final dividend of €1.04 per share will be paid on 7 May 2020, as an interim dividend of €0.64 per share was paid on 8 August 2019. The payment will be subject to 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 €	**2019**	2018*
Dividend per qualifying share €1.68 (2018: €1.60)	484	461
Addition to retained earnings	603	505
Net profit	**1,087**	966

*Restated for IAS 37. Refer to note 4 for further details.

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

In millions of €	**2019**	2018*
NCI percentage	**49.935%[1]**	49.484%[1]
Non-current assets	38,085	33,026
Current assets	8,419	9,125
Non-current liabilities	(16,886)	(16,014)
Current liabilities	(12,307)	(10,429)
Net assets	**17,311**	15,708
Carrying amount of NCI	**8,154**	7,283
Net revenue	**23,969**	22,489
Profit	2,374	2,105
OCI	186	(51)
Total comprehensive income	**2,560**	2,054
Profit allocated to NCI[2]	**1,079**	947
OCI allocated to NCI[2]	**1,160**	919
Cash flow from operating activities	4,337	4,388
Cash flow from investing activities	(4,873)	(2,355)
Cash flow from financing activities	(1,016)	(967)
Net increase (decrease) in cash and cash equivalents	**(1,552)**	1,066
Final dividend previous year	581	531
Interim dividend current year	368	335
Total dividend	**949**	866
Dividend allocated to NCI	**474**	428

*Restated for IAS 37. Refer to note 4 for further details.
[1]Of which 8.632% (2018: 8.632%) relates to FEMSA and 41.363% (2018: 41.363%) to the public.
[2]Calculated based on 49.484% (2017: 49.486%) of the equity attributable to Heineken N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2019 amounted to €1,164 million (2018: €1,183 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 a prepayment basis or Cash on Delivery.

Customers are monitored, on a country basis, according to their credit risk characteristics. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

Investments

HEINEKEN limits its exposure to credit risk by only investing available cash balances in deposits and liquid investments with 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 statement to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands. Refer to note A.1 of the Heineken N.V. company financial statements.

Exposure to credit risk

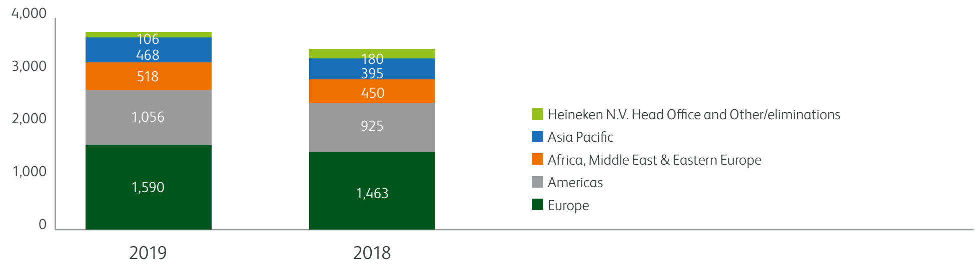
Below the maximum exposure to credit risk as per reporting date is shown:

In millions of €	Note	**2019**	2018*
Cash and cash equivalents	11.2	1,821	2,903
Trade and other receivables, excluding prepayments	7.2	3,738	3,413
Derivative assets	11.6	30	70
Fair value through OCI investments	8.4	408	501
Loans and advances to customers	8.3	277	341
Other non-current receivables	8.4	406	218
Guarantees to banks for loans (to third parties)	9.3	332	325
		7,012	7,771

*Restated for IAS 37. Refer to note 4 for further details.

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

Exposure to credit risk — Trade and other receivables (excl. prepayments)
In millions of €



Liquidity risk

Liquidity risk is the risk that HEINEKEN will have difficulties to meet 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 has a clear focus 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

2019

In millions of €	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Financial liabilities					
Interest-bearing liabilities	(15,793)	(18,653)	(3,831)	(5,434)	(9,388)
Lease liabilities	(1,258)	(1,861)	(304)	(683)	(874)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(7,972)	(7,971)	(7,846)	(91)	(34)
Derivative financial assets and (liabilities)					
Cross currency interest rate swaps	(28)	(97)	(8)	(26)	(63)
Forward exchange contracts	(29)	(54)	(53)	(1)	—
Commodity derivatives	(5)	(5)	(5)	—	—
Other derivatives	2	2	2	—	—
Total	**(25,083)**	**(28,639)**	**(12,045)**	**(6,235)**	**(10,359)**

2018

Financial liabilities					
Interest-bearing liabilities	(14,986)	(18,119)	(2,687)	(5,305)	(10,127)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(7,331)	(7,332)	(7,223)	(84)	(25)
Derivative financial assets and (liabilities)					
Cross currency interest rate swaps	2	(38)	—	(14)	(24)
Forward exchange contracts	(18)	(24)	(23)	(1)	—
Commodity derivatives	(18)	(18)	(21)	3	—
Other derivatives	1	1	1	—	—
Total	(22,350)	(25,530)	(9,953)	(5,401)	(10,176)

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 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 in order 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 2019, the transactional exchange risk was hedged in line with the hedging policy to the extent possible. The resulting transactional impact was negative, whereas the translational impact was positive.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 was 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.

	2019		2018	
In millions	EUR	USD	EUR	USD
Financial assets	171	4,908	164	4,919
Financial liabilities	(2,243)	(5,524)	(1,969)	(5,422)
Gross balance sheet exposure	**(2,072)**	**(616)**	(1,805)	(503)
Estimated forecast sales next year	161	1,203	157	1,428
Estimated forecast purchases next year	(1,871)	(2,644)	(1,924)	(2,479)
Gross exposure	**(3,782)**	**(2,057)**	(3,572)	(1,554)
Net notional amounts foreign exchange contracts	366	858	348	596
Net exposure	**(3,416)**	**(1,199)**	(3,224)	(958)
Sensitivity analysis				
Equity	(142)	18	(121)	7
Profit or loss	(21)	(12)	(10)	(1)

The sensitivity analysis above shows the impact on equity and profit of a 10% strengthening of the US Dollar against the Euro or, in case of the Euro, a strengthening of the Euro against all other currencies as at 31 December 2019. This analysis assumes that all other variables, in particular interest rates, remain constant. In 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 €	**2019**	2018*
Fixed rate instruments		
Financial assets	128	121
Financial liabilities	(14,822)	(13,214)
Cross-currency interest rate swaps	445	437
	(14,249)	(12,656)
Variable rate instruments		
Financial assets	2,275	3,211
Financial liabilities	(2,230)	(1,771)
Cross-currency interest rate swaps	(463)	(463)
	(418)	977

*Restated for IAS 37. Refer to note 4 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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. 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

The table below details the estimated pre-tax impact on equity of a 10% change in the market price of aluminium.

		Equity
In millions of €	10% increase	10% decrease
31 December 2019		
Aluminium hedges	36	(36)

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:

		2019		2018
In millions of €	Asset	Liability	Asset	Liability
Current	28	(69)	35	(70)
Non-current[1]	2	(22)	35	(33)
	30	**(91)**	70	(103)

[1]Non-current derivative assets and liabilities are part of 'Other non-current assets' (note 8.4) and 'Other non-current liabilities' (note 11.6) 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:

		2019		2018
In millions of €	Asset	Liability	Asset	Liability
No hedge accounting - CCIRS	—	(16)	7	—
No hedge accounting - Other	4	(10)	6	(3)
Cash flow hedge - Forwards	11	(31)	21	(38)
Cash flow hedge - Commodity forwards	15	(20)	12	(30)
Fair value hedge - CCIRS	—	(7)	—	(29)
Net investment hedge - CCIRS	—	(5)	24	—
Net investment hedge - Forwards	—	(2)	—	(3)
	30	**(91)**	70	(103)

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.

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 €11 million as at 31 December 2019. 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 €11 million as at 31 December 2019.

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 2019 (2018: nil). As at 31 December 2019 the fair value of these borrowings was €288 million (2018: €453 million), the market value of forward contracts was €2 million negative (2018: €3 million negative) and the market value of these swaps was €5 million negative (2018: €24 million positive).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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 instrument 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.

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 €	**2019**	2018*
Current tax expense		
Current year	896	809
Under/(over) provided in prior years	27	(24)
	923	785
Deferred tax expense		
Origination and reversal of temporary differences, tax losses and tax credits	30	(29)
De-recognition/(recognition) of deferred tax assets	(33)	—
Effect of changes in tax rates	(1)	(3)
Under/(over) provided in prior years	(9)	(12)
	(13)	**(44)**
Total income tax expense in profit or loss	**910**	741

*Restated for IAS 37. Refer to note 4 for further details.

Reconciliation of the effective tax rate

In millions of €	**2019**	2018*
Profit before income tax	3,284	2,846
Share of net profit of associates and joint ventures	(164)	(210)
Profit before income tax excluding share of profit of associates and joint ventures	**3,120**	2,636

*Restated for IAS 37. Refer to note 4 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	%	**2019**	%	2018*
Income tax using the Company's domestic tax rate	25.0	780	25.0	659
Effect of tax rates in foreign jurisdictions	0.7	21	(0.1)	(3)
Effect of non-deductible expenses	3.2	100	2.3	62
Effect of tax incentives and exempt income	(3.8)	(119)	(3.2)	(84)
De-recognition/(recognition) of deferred tax assets	(1.1)	(33)	—	—
Effect of unrecognised current year losses	2.8	87	3.4	89
Effect of changes in tax rates	—	(1)	(0.1)	(3)
Withholding taxes	2.1	67	3.2	84
Under/(over) provided in prior years	0.6	18	(1.4)	(37)
Other reconciling items	(0.3)	(10)	(1.0)	(26)
	29.2	**910**	28.1	741

*Restated for IAS 37. Refer to note 4 for further details.

The higher effective tax rate in 2019 is mainly driven by the new interest deduction limitation rules in the Netherlands.

For the income tax impact on items recognised in other comprehensive income, 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:

	Assets		Liabilities		Net	
In millions of €	**2019**	2018*	**2019**	2018*	**2019**	2018*
P,P&E	98	92	(803)	(560)	(705)	(468)
Intangible assets	29	29	(1,358)	(1,360)	(1,329)	(1,331)
Investments	41	44	(5)	(5)	36	39
Inventories	47	40	(12)	(12)	35	28
Borrowings	308	11	—	—	308	11
Post-retirement obligations	278	231	(4)	(6)	274	225
Provisions	302	310	(28)	(27)	274	283
Other items	138	163	(216)	(162)	(78)	1
Tax losses carried forward	410	407	—	—	410	407
Tax assets/(liabilities)	**1,651**	1,327	**(2,426)**	(2,132)	**(775)**	(805)
Set-off of tax	(1,004)	(701)	1,004	701	—	—
Net tax assets/(liabilities)	**647**	626	**(1,422)**	(1,431)	**(775)**	(805)

*Restated for IAS 37 and to reflect the correct breakdown per category. Refer to note 4 for further details on IAS 37.

Of the total net deferred tax assets of €647 million as at 31 December 2019 (2018: €626 million), €101 million (2018: €225 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 €82 million (2018: €80 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 €4,024 million as at 31 December 2019 (2018: €3,494 million), out of which €382 million (2018: €356 million) expires in the following five years. €191 million (2018: €228 million) will expire after five years and €3,451 million (2018: €2,911 million) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of tax losses carried forward of €2,163 million (2018: €1,664 million) as it is not probable that taxable profit will be available to offset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

these losses. Out of this €2,163 million (2018: €1,664 million), €173 million (2018: €103 million) expires in the following five years. €16 million (2018: €40 million) will expire after five years and €1,974 million (2018: €1,521 million) can be carried forward indefinitely.

Movement in deferred tax balances during the year

In millions of €	Balance 1 January 2019*	Changes in accounting policy (IFRS 16)	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2019
P,P&E	(468)	(226)	(1)	(16)	11	—	(5)	(705)
Intangible assets	(1,331)	—	(19)	(37)	49	—	9	(1,329)
Investments	39	—	—	2	(5)	—	—	36
Inventories	28	—	—	1	4	—	2	35
Borrowings	11	291	—	11	(15)	—	10	308
Post-retirement obligations	225	—	—	6	(15)	58	—	274
Provisions	283	—	—	(5)	(2)	—	(2)	274
Other items	1	(65)	—	(40)	(7)	10	23	(78)
Tax losses carried forward	407	—	2	9	(7)	—	(1)	410
Net tax assets/ (liabilities)	**(805)**	**—**	**(18)**	**(69)**	**13**	**68**	**36**	**(775)**

*Restated for IAS 37 and to reflect the correct breakdown per category. Refer to note 4 for further details on IAS 37.

In millions of €	Balance 1 January 2018*	Changes in accounting policy (IFRS 9)	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2018
P,P&E	(513)	—	(1)	12	36	—	(2)	(468)
Intangible assets	(1,405)	—	(7)	(12)	67	—	26	(1,331)
Investments	48	—	—	—	(10)	—	1	39
Inventories	20	—	—	1	5	—	2	28
Borrowings	4	—	—	17	(25)	18	(3)	11
Post-retirement obligations	294	—	—	—	5	(75)	1	225
Provisions	280	—	—	(19)	14	—	8	283
Other items	22	(2)	—	1	(14)	14	(20)	1
Tax losses carried forward	472	—	—	(19)	(34)	—	(12)	407
Net tax assets/ (liabilities)	(778)	(2)	(8)	(19)	44	(43)	1	(805)

*Restated for IAS 37 and to reflect the correct breakdown per category. Refer to note 4 for further details on IAS 37.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12.3 INCOME TAX ON OTHER COMPREHENSIVE INCOME

	2019			2018		
In millions of €	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Remeasurement of post-retirement obligations	(268)	58	(210)	296	(75)	221
Currency translation differences	412	(43)	369	(134)	28	(106)
Change in fair value of net investment hedges	(43)	—	(43)	(3)	—	(3)
Change in fair value of cash flow hedges	52	12	64	(96)	29	(67)
Cash flow hedges reclassified to profit or loss	27	(6)	21	(77)	—	(77)
Net change in fair value through OCI investments	7	3	10	8	3	11
Cost of hedging	(6)	1	(5)	7	(1)	6
Share of other comprehensive income of associates/joint ventures	(20)	—	(20)	(36)	—	(36)
Other comprehensive income	**161**	**25**	**186**	(35)	(16)	(51)

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.

				Fair value
In millions of €	Carrying amount	Level 1	Level 2	Level 3
Fair value through OCI investments	408	283	—	125
Non-current derivative assets	2	—	2	—
Current derivative assets	28	—	28	—
Total 2019	**438**	**283**	**30**	**125**
Total 2018	572	410	71	91
Non-current derivative liabilities	(22)	—	(22)	—
Borrowings[1]	(13,435)	(13,824)	(646)	—
Current derivative liabilities	(69)	—	(69)	—
Total 2019	**(13,526)**	**(13,824)**	**(737)**	**—**
Total 2018	(13,756)	(13,470)	(606)	—

[1]Borrowings excluding lease liability, deposits, bank overdrafts and commercial paper.

During the period ended 31 December 2019 there were no significant transfers between the three levels of the fair value hierarchy.

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

In millions of €	**2019**	2018
Fair value through OCI investments based on level 3		
Balance as at 1 January	**91**	84
Fair value adjustments recognised in other comprehensive income	34	3
Transfer to associate	—	4
Balance as at 31 December	**125**	91

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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 2019	Less than 1 year	1-5 years	More than 5 years	Total 2018
Operating lease commitments	—	—	—	—	2,013
Property, plant and equipment ordered	321	309	12	—	305
Raw materials purchase contracts	8,827	2,804	4,901	1,122	7,571
Marketing and merchandising commitments	1,051	380	667	4	635
Other off-balance sheet obligations	2,005	486	622	897	4,375
Off-balance sheet obligations	**12,204**	**3,979**	**6,202**	**2,023**	14,899
Undrawn committed bank facilities	**3,750**	**69**	**3,681**	**—**	3,845

As per the introduction of IFRS 16, operating lease commitments are capitalised on balance as per 1 January 2019. The discounted future lease commitments are reported under Borrowings (refer to note 11.3 for more information). The contractual maturities for the capitalised leases are included in the table of note 11.5.

Other off-balance sheet obligations include energy, distribution and service contracts. In 2018, other off-balance sheet obligations included HKD24.3 billion (€2.7 billion as at 31 December 2018) for the committed amount for acquiring the shareholding of 40% in CRH (Beer) Limited by HEINEKEN, which was closed in 2019 (refer to note 10.3).

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 not discounted.

Operating lease commitments (applicable for 2018)

Operating leases are not recognised in HEINEKEN's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. The lease commitments contain the lease payments for the non-cancellable period of a lease and the period for extension options that are reasonably certain to be exercised.

Raw materials purchase contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 13.

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 €	**2019**	2018
C.L. de Carvalho-Heineken	90	60
M.R. de Carvalho	90	60
Remuneration executive members	**180**	120
M. Das	120	90
J.A. Fernández Carbajal	90	60
C.M. Kwist	90	60
A.A.C. de Carvalho	90	60
A.M. Fentener van Vlissingen[1]	90	42
L.L.H. Brassey[1]	90	42
Remuneration non-executive members	**570**	354
	750	474

[1]Appointed as at 19 April 2018

Refer to the separate Remuneration Report on page 20 and further.

As at 31 December 2019, the Board of Directors represented 151,685,148 shares in the Company (2018:151,685,148 shares).

Executive Board of Heineken N.V.

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. Refer to the separate Remuneration Report of Heineken N.V.

As at 31 December 2019, Mr. J.F.M.L. van Boxmeer held 214,087 Heineken N.V. shares and Mrs. L.M. Debroux held 45,318 Heineken N.V. shares (2018: Mr. J.F.M.L. van Boxmeer 259,149 and Mrs. L.M. Debroux 28,159).

Executive Board of Heineken N.V. remuneration

			2019			2018
In thousands of €	J.F.M.L. van Boxmeer	L.M. Debroux	Total	J.F.M.L. van Boxmeer	L.M. Debroux	Total
Fixed salary	1,250	850	2,100	1,250	735	1,985
Short-term incentive	2,223	1,080	3,303	2,730	1,147	3,877
Matching share entitlement	505	245	750	610	256	866
Long-term incentive	2,323	1,201	3,524	2,732	1,360	4,092
Pension contributions	762	167	929	873	145	1,018
Other emoluments	49	183	232	49	162	211
Total	**7,112**	**3,726**	**10,838**	8,244	3,805	12,049

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 2019 the Executive Board members of Heineken N.V. did not elect to receive additional (investment) shares, hence the 'Matching share entitlement' in the table above is based on a 25% investment. In 2018 the investment was 25% for both Executive Board members of Heineken N.V. as well. From an accounting perspective the corresponding matching shares vest immediately and as such a fair value of €0.8 million was recognised in the 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 €	**2019** [5]	2018
J.M. Huët	195	86
J.A. Fernández Carbajal	153	109
M. Das	133	85
M.R. de Carvalho	141	96
A.M. Fentener van Vlissingen[1]	—	43
V.C.O.B.J. Navarre	110	74
J.G. Astaburuaga Sanjinés	133	104
P. Mars-Wright	151	103
M. Helmes[2]	131	62
R.L. Ripley[4]	97	—
I.H. Arnold[4]	100	—
G.J. Wijers[3]	103	163
Y. Dervisoglu[3]	53	70
	1,500	995

[1]Stepped down as at 19 April 2018.
[2]Appointed as at 19 April 2018.
[3]Stepped down as at 25 April 2019.
[4]Appointed as at 25 April 2019.
[5]Supervisory Board of Heineken N.V. new management fees were approved by the 2019 AGM of Heineken N.V.

M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2019 (2018: 100,008 shares). As at 31 December 2019 and 2018, the Supervisory Board members of Heineken N.V. did not hold any of the Heineken N.V. bonds or option rights. M.R. de Carvalho held 100,008 shares of Heineken Holding N.V. as at 31 December 2019 (2018: 100,008 shares).

Other related party transactions

	Associates & Joint Ventures		FEMSA		Total	
In millions of €	**2019**	2018	**2019**	2018	**2019**	2018
Sales	**462**	467	**1,170**	1,235	**1,632**	1,702
Purchases	**290**	271	**160**	144	**450**	415
Accounts receivables	**114**	93	**208**	274	**322**	367
Accounts payables and other liabilities	**20**	40	**108**	43	**128**	83

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 50.065% (2018: 50.516%) of the outstanding capital following the purchase of own shares by Heineken N.V.).

L'Arche Green N.V. holds 52.599% (2018: 52.599%) of the Heineken Holding N.V. shares.

The Heineken family has an interest of 88.86% in L'Arche Green N.V. 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 by Heineken N.V. with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements.

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 2019 up to and including 31 December 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Significant subsidiaries

Set out below are Heineken N.V.'s significant subsidiaries at 31 December 2019. 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 €17 billion and total asset value of €29 billion and are structural contributors to the business.

There were no significant changes to the HEINEKEN structure and ownership interests.

Significant subsidiaries of Heineken N.V.

	Country of incorporation	Percentage of ownership held by Heineken N.V. 2019	2018
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	56.0	56.0
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
Heineken South Africa (Proprietary) Limited	South Africa	82.4	82.4

13.5 SUBSEQUENT EVENTS

No material subsequent events occurred.

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, 11 February 2020

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*

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, para. 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, para. 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

Pursuant to the Articles of Association, Article 7, para. 8, remuneration of the members of the Board of Directors, in so far such remuneration does not follow from the remuneration policy as adopted by the general meeting, shall be determined by the general meeting.

Shares held by the Board of Directors

As at 31 December 2019, the Board of Directors represented 151,685,148 shares of the Company.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT 2019

Our opinion

We have audited the accompanying financial statements for 2019 of Heineken Holding N.V. ('the Company'), based in Amsterdam. The financial statements include the Company financial statements and consolidated 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 2019, and of its result for the year 2019 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 2019, and of its result and its cash flows for 2019 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 2019.
2. The following Company statements for 2019: income statement and the shareholder's equity.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The consolidated financial statements comprise:

1. The statement of financial position as at 31 December 2019.
2. The following statements for 2019: the income statement, the 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 accountantsorgani-saties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 EUR 200 million. The materiality is based on 2.5% of total equity of Heineken Holding N.V. 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. Based on our professional judgement we consider equity as the most appropriate basis to determine materiality.

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 did not exceed EUR 60 million and for the majority of the components, materiality is significantly less than this amount.

We agreed with the Board of Directors that any misstatements in excess of EUR 10 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

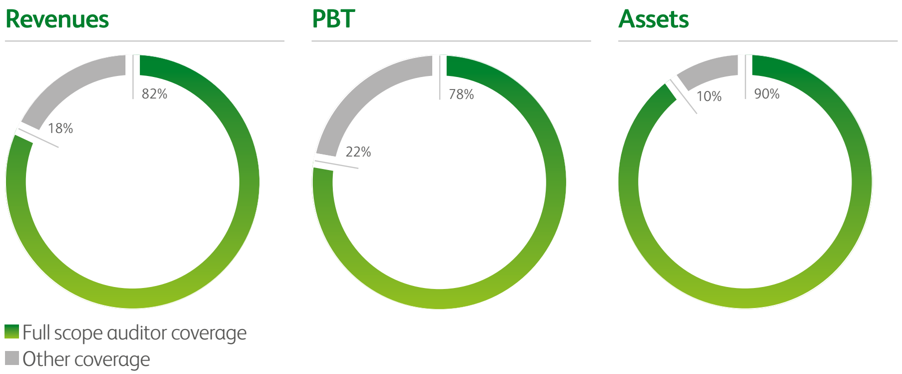
Heineken Holding N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Heineken Holding N.V.

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

Our group audit mainly 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 25 components.

We have performed audit procedures ourselves at corporate entities and the operations in the Netherlands. Furthermore, we performed audit procedures at group level, on areas such as consolidation, disclosures, goodwill, intangible assets, joint ventures, financial instruments, acquisitions and divestments. Specialists were involved amongst others in the areas of treasury, information technology, tax, accounting, pensions and valuation. For selected component audit teams, the group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components including awareness for risk related to management override of controls. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance to the Company and certain other risk characteristics. This included procedures such as visiting components (The Netherlands, Mexico, Brazil, United Kingdom, France, Nigeria, Vietnam, Poland, Italy, Greece, Portugal, HUSA, Lagunitas, New Zealand and South Africa) during the year, performing file reviews, holding conference calls, attending meetings and reviewing component audit team deliverables to gain sufficient understanding of the work performed. For smaller components we have performed review procedures or specific audit procedures.

By performing the procedures mentioned above 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 on the consolidated financial statements.



Scope of 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 under the standards. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 (presumed), and related to the valuation of accrued liabilities for promotional allowances and rebates. Our audit procedures to respond to these fraud risks included, amongst others, an evaluation of relevant internal controls and supplementary substantive audit procedures, including detailed testing of journal entries. 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. Our response in addressing fraud risks related to promotion allowances and rebates, and the potential bias in significant estimates has been detailed in our key audit matters.

Resulting from our risk assessment procedures, and whilst considering that effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting 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.

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 key audit matters are consistent with these identified in the prior year with the addition of the Company's implementation of IFRS 16 'Leases'. Other than the sale of operating entities in China and Hong Kong that were already classified as held for sale in the 2018 financial statements and completion of the announced acquisition of an effective economic interest in China Resources Beer (Holdings) Co. Ltd., no significant business acquisitions or disposals took place. Consequently, we did not include a separate key audit matter related to acquisitions and disposals in current year's auditor's report.

The following matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Risk	In our audit we have determined that promotional allowances and volume rebates are the most relevant risk areas in relation to revenue recognition. In the normal course of business the Company provides a wide variety of discounts, promotional allowances and volume rebates to its on-trade and off-trade customers. Unconditional discounts are recognized at the same moment as the related sales transaction. The Company also provides conditional discounts which are recognised based on target realisation as specified in note 6.1 to the financial statements. The target realisation requires judgement and management estimate for sales related accruals at balance sheet date. Because of the level of judgment involved and the inherent fraud risks presumed, we have considered the recognition of promotional allowances and volume rebates under IFRS 15 Revenue From Contracts with Customers to be a key audit matter relevant to our audit of the financial statements.
How the scope of our audit responded to the risk	To address the risks related to promotional allowances and volume rebates, our audit procedures included, amongst others, assessing the appropriateness of the company's revenue recognition accounting policy for promotional allowances and volume rebates as detailed in note 6.1 to the financial statements, evaluating controls relating to management's process for determining the value of promotional allowances and the volume rebates. In addition, at group and component level, we performed substantive testing and analytical procedures to evaluate the accuracy and completeness of the underlying calculation of the accruals. These procedures included challenging the appropriateness of management's assumptions and estimates and agreeing input data, including pricing and allowance data to underlying agreements with customers.
Observation	Applying the aforementioned materiality, we have evaluated the accruals for promotional allowances and volume rebates as recorded in the financial statements. Based on our procedures performed, we did not identify any reportable matters in management's valuation of the promotional allowances and volume rebates accrual.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RECOVERABILITY OF NON-CURRENT ASSETS

Risk

Intangible assets (including goodwill) and property, plant and equipment amounted to EUR 31,038 million at December 31, 2019 and represent close to 67 per cent of the Company's total assets. These assets are allocated to cash generating units and groups thereof for which management is required to assess the recoverability of goodwill. Recoverability of other non-current assets is assessed upon the existence of a triggering event.

The Company uses assumptions and forecasts in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development. Further details on the accounting and disclosure requirements under IAS 36 Impairment of Assets are included in notes 8.1 and 8.2 to the financial statements. These notes also explain certain impairments recorded in 2019, for a total amount of EUR 72 million.

Procedures over management's impairment test are considered to be a key audit matter given the level of judgement and complexity involved with the valuation models and assumptions used within these models.

How the scope of our audit responded to the risk

We evaluated the historical accuracy of management's estimates and tested the effectiveness of the Company's internal controls around the goodwill accounting including their forecasted financial information. We also assessed the adequacy of the Company's disclosure notes 8.1 and 8.2 in the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

For our audit we evaluated and tested the assumptions, the discount rates, methodologies and data used by the Company, for example by comparing them to external data such as expected inflation rates, external market growth expectations and by analysing sensitivities in the Company's valuation model. We included valuation specialists in our team to assist us. In addition, we specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also obtained supporting evidence for impairments recognized in the year.

Observation

We did not identify any reportable matters in management's assessment of the recoverability of intangible assets and property, plant and equipment and the corresponding disclosures in note 8.1 and 8.2.

PROVISIONS FOR UNCERTAIN TAX POSITIONS AND VALUATION OF TAX ASSETS

Risk

The Company 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 or recoverable is uncertain, the Company establishes provisions based on its judgement of the probable amount of the tax liability.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available, against which unused tax losses can be utilized. For payments related to the contingent tax liabilities specifically, the Company changed its accounting policy in response to the IFRIC agenda decision on Deposits Relating to Taxes other than Income Tax. These payments are now recognised as an asset on the balance sheet when it is probable that the Company will recover the payment. In the identification and accounting for payments relating to contingent liabilities significant judgement is applied by the Company.

The accounting for tax assets and uncertain tax positions, as detailed in notes 12 and 9.3 to the financial statements, is significant to our audit because of the level of judgement that is applied in quantifying appropriate provisions (including assessing probable outcomes) for uncertain tax positions, and in determining the recoverability of tax assets.

How the scope of our audit responded to the risk

We obtained a detailed understanding of the Company's tax process and controls to identify exposures including uncertainties related to excises, sales taxes and corporate income taxes. Involving our own in-country tax specialists, we assessed tax risks, legislative developments and the status of ongoing local tax authority audits. We evaluated and challenged the Company's judgements in respect of estimates of tax exposures, recoverable amounts and contingencies. We considered correspondence with tax authorities, case law and assessed opinions from third party tax advisors.

More specifically, for tax assets recognized, we evaluated the Company's recoverability assessment including the likelihood of generating sufficient future taxable income. Finally we considered the adequacy of the Company's disclosures in notes 3, 12 and 9.3 regarding payments to contingent liabilities, uncertain tax positions and recognized tax assets.

Observation

We have evaluated the provisions for uncertain tax positions and the valuation of tax assets as well as the related disclosure in notes 3, 12 and 9.3 and have no reportable findings.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Risk

The Company has implemented a control framework and operates various processes and procedures that are important for reliable financial reporting. These processes are operated both centrally as well as locally.

We identified the Company's internal controls over financial reporting as an area of focus as we consider internal controls over financial reporting as a basis for designing our procedures for the audit. In those instances where accounting procedures, associated IT and process level controls are not designed and/or operating effectively, there are risks associated with financial reporting to which we need to tailor our audit procedures.

How the scope of our audit responded to the risk

We have performed audit procedures on both the centrally and locally established process level controls of the Company, including those relating to the various information technology platforms. We performed walkthroughs to gain an understanding of the entity and to identify relevant controls. We have tested the design of those controls and, where effective for the audit, we also tested their operating effectiveness. In cases of deficiencies, we have evaluated the compensating controls and measures of the Company and/or tailored procedures our procedures to address the risk.

We are however not required nor engaged to perform an audit of internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal controls over financial reporting.

Observation

We have communicated our observations on internal controls over financial reporting to the company's audit committee. Where deemed necessary, we have mitigated the effect of internal control observations through testing alternative controls or by extending our substantive audit procedures. Overall, we have obtained sufficient and appropriate evidence in response to the related financial reporting risks.

IMPLEMENTATION OF IFRS16

Risk

The Company implemented the new leasing standard through the modified retrospective approach with cumulative effects recognized as an adjustment to retained earnings at January 1, 2019 and no restatement of the comparative information. Following the implementation the Company recorded an EUR 1,034 million right-of-use asset, EUR 252 million lease receivable and EUR 1,252 million lease liability at January 1, 2019.

The implementation of the standard requires judgment in establishing among others the incremental borrowing rate and the lease term. Because of the material impact on the statement of financial position and these risk factors, we have considered the implementation of IFRS 16 to be a key audit matter relevant to our audit of the financial statements.

How the scope of our audit responded to the risk

Our audit procedures included amongst others that together with an IFRS specialist we have evaluated the appropriateness of the Company's accounting policies, management's judgements and related disclosures which are included in note 4 to the financial statements. At group and component level we have evaluated relevant controls and performed substantive testing of the related assets, liabilities and flows of transactions. Furthermore we have involved our valuation specialists to test the appropriateness of the incremental borrowing rate applied by the Company.

Observation

We did not identify any reportable matters regarding the implementation of IFRS 16 and the corresponding disclosures in note 4.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT 2019

In addition to the financial statements and our auditor's report thereon, the Annual report 2019 contains other information 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; and
- Contains the 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 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.

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 engagement 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 skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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 the 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.

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 audit committee 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.

Amsterdam, 11 February 2020

Deloitte Accountants B.V.

J. Dalhuisen

INFORMATION

A Heineken Holding N.V. publication

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Graphic Design and Electronic Publishing
KentieDesign bno

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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.