HEINEKEN HOLDING NV

2020 Annual

HEINEKEN HOLDING N.V. ANNUAL REPORT 2020

Established in Amsterdam

HEINEKEN HOLDING NV

Profile

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

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

Heineken Holding N.V. does not engage in operational activities itself. These have been assigned within the HEINEKEN group to Heineken N.V. and its subsidiaries and associated companies. Heineken Holding N.V.'s income consists exclusively of dividends received on its interest in Heineken N.V.

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

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

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

Contents

2 Profile

01 Shareholder Information

5 Heineken Holding N.V.
6 Heineken N.V.
8 Board of Directors of Heineken Holding N.V.

02 Report of the Board of Directors

10 Report of the Board of Directors
10 Policy principles
10 Activities
10 Review of 2020
11 Heineken N.V. performance in 2020 and outlook
11 Financial statements and appropriation of result
11 Corporate governance statement
14 Board of Directors
15 The General Meeting of Shareholders
16 Further information pursuant to the Article 10 Takeover Directive Decree
17 Information pursuant to the decree on the disclosure of non-financial information
18 Remuneration Report

03 Financial Statements 2020

21 Heineken Holding N.V. Income Statement
21 Heineken Holding N.V. Balance Sheet
22 Heineken Holding N.V. Shareholders' equity
23 Notes to the Heineken Holding N.V. Financial Statements
25 Consolidated Income Statement
25 Consolidated Statement of Comprehensive Income
26 Consolidated Statement of Financial Position
27 Consolidated Statement of Cash Flows
28 Consolidated Statement of Changes in Equity
29 Notes to the Consolidated Financial Statements

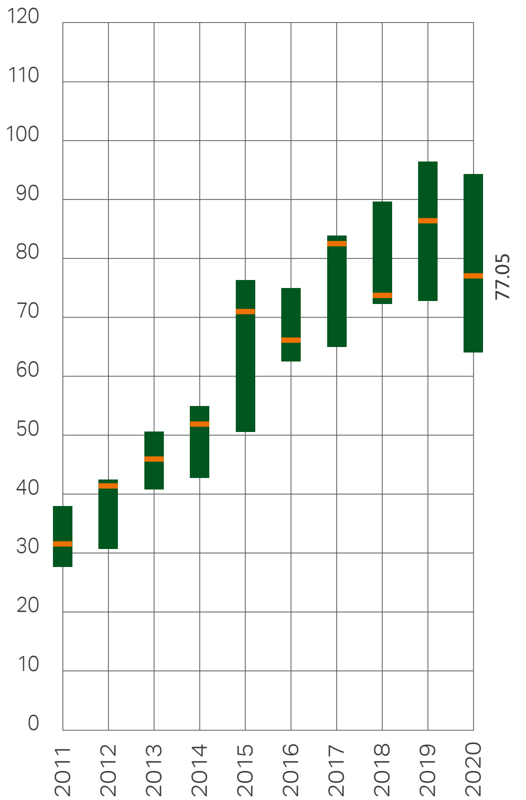
04 Other Information

74 Other information
74 Provisions of the Articles of Association concerning appropriation of profit
74 Remuneration of the Board of Directors
74 Shares held by the Board of Directors
74 Independent auditor's report
81 Information

01 Shareholder Information

Heineken Holding N.V.

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



Share price range

Year-end price

Average trade in 2020:
129,130 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.)

	2020	2019
Americas	36.2	38.1
United Kingdom/Ireland	29.5	28.9
Netherlands	0.8	1.1
Rest of Europe	9.4	8.8
Rest of the world	3.1	3.0
Retail	4.5	4.4
Unidentified	16.5	15.7
	100.0	100.0

Source: CMi2i estimate based on available information December 2020

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 2020, the average daily trading volume of Heineken Holding N.V. shares was 129,130 shares.

Market capitalisation

Shares in issue and outstanding as at 31 December 2020: 288,030,168 shares of €1.60 nominal value.

At a year-end price of €77.05 on 31 December 2020, the market capitalisation of Heineken Holding N.V. as at the balance sheet date was €22.2 billion.

Year-end price	€77.05	31 December 2020
Highest closing price	€94.30	17 January 2020
Lowest closing price	€64.10	12 March 2020

Substantial shareholdings

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

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

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

Dividend per share*
in €

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
2020	0.70 (proposed)

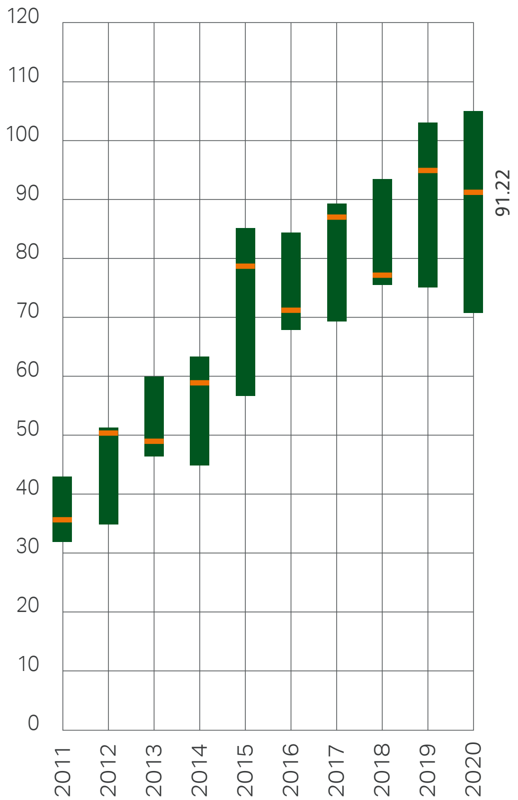
* Before 2018 this applied to ordinary shares.

Heineken N.V.

Heineken N.V. share price

in €

Euronext Amsterdam



Share price range

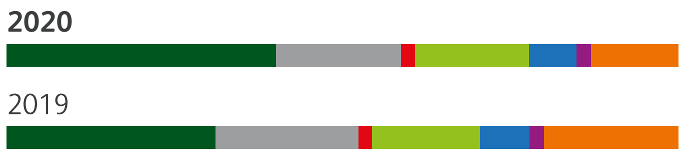
Year-end price

Average trade in 2020:
730,451 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.)



	2020	2019
Americas	40.1	31.1
United Kingdom/Ireland	18.6	21.3
Netherlands	2.1	2.0
Rest of Europe	17.0	16.1
Rest of the world	7.0	7.3
Retail	2.2	2.2
Unidentified	13.0	20.0
	100.0	100.0

Source: CMi2i estimate based on available information December 2020

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 2020, the average daily trading volume of Heineken N.V. shares was 730,451 shares.

Market capitalisation

Shares outstanding as at 31 December 2020: 575,722,881 shares of €1.60 nominal value (excluding own shares held by Heineken N.V.).

At a year-end price of €91.22 on 31 December 2020, the market capitalisation of Heineken N.V. as at the balance sheet date was €52.5 billion.

Year-end price	€91.22	31 December 2020
Highest closing price	€104.95	19 February 2020
Lowest closing price	€70.78	3 April 2020

Substantial shareholdings

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

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

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

Financial calendar in 2021 for both Heineken Holding N.V. and Heineken N.V.

Announcement of 2020 results	10 February
Publication of Annual Report	19 February
Trading update first quarter 2021	21 April
Annual General Meeting of Shareholders*	22 April
Quotation ex-final dividend 2020	26 April
Final dividend 2020 payable	6 May
Announcement of half-year results 2021	2 August
Quotation ex-interim dividend 2021	4 August
Interim dividend 2021 payable	11 August
Trading update third quarter 2021	27 October

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

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

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

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

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

Bondholder information

In September 2008, HEINEKEN established a Euro Medium Term Note (EMTN) Programme which was last updated in March 2020. The programme allows Heineken N.V. to issue Notes for a total amount of up to €20 billion. Approximately €11.2 billion is outstanding under the programme as at 31 December 2020.

In 2020 the following notes were issued under HEINEKEN's Euro Medium Term Note Programme:

- In March 2020, CHF100 million of privately placed 5-year Notes with a coupon of 0.6375%;
- In March 2020, €600 million of 5-year Notes with a coupon of 1.625%;
- In March 2020, €800 million of 10-year Notes with a coupon of 2.25%;
- In May 2020, €650 million of 13-year Notes with a coupon of 1.25%;
- In May 2020, €850 million of 20-year Notes with a coupon of 1.75%.

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
EUR EMTN 2021	4 April 2013	EUR 500 million	2.000	6 April 2021	XS0911691003
EUR EMTN 2021	10 September 2015	EUR 500 million	1.250	10 September 2021	XS1288852939
144A/RegS 2022	3 April 2012	USD 750 million	3.400	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD 1,000 million	2.750	1 April 2023	US423012AD54
EUR EMTN 2023	23 October 2015	EUR 140 million	1.700	23 October 2023	XS1310154536
EUR EMTN 2024	19 March 2012	EUR 500 million	3.500	19 March 2024	XS0758420748
EUR EMTN 2024	7 December 2015	EUR 460 million	1.500	7 December 2024	XS1330434389
EUR EMTN 2025	25 March 2020	CHF 100 million	0.638	25 March 2025	XS2145099201
EUR EMTN 2025	30 March 2020	EUR 600 million	1.625	30 March 2025	XS2147977479
EUR EMTN 2025	2 August 2012	EUR 750 million	2.875	4 August 2025	XS0811555183
EUR EMTN 2025	20 October 2015	EUR 225 million	2.000	20 October 2025	XS1309072020
EUR EMTN 2026	4 May 2016	EUR 1,000 million[1]	1.000	4 May 2026	XS1401174633
EUR EMTN 2027	29 November 2016	EUR 500 million	1.375	29 January 2027	XS1527192485
EUR EMTN 2027	17 September 2018	EUR 600 million	1.250	17 March 2027	XS1877595444
144A/RegS 2028	29 March 2017	USD 1,100 million	3.500	29 January 2028	US423012AF03
EUR EMTN 2029	30 January 2014	EUR 200 million	3.500	30 July 2029	XS1024136282
EUR EMTN 2029	3 October 2017	EUR 800 million	1.500	3 October 2029	XS1691781865
EUR EMTN 2030	30 March 2020	EUR 800 million	2.250	30 March 2030	XS2147977636
EUR EMTN 2031	17 September 2018	EUR 750 million[2]	1.750	17 March 2031	XS1877595014
EUR EMTN 2032	12 May 2017	EUR 500 million	2.020	12 May 2032	XS1611855237
EUR EMTN 2033	15 April 2013	EUR 180 million	3.250	15 April 2033	XS0916345621
EUR EMTN 2033	7 May 2020	EUR 650 million	1.250	7 May 2033	XS2168629967
EUR EMTN 2033	19 April 2013	EUR 100 million	2.562	19 April 2033	XS0920838371
EUR EMTN 2040	7 May 2020	EUR 850 million	1.750	7 May 2040	XS2168630205
144A/RegS 2042	10 October 2012	USD 500 million	4.000	1 October 2042	US423012AE38
144A/RegS 2047	29 March 2017	USD 650 million	4.350	29 March 2047	US423012AG85

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

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

Traded Heineken Asia MTN Pte. Ltd. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
SGD MTN 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.

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 €700 million ECP in issue per 31 December 2020.

Board of Directors of Heineken Holding N.V.

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.
*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

Mr J.F.M.L. van Boxmeer (1961)

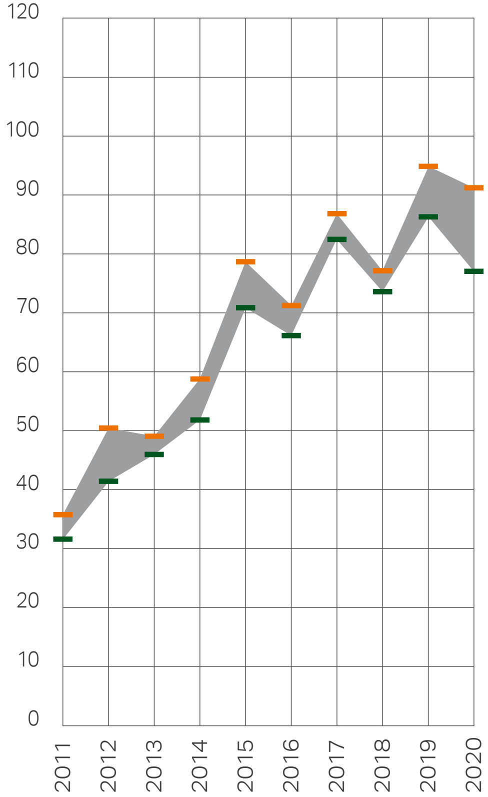
Non-executive director
Belgian nationality
Appointed in 2020*
Profession: Chairman of Vodafone Group Plc (non-executive director)
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**
*Other positions***:* Mondelez International, Henkel AG & Co., National Opera & Ballet (Chairman)

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

02 Report of the Board of Directors

Report of the Board of Directors

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



Heineken Holding N.V. close

Heineken N.V. close

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 well 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 seven meetings with the Preparatory Committee of the Supervisory Board of Heineken N.V. in 2020.

The impact of the COVID-19 pandemic has been on the agenda of the Board of Directors from the beginning of the year: employees' health and safety as high priority, but also support for customers, suppliers and communities. The new CEO and Chairman of the Executive Board of Heineken N.V., Dolf van den Brink, was presented to the Board, as well as the new members of the Executive Team. Management development at Heineken N.V. was part of this discussion.

The new CEO and Chairman of the Executive Board of Heineken N.V. presented project EverGreen: a long-term view on creating value for shareholders, linking the past to a future proof strategy to deliver superior and profitable growth in a fast-changing world.

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

Other matters discussed during the year included proposals for acquisitions, investments, disposals and other opportunities for Heineken N.V. such as the acquisition of the cider brand Strongbow in Australia and the Peruvian beer market entrance.

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

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 2019 and the first half of 2020. At the meeting of the Board of Directors at which the Report of the Board of Directors and the financial statements for 2019 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 at the beginning of the year to the United States (Florida), Mexico, Bahama's and Ecuador to visit breweries.

REVIEW OF 2020

Share price

The share price of the Heineken Holding N.V. share has decreased from €87.45 at the beginning of the year to €77.05 on 31 December. The gap between the Heineken N.V. and Heineken Holding N.V. share prices moved between 6.11% and 15.53% through the year, ending at 15.53% on 31 December.

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

Interest in Heineken N.V.

The nominal value of our Company's interest in Heineken N.V. as at 31 December 2020 was €461 million (31 December 2019: €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 2020, our Company's interest in Heineken N.V. represented 50.005% of the issued capital (being 50.029% 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 €6,604 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the Company's balance sheet.

Our Company's 50.029% share in Heineken N.V.'s 2020 loss of €204 million is recognised as loss of €102 million in the 2020 Company income statement.

HEINEKEN N.V. PERFORMANCE IN 2020 AND OUTLOOK

Performance

Heineken N.V. posted a net loss of €204 million in 2020.

COVID-19 continues to have a material impact on HEINEKEN's top-line performance, affecting all geographies and markets as governments across the world took measures to mitigate the contagion including restricted population movement, social distancing, outlet closures and temporary lockdowns of production facilities.

Net revenue (beia) declined 11.9% organically, with a 9.8% decrease in total consolidated volume and a 2.4% decrease in net revenue (beia) per hectolitre due to country mix effects and non-volume related revenue decline. The underlying price mix on a constant geographic basis was broadly flat for the full year. Currency translation negatively impacted net revenue (beia) by €1,259 million or 5.3%, mainly driven by the Brazilian Real, the Mexican Peso, the Nigerian Naira, the Russian Rouble and the South African Rand.

The second half of the year benefited from a good summer with some easing of operating constraints including in the European on-trade. Net revenue (beia) decreased 7.8%. Total consolidated volume declined 6.4% and net revenue (beia) per hectolitre was down 1.5% (2H19: 3.6% up). Underlying price mix was up 1.0% (2H19: 3.2%) driven by Brazil, Mexico, Ethiopia and Nigeria more than offsetting the negative channel mix in Europe

Outlook

Overall the COVID-19 pandemic and governments' measures continue to have a material impact on HEINEKEN's markets and business. 2021 started with many restrictions across HEINEKEN's markets, including on-trade closures and restrictions to travel. In Europe in particular, HEINEKEN estimates that at the end of January 2021, less than 30% of on-trade outlets were operating. Product and channel mix is expected to continue to adversely impact results, especially in Europe.

According to the World Health Organisation, the effect of vaccines on the pandemic will depend on several factors including their effectiveness, speed of their approval, manufacturing and delivery and the number of people getting vaccinated. As such, HEINEKEN expects the pandemic to continue to impact its business in the first half of 2021 and market conditions to gradually improve in the second part of the year.

Input costs per hectolitre are expected to be volatile due to channel and product mix effects. Based on HEINEKEN's hedged positions for 2021, HEINEKEN expects a significant higher negative transactional currency impact on input costs.

The EverGreen programme, a strategic review update, will be in full deployment. For more details reference is made to the Heineken N.V. press release of 10 February 2021.

Overall HEINEKEN expects revenue, operating profit and operating profit margin to stay below the level of 2019.

HEINEKEN also anticipates:

- An average effective interest rate (beia) broadly in line with 2020 (2020: 3.0%)
- Capital expenditure related to property, plant and equipment and intangible assets of around €1.8 billion (2020: €1.6 billion).
- The effective tax rate (beia) to stay above 2019 level due to the effect of fixed cost components in the tax line.

FINANCIAL STATEMENTS AND APPROPRIATION OF RESULT

The Board of Directors will submit the financial statements for 2020 to the General Meeting of Shareholders. These financial statements, on pages 20 to 72 of this report, have been audited by Deloitte Accountants B.V., whose report can be found on page 74.

Heineken N.V. proposes to distribute a dividend for 2020 of €0.70 per share of €1.60 nominal value. 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 2020 totals €201.6 million in cash. If approved, the full dividend will be paid on 6 May 2021, as no interim dividend was paid during 2020.

In accordance with the provisions of Article 10, paragraph 9, of the Articles of Association the dividend of €0.70 per share of €1.60 nominal value currently issued will be payable to shareholders as of 6 May 2021. Like the holders of Heineken N.V. shares, holders of Heineken Holding N.V. shares will therefore receive a total dividend for 2020 of €0.70 per share of €1.60 nominal value as no interim dividend was paid during 2020.

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.

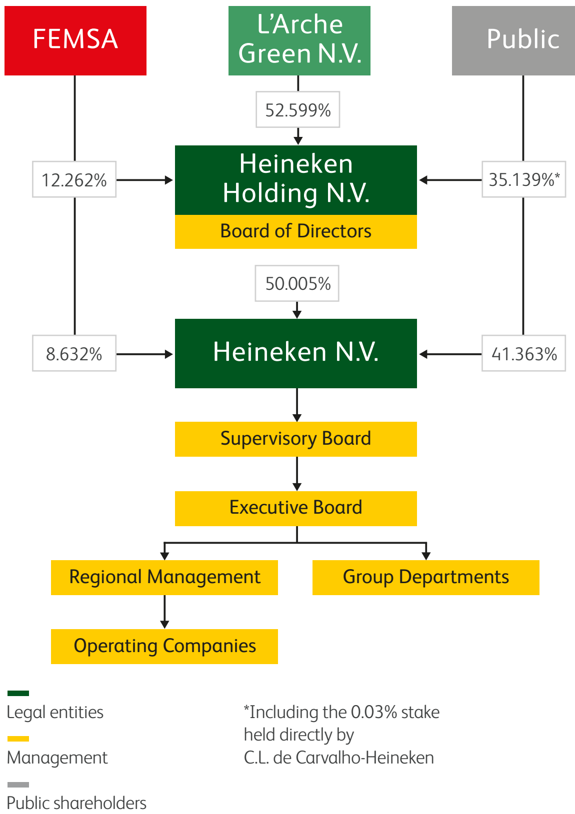
The departure from the Code as revised in 2016 was discussed at the Annual General Meeting of Shareholders on 19 April 2018.

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 2020 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 2019: 52.599% interest of the issued share capital of Heineken Holding N.V.). The Heineken family holds 88.86% of the issued share capital of L'Arche Green N.V. and the remaining 11.14% is held by the Hoyer family. Mrs C.L. de Carvalho-Heineken also owns a direct 0.03% stake in Heineken Holding N.V.



FEMSA, through its affiliates CB Equity LLP and CSC AP SA de CV, holds a 12.262% interest of the issued share capital of Heineken Holding N.V. In combination with its Heineken N.V. shareholding this represents a 14.76% economic interest in HEINEKEN. Of the issued share capital of Heineken Holding N.V. 35.139% is held by public shareholders.

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.

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 seven 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.

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 four 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, six of the seven 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 six 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% in the Company. Nor is Mrs L.L.H. Brassey considered independent pursuant to best practice provision 2.1.8 sub vii of the Code, as she is a relative by blood of members of the management board of L'Arche Green N.V., an entity that has a shareholding in Heineken Holding N.V. of at least 10%.

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

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

The Board of Directors has ascertained that the non-executive 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 12 and 13. 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 2020, the attendance rate was 100% for the meetings of the Board of Directors.

In accordance with best practice provision 2.4.4 of the Code, the table below provides an overview of the attendance record of the individual non-executive 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 seven occasions in 2020. 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 2019 and the first half of 2020.

	Meetings of the Board of Directors
Mr M. Das	9/9
Mr J.A. Fernández Carbajal	9/9
Mrs C.M. Kwist	9/9
Mr A.A.C. de Carvalho	9/9
Mrs A.M. Fentener van Vlissingen	9/9
Mrs L.L.H. Brassey	9/9
Mr J.F.M.L. van Boxmeer	6/6

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 2020, 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. In line with requirements under the European Shareholders' Rights Directive, implemented into Dutch law per 1 December 2019, the General Meeting of Shareholders of 23 April 2020 adopted the updated remuneration policy for the Board of Directors. The updated remuneration policy is materially the same as the remuneration policy that was adopted by the General Meeting of Shareholders in 2005, and that was lastly implemented in 2018. Under the policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V. For 2020, 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 the policy was applied can be found in note 13.3 to the consolidated financial statements and in the Remuneration Report on page 18 and further.

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

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 23 April 2020 Mr J.F.M.L. van Boxmeer was appointed as non-executive member of the Board of Directors with effect from 1 June 2020, for the maximum period of four years.

In accordance with the current rotation schedule, Mr M. Das and Mr A.A.C. de Carvalho will stand down at the Annual General Meeting of Shareholders on 22 April 2021. Non-binding recommendations, drawn up by the Board of Directors, will be submitted to the General Meeting of Shareholders on 22 April 2021 to reappoint Mr M. Das and Mr A.A.C. de Carvalho as a non-executive member of the Board of Directors, each for the maximum period of four years. The Board of Directors has reappointed Mr M. Das as Chairman of the Board of Directors, conditional upon his reappointment as non-executive member of the Board of Directors.

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) the adoption of the remuneration policy of the Board of Directors, insofar as adjustments to that policy lead to a new policy or at least every four years after adoption, (iii) the remuneration report of the members of the Board of Directors for an advisory vote, (iv) consideration and adoption of the financial statements, (v) discharge of the members of the Board of Directors in respect of their management and (vi) 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).

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

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

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

A response time may be stipulated only once for any given General Meeting of Shareholders and may not apply to an item in respect of which the response time has been previously stipulated.

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.

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.

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).

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 22 April 2021 has been set 28 days before the Annual General Meeting of Shareholders, i.e. on 25 March 2021.

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 2020 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.

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 23 April 2020 authorised the Board of Directors, for the statutory maximum period of 18 months, commencing on 23 April 2020, 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 2020;
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 23 April 2020 furthermore authorised the Board of Directors, for a period of 18 months, commencing on 23 April 2020, 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 2020.

The General Meeting of Shareholders on 23 April 2020 also authorised the Board of Directors, for a period of 18 months, commencing on 23 April 2020, 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 2020.

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.

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

REMUNERATION REPORT

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

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

This Remuneration Report includes two sections:

Part I

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

Part II

Provides details of the Board of Directors actual remuneration for performance ending in, or at year-end, 2020.

PART I REMUNERATION POLICY

Remuneration principles

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

Support the business strategy

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

Pay for purpose

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

Pay competitively

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

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

Summary overview of remuneration elements

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

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

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

PART II ACTUAL REMUNERATION FOR PERFORMANCE ENDING IN, OR AT YEAR-END, 2020

In line with the Board of Directors prevailing remuneration policy, the members of the Board of Directors receive a fixed remuneration for their services. The following tables provide an overview of the Board of Directors actual remuneration for year-end 2020. For disclosures in line with IFRS reporting requirements, refer to note 13.3 to the consolidated financial statements.

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

Table 1 Remuneration Board of Directors

In thousands of €	**2020**	2019
C.L. de Carvalho-Heineken	90	90
M.R. de Carvalho	225	231
Remuneration executive members	**315**	321
M. Das	250	253
J.A. Fernández Carbajal	244	243
C.M. Kwist	90	90
A.A.C. de Carvalho	90	90
A.M. Fentener van Vlissingen	90	90
L.L.H. Brassey	90	90
J.F.M.L. van Boxmeer[1,2]	53	—
Remuneration non-executive members	**907**	856
	1,222	1,177

[1] Appointed as non-executive director of Heineken Holding N.V. as of 1 June 2020.
[2] See below for more information regarding the remuneration Mr J.F.M.L. van Boxmeer.

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

In thousands of €	Financial year	Base board fees	Committee fees	Travel allowances	**Total remuneration**
Supervisory board member of Heineken N.V.					
M. Das	**2020**	90	40	0	**130**
	2019	90	40	3	133
M.R. de Carvalho	**2020**	90	45	0	**135**
	2019	90	45	6	141
J.A. Fernández Carbajal	**2020**	90	40	24	**154**
	2019	90	40	23	153

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

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

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 2020 give a true and fair view of our assets and liabilities, our financial position and profit as at 31 December 2020, and the results of our consolidated operations for the financial year 2020; and
- the Report of the Board of Directors includes a fair review of the position as at 31 December 2020 and the development and performance during the financial year 2020 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, 9 February 2021

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

03 Financial Statements 2020

HEINEKEN HOLDING N.V. INCOME STATEMENT

For the year ended 31 December

In millions of €	Note	**2020**	2019
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	(102)	1,087
Profit/(loss) before income tax		**—**	—
Income tax income/(expense)	III	—	—
Profit/(loss)		**(102)**	1,087

HEINEKEN HOLDING N.V. BALANCE SHEET

Before appropriation of results
As at 31 December

In millions of €	Note	**2020**	2019
Participating interest in Heineken N.V.	I	6,604	7,993
Total financial fixed assets		**6,604**	7,993
Cash		—	—
Total current assets		**—**	—
Total assets		**6,604**	7,993
Issued capital		461	461
Share premium		1,257	1,257
Translation reserve		(2,483)	(1,511)
Hedging reserve		16	(8)
Cost of hedging reserve		(1)	2
Fair value reserve		28	158
Other legal reserves		588	560
Reserve for own shares		—	—
Retained earnings		6,840	5,987
Profit/(loss) for the year		(102)	1,087
Total shareholders' equity		**6,604**	7,993
Other payables		—	—
Total current liabilities		**—**	—
Total shareholders' equity and liabilities		**6,604**	7,993

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 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 by Heineken N.V.	—	—	—	—	—	—	—	—	(63)	—	(63)
Balance as at 31 December 2019	461	1,257	(1,511)	(8)	2	158	560	—	5,987	1,087	7,993

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

*Restated for IFRS16.

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

Notes to the Heineken Holding N.V. Financial Statements

Reporting entity

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

Basis of preparation

The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code. The Company uses the option of Section 362, subsection 8, of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements on the basis of the same accounting principles as those applied for the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU as explained in the notes to the consolidated financial statements.

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

The financial statements have been prepared by the Board of Directors and authorised for issue on 9 February 2021 and will be submitted for adoption to the General Meeting of Shareholders on 22 April 2021.

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 50.029% (2019: 50.065%) 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 2020 (€461 million as at 31 December 2019).

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2020 amounted to €26.3 billion (31 December 2019: €27.3 billion).

In millions of €	
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
Balance as at 1 January 2020	**7,993**
50.029% of the profit/(loss) of Heineken N.V.	(102)
Dividend payments received by Heineken Holding N.V.	(300)
Movements in translation reserve	(965)
Movements hedges	21
Movements fair value adjustments	(50)
Actuarial gains and losses	31
Movements in retained earnings	1
Purchase own shares by Heineken N.V.	(3)
Dilution	(9)
Share-based payments by Heineken N.V.	(13)
Balance as at 31 December 2020	**6,604**

*Restated for IFRS16.

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

Included here is the share in the loss of Heineken N.V. for 2020, being 50.029% of €204 million (2019: 50.065% of €2,166 million profit).

NOTE III OTHER REVENUES AND EXPENSES AFTER INCOME TAX

Expenses made to manage and provide services to Heineken N.V. amounting to €1.172 thousand (2019: €1.146 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 18 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 2020 €10.9 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 (2019: €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 €	**2020**	2019	**2020**	2019	**2020**	2019
Audit of Heineken Holding N.V. and its subsidiaries	3.0	3.1	7.1	6.4	10.1	9.5
Other audit services	0.2	0.3	0.4	0.2	0.6	0.5
Tax services	—	—	—	0.1	—	0.1
Other non-audit services	—	—	0.2	0.2	0.2	0.2
	3.2	3.4	**7.7**	6.9	**10.9**	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, 9 February 2021

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In millions of €	Note	**2020**	2019
Revenue	6.1	**23,770**	28,521
Excise tax expense	6.1	(4,055)	(4,552)
Net revenue	6.1	**19,715**	23,969
Other income	6.2	56	95
Raw materials, consumables and services	6.3	(12,450)	(14,592)
Personnel expenses	6.4	(3,669)	(3,880)
Amortisation, depreciation and impairments	6.6/8.1	(2,874)	(1,959)
Total other expenses		**(18,993)**	(20,431)
Operating profit		**778**	3,633
Interest income	11.1	50	75
Interest expenses	11.1	(497)	(529)
Other net finance expenses	11.1	(143)	(59)
Net finance expenses		**(590)**	(513)
Share of profit/(loss) of associates and joint ventures	10.3	(31)	164
Profit before income tax		**157**	3,284
Income tax expense	12.1	(245)	(910)
Profit/(Loss)		**(88)**	2,374
Attributable to:			
Shareholders of Heineken Holding N.V. (net (loss)/profit)		(102)	1,087
Non-controlling interests in Heineken N.V.		(102)	1,079
Non-controlling interests in Heineken N.V. group companies		116	208
Profit/(Loss)		**(88)**	2,374
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	(0.36)	3.77
Diluted earnings per share (€)	6.7	(0.36)	3.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

In millions of €	Note	**2020**	2019
Profit/(Loss)		**(88)**	2,374
Other comprehensive income/(loss), net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement obligations	12.3	62	(210)
Net change in fair value through OCI investments	12.3	(98)	9
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	12.3	(2,114)	369
Change in fair value of net investment hedges	12.3	76	(43)
Change in fair value of cash flow hedges	12.3	45	64
Cash flow hedges reclassified to profit or loss	12.3	4	21
Net change in fair value through OCI investments	12.3	(1)	1
Cost of hedging	12.3	(6)	(5)
Share of other comprehensive income of associates/joint ventures	12.3	16	(20)
Other comprehensive income/(loss), net of tax	12.3	**(2,016)**	186
Total comprehensive income/(loss)		**(2,104)**	2,560
Attributable to:			
Shareholders of Heineken Holding N.V.		(1,064)	1,168
Non-controlling interests in Heineken N.V.		(1,063)	1,160
Non-controlling interests in Heineken N.V. group companies		23	232
Total comprehensive income/(loss)		**(2,104)**	2,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

In millions of €	Note	**2020**	2019
Intangible assets	8.2	15,767	17,769
Property, plant and equipment	8.3	11,551	13,269
Investments in associates and joint ventures	10.3	4,437	4,868
Loans and advances to customers	8.4	194	277
Deferred tax assets	12.2	779	647
Other non-current assets	8.5	884	1,255
Total non-current assets		**33,612**	38,085
Inventories	7.1	1,958	2,213
Trade and other receivables	7.2	2,807	4,123
Current tax assets		154	123
Derivative assets	11.6	77	28
Cash and cash equivalents	11.2	4,000	1,821
Assets classified as held for sale	10.2	24	111
Total current assets		**9,020**	8,419
Total assets		**42,632**	46,504

As at 31 December

In millions of €	Note	**2020**	2019
Heineken Holding N.V. shareholders' equity	11.4	6,604	7,993
Non-controlling interests in Heineken N.V.	11.4	6,788	8,154
Non-controlling interests in Heineken N.V. group companies	11.4	1,000	1,164
Total equity		**14,392**	17,311
Borrowings	11.3	14,616	13,366
Post-retirement obligations	9.1	938	1,189
Provisions	9.2	688	756
Deferred tax liabilities	12.2	999	1,422
Other non-current liabilities	11.6	131	153
Total non-current liabilities		**17,372**	16,886
Borrowings	11.2/11.3	3,580	3,686
Trade and other payables	7.3	6,107	7,520
Returnable packaging deposits	7.4	454	565
Provisions	9.2	416	184
Current tax liabilities		259	283
Derivative liabilities	11.6	52	69
Total current liabilities		**10,868**	12,307
Total equity and liabilities		**42,632**	46,504

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

In millions of €	Note	**2020**	2019
OPERATING ACTIVITIES			
Profit/(Loss)		(88)	2,374
Adjustments for:			
Amortisation, depreciation and impairments	6.6	2,874	1,959
Net interest expenses	11.1	447	454
Other income	6.2	(56)	(95)
Share of (profit)/loss of associates and joint ventures and dividend income on fair value through OCI investments		21	(173)
Income tax expenses	12.1	245	910
Other non-cash items		231	240
Cash flow from operations before changes in working capital and provisions		**3,674**	5,669
Change in inventories		(18)	(257)
Change in trade and other receivables		1,124	(245)
Change in trade and other payables and returnable packaging deposits		(759)	510
Total change in working capital		**347**	8
Change in provisions and post-retirement obligations		211	(121)
Cash flow from operations		**4,232**	5,556
Interest paid		(481)	(528)
Interest received		45	52
Dividends received		89	181
Income taxes paid		(749)	(924)
Cash flow related to interest, dividend and income tax		**(1,096)**	(1,219)
Cash flow from operating activities		**3,136**	4,337

In millions of €	Note	**2020**	2019
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and intangible assets		150	177
Purchase of property, plant and equipment		(1,501)	(1,915)
Purchase of intangible assets		(139)	(186)
Loans issued to customers and other investments		(177)	(249)
Repayment on loans to customers and other investments		44	64
Cash flow (used in)/from operational investing activities		**(1,623)**	(2,109)
Free operating cash flow		*1,513*	*2,228*
Acquisition of subsidiaries, net of cash acquired		(26)	(183)
Acquisition of/additions to associates, joint ventures and other investments		(9)	(2,875)
Disposal of subsidiaries, net of cash disposed of		(29)	244
Disposal of associates, joint ventures and other investments		249	50
Cash flow (used in)/from acquisitions and disposals		**185**	(2,764)
Cash flow (used in)/from investing activities		**(1,438)**	(4,873)
FINANCING ACTIVITIES			
Proceeds from borrowings		6,037	2,288
Repayment of borrowings		(3,714)	(2,150)
Payment of lease commitments		(281)	(259)
Dividends paid		(811)	(1,223)
Purchase own shares and shares issued		11	428
Acquisition of non-controlling interests		(4)	(103)
Other		—	3
Cash flow (used in)/from financing activities		**1,238**	(1,016)
Net cash flow		**2,936**	(1,552)
Cash and cash equivalents as at 1 January		687	2,248
Effect of movements in exchange rates		(104)	(9)
Cash and cash equivalents as at 31 December	11.2	**3,519**	687

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 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

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

*Restated for IFRS16.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a public company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, Amsterdam. The consolidated financial statements of the Company as at 31 December 2020 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 2020 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 9 February 2021 and will be submitted for adoption to the General Meeting of Shareholders on 22 April 2021.
- 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.

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

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

Since the end of the last annual reporting period, the COVID-19 outbreak has evolved into a pandemic that has far reaching impact on HEINEKEN's people and business. Containment measures such as restrictions of movement for populations and outlet closures, sometimes combined with the mandatory lockdown of production facilities, presented key challenges to the execution of HEINEKEN's strategy, and materially affected performance. HEINEKEN's reported net loss for the year ending 31 December 2020 was €88 million (2019: €2,374 million, profit). The impact from lower volume, adverse product and channel mix and incremental expenses driven by the pandemic, including credit losses and impairments on property, plant and equipment and intangible assets, was partially offset through continued cost mitigation.

Since 31 December 2019 many currencies have devalued significantly versus the Euro. Primarily the devaluation of the Mexican Peso and Brazilian Real impacted the Euro value of HEINEKEN's fixed assets and equity. Currency translations also had a negative impact on HEINEKEN's consolidated statement of comprehensive income.

In various countries, HEINEKEN received government support that included, for example, compensation for personnel expenses and delayed payments for value-added tax. As at 31 December 2020, government support measures resulted in a reduction of operating expenses of €53 million and deferred tax payments of €98 million, which had a cumulative positive impact on cash flow of €151 million.

During its financial reporting process, HEINEKEN assessed the impact of COVID-19 on its financial estimates and judgements. The impact of COVID-19 on financial estimates and judgements is mainly reflected in impairment of financial and non-financial assets, and other financial instrument disclosures (including credit management). All significant estimates and judgements are disclosed in the notes to the consolidated financial statements (if applicable). Notes containing the most significant estimates and judgements are referred to in note 3(b).

(b) Significant accounting estimates and 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. Additionally, amounts recognised are based on factors that are by default associated with uncertainty. Therefore actual results may differ from estimates.

The following notes contain the most significant estimates and judgements:

Particular area involving significant estimates and judgements	Note
SIGNIFICANT JUDGEMENT	
Judgement on acting as principal versus agent with respect to excise tax expense	6.1 Operating segments
Judgement used in the determination of the lease term and assumptions used in the determination of the incremental borrowing rate	8.3 Property, plant and equipment and 11.3 Borrowings
Assessment of the recoverability of past tax losses	12.2 Deferred tax assets and liabilities
SIGNIFICANT ESTIMATES	
Assumptions used in impairment testing	8.1 Impairment testing of Intangible assets and Property, plant and equipment
Assumptions for discount rates, future pension increases and life expectancy to calculate the defined benefit obligation	9.1 Post-retirement obligations
Estimating the likelihood and timing of potential cash flows relating to claims and litigation	9.2 Provisions and 9.3 Contingencies

The uncertainty around the depth and duration of the COVID-19 pandemic specifically impacted the assumptions used for impairment testing. Refer to note 8.1.

4. CHANGES IN ACCOUNTING POLICIES

(a) Changed accounting policies in 2020

No new standards and amendments to existing standards, effective in 2020, had a significant impact on HEINEKEN's consolidated financial statements.

(b) Upcoming changes in accounting policies for 2021

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

5. GENERAL ACCOUNTING POLICIES

General

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

(a) Basis of consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by HEINEKEN. HEINEKEN controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and 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.

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 2020 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 2020**	Year-end 2019	%	**Average 2020**	Average 2019	%
Brazilian Real (BRL)	**0.1569**	0.2215	(29.2)	**0.1698**	0.2265	(25.0)
Great Britain Pound (GBP)	**1.1123**	1.1754	(5.4)	**1.1244**	1.1396	(1.3)
Mexican Peso (MXN)	**0.0410**	0.0476	(13.9)	**0.0408**	0.0464	(12.1)
Nigerian Naira (NGN)	**0.0020**	0.0024	(16.7)	**0.0023**	0.0025	(8.0)
Polish Zloty (PLN)	**0.2167**	0.2348	(7.7)	**0.2250**	0.2327	(3.3)
Russian Ruble (RUB)	**0.0109**	0.0143	(23.8)	**0.0121**	0.0138	(12.3)
Singapore Dollar (SGD)	**0.6166**	0.6618	(6.8)	**0.6354**	0.6548	(3.0)
United States Dollar (USD)	**0.8149**	0.8902	(8.5)	**0.8758**	0.8932	(1.9)
Vietnamese Dong in 1,000 (VND)	**0.0351**	0.0385	(8.8)	**0.0377**	0.0384	(1.8)

(c) Cash flow statement

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

(d) Offsetting financial instruments

If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends either to settle on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are presented in the statement of financial position as a net amount.

6. OPERATING ACTIVITIES

6.1 OPERATING SEGMENTS

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

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Heineken N.V. Head Office & Other/Eliminations		Consolidated	
In millions of €	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net revenue (beia)[1]		**8,631**	10,629	**6,319**	7,429	**2,782**	3,370	**2,707**	3,205	**(716)**	(740)	**19,724**	23,894
Third party revenue[2]		10,462	12,601	6,452	7,656	3,400	4,106	3,443	4,106	13	52	23,770	28,521
Interregional revenue		697	758	27	32	—	—	5	2	(729)	(792)	—	—
Revenue		**11,159**	13,359	**6,479**	7,688	**3,400**	4,106	**3,448**	4,108	**(716)**	(740)	**23,770**	28,521
Excise tax expense[3]		(2,528)	(2,728)	(160)	(181)	(626)	(737)	(741)	(906)	—	—	(4,055)	(4,552)
Net revenue[1]		**8,631**	10,631	**6,319**	7,507	**2,774**	3,369	**2,707**	3,202	**(716)**	(740)	**19,715**	23,969
Other income	6.2	47	12	5	9	3	1	1	73	—	—	56	95
Operating profit		**(7)**	1,286	**540**	1,176	**119**	369	**425**	934	**(299)**	(132)	**778**	3,633
Net finance expenses	11.1											(590)	(513)
Share of profit/(loss) of associates and joint ventures	10.3	(4)	17	31	67	17	40	(51)	44	(24)	(4)	(31)	164
Income tax expense	12.1											(245)	(910)
Profit/(Loss)												**(88)**	2,374
Attributable to:													
Shareholders of Heineken Holding N.V. (net (loss)/profit)												(102)	1,087
Non-controlling interests in Heineken N.V.												(102)	1,079
Non-controlling interests in Heineken N.V. group companies												116	208
Operating profit reconciliation													
Operating profit/(loss)		(7)	1,286	540	1,176	119	369	425	934	(299)	(132)	778	3,633
Eia[1]		454	150	505	28	145	39	442	151	97	18	1,643	387
Operating profit (beia)[1]		**447**	1,436	**1,045**	1,204	**264**	408	**867**	1,085	**(202)**	(114)	**2,421**	4,020

[1] Note that this is a non-GAAP measure. Due to rounding, this balance will not always cast.
[2] Includes other revenue of €261 million in 2020 (2019: €356 million).
[3] Next to the €4,055 million of excise tax expense included in revenue (2019: €4,552 million), €1,613 million of excise tax expense is collected on behalf of third parties and excluded from revenue (2019: €1,813 million).

6.1 OPERATING SEGMENTS (CONTINUED)

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Heineken N.V. Head Office & Other/Eliminations		Consolidated	
In millions of €	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Current segment assets		**2,291**	2,918	**1,766**	2,286	**1,155**	1,451	**1,215**	1,239	**2,370**	394	**8,797**	8,288
Non-current segment assets		**11,815**	12,417	**7,243**	9,149	**2,162**	2,543	**6,312**	7,586	**848**	875	**28,380**	32,570
Investments in associates and joint ventures		**282**	305	**838**	864	**221**	237	**3,095**	3,452	**1**	10	**4,437**	4,868
Total segment assets		**14,388**	15,640	**9,847**	12,299	**3,538**	4,231	**10,622**	12,277	**3,219**	1,279	**41,614**	45,726
Unallocated assets												**1,018**	778
Total assets												**42,632**	46,504
Segment liabilities		**3,792**	4,441	**2,176**	2,760	**1,366**	1,590	**951**	1,127	**2,333**	2,664	**10,618**	12,582
Unallocated liabilities												**17,622**	16,611
Total equity												**14,392**	17,311
Total equity and liabilities												**42,632**	46,504
Purchase of owned property, plant and equipment	8.3	**498**	706	**334**	617	**298**	426	**100**	263	**20**	17	**1,250**	2,029
Acquisition of goodwill	8.2	**9**	33	**—**	13	**—**	23	**2**	—	**—**	—	**11**	69
Purchases of intangible assets	8.2	**70**	85	**23**	43	**12**	17	**9**	9	**25**	32	**139**	186
Depreciation of owned Property, plant and equipment	8.3	**(557)**	(538)	**(296)**	(322)	**(235)**	(244)	**(137)**	(135)	**(13)**	(11)	**(1,238)**	(1,250)
(Impairment) and reversal of impairment of owned property, plant and equipment	8.1/8.3	**(195)**	—	**(135)**	—	**(68)**	(9)	**(65)**	(43)	**—**	—	**(463)**	(52)
Amortisation of intangible assets	8.2	**(77)**	(76)	**(99)**	(117)	**(8)**	(9)	**(153)**	(160)	**(52)**	(37)	**(389)**	(399)
(Impairment) and reversal of impairment of intangible assets	8.1/8.2	**(1)**	—	**(225)**	—	**(26)**	(8)	**(200)**	(12)	**(14)**	—	**(466)**	(20)

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 €	**2020**	2019
Operating profit (beia)	**2,421**	4,020
Amortisation of acquisition-related intangible assets included in operating profit	(273)	(309)
Exceptional items included in operating profit	(1,370)	(78)
Share of profit/(loss) of associates and joint ventures	(31)	164
Net finance expenses	(590)	(513)
Profit before income tax	**157**	3,284

The 2020 exceptional items and amortisation of acquisition-related intangibles in operating profit amounts to €1,643 million (2019: €387 million). This amount consists of:

- €273 million (2019: €309 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €1,370 million (2019: €78 million) of exceptional items recorded in operating profit. This includes nil exceptional items on revenue (2019: €78 million exceptional benefit on revenue, mainly relating to tax credits in Brazil), €8 million exceptional excise tax expenses (2019: €2 million), €331 million of restructuring expenses, largely associated with the EverGreen programme (2019: €91 million), €963 million of impairments (net of reversal) mainly in Papua New Guinea, Lagunitas, Jamaica and various UK Pubs (2019: €85 million), €35 million net loss on disposals (2019: €57 million gain on disposals, mainly related to the sale of operating entities in China and Hong Kong) and €33 million of other net exceptional expenses (2019: €35 million).

HEINEKEN has not introduced new exceptional items related to COVID-19 or classified COVID-19 as an exceptional item as such. Although COVID-19 is an exceptional situation, it is not considered an incident as it is unfolding over time, with an impact on many different financial statement line items. Therefore, any effect of COVID-19 is not considered as an exceptional item, unless the effect relates to the exceptional items as mentioned in the accounting policy sections below.

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 third parties.

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

ACCOUNTING POLICIES

Segment reporting

Operating segments are reported 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 property, plant and equipment and intangible assets other than goodwill.

Performance is measured based on operating profit (beia), as included in the internal management reports that are reviewed by the Executive Board of Heineken N.V. Beia stands for 'before exceptional items and amortisation of acquisition-related intangibles'. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Exceptional items include, amongst others, impairments of goodwill and fixed assets (and reversal of impairments), gains and losses from acquisitions and disposals, redundancy costs following a restructuring, past service costs and curtailments, the tax impact on exceptional items and tax rate changes (the one-off impact on deferred tax positions).

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

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

Inter-segment transfers or transactions are determined on an arm's length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and Regional Presidents 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 and bars, royalties, income from wholesale activities, pub management services and technical services to third parties. Royalties are sales-based and recognised in profit or loss (consolidated income statement) on an accrual basis in accordance with the relevant agreement. Rental income, income from wholesale activities, pub management services and technical services are recognised in profit or loss when the services have been delivered.

Discounts

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

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

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

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

Excise tax expense

Local tax authorities impose multiple taxes, duties and fees. These include excise on sale or production of alcoholic beverages, environmental taxes on the use of certain raw materials or packaging materials, or the energy consumption in the production process. Excise duties are common in the beverage industry, but levied differently amongst the countries HEINEKEN operates in. HEINEKEN performs a country by country analysis to assess whether the excise duty 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 are not based on the sales value. In these countries, increases in excise duties are not always (fully) passed on to customers and HEINEKEN cannot, or can only partly, reclaim the excise duty in the case products are eventually not sold to customers. Excise tax is borne by HEINEKEN for these countries and shown as expenses. Only for those countries where excise is levied at the moment of the sales transaction and excise is based on the sales value, the excise duties are collected on behalf of a tax authority and consequently deducted from revenue. Due to the complexity and variety in tax 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' is therefore included in the Income Statement. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

6.2 OTHER INCOME

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

In millions of €	**2020**	2019
Gain on sale of property, plant and equipment	35	20
Gain on sale of intangible assets	20	—
Gain on sale of subsidiaries, joint ventures and associates	1	75
	56	95

In 2019, other income mainly related to the gain on sale of HEINEKEN's operating entities in China and Hong Kong.

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 €	**2020**	2019
Raw materials	1,811	2,068
Non-returnable packaging	3,691	4,058
Goods for resale	920	1,501
Inventory movements	17	(75)
Marketing and selling expenses	2,044	2,632
Transport expenses	1,080	1,325
Energy and water	476	572
Repair and maintenance	474	519
Other expenses	1,937	1,992
	12,450	14,592

Other expenses in raw materials, consumables and services mainly include consulting expenses of €187 million (2019: €219 million), telecom and office automation of €271 million (2019: €272 million), warehousing expenses of €179 million (2019: €195 million), travel expenses of €63 million (2019: €150 million), other taxes of €109 million (2019: €75 million), short-term lease expenses of €58 million (2019: €73 million) and low value lease expenses of €33 million (2019: €39 million).

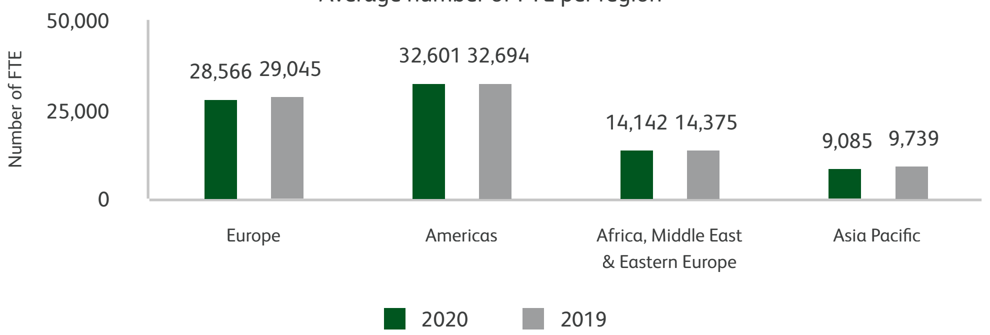
ACCOUNTING POLICIES

Expenses are recognised based on accrual accounting. This means that expenses are recognised when the product is received or the service is provided regardless of when cash outflow takes place.

6.4 PERSONNEL EXPENSES

The average number of full-time equivalent (FTE) employees, excluding contractors, in 2020 was 84,394 (2019: 85,853 FTE), divided per region as follows:

Average number of FTE per region



The decrease in Asia Pacific is mainly due to the full year impact on FTEs related to the 2019 disposal of HEINEKEN's operating entities in China and Hong Kong. In Europe, the decrease is due to a hiring freeze implemented in the current year.

A total of 4,218 FTEs are based in the Netherlands (2019: 4,120 FTE). The increase in FTEs based in the Netherlands during 2020 is due to the conversion of temporary roles into permanent roles.

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

HEINEKEN employees receive compensations such as salaries and wages, pensions (refer to note 9.1) and share-based payments (refer to note 6.5). Other personnel expenses include expenses for contractors of €128 million (2019: €183 million) and restructuring costs of €343 million (2019: €84 million). The increase in the restructuring expenses of €259 million is related to the productivity programme part of EverGreen. Refer to note 9.2 for the restructuring provisions.

In millions of €	Note	**2020**	2019
Wages and salaries		2,228	2,536
Compulsory social security contributions		367	386
Contributions to defined contribution plans		51	58
Expenses related to defined benefit plans	9.1	104	78
Expenses related to other long-term employee benefits		7	12
Equity-settled share-based payment plan	6.5	(1)	31
Other personnel expenses		913	779
		3,669	3,880

ACCOUNTING POLICIES

Personnel expenses

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

Government grants

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

6.5 SHARE-BASED PAYMENTS

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

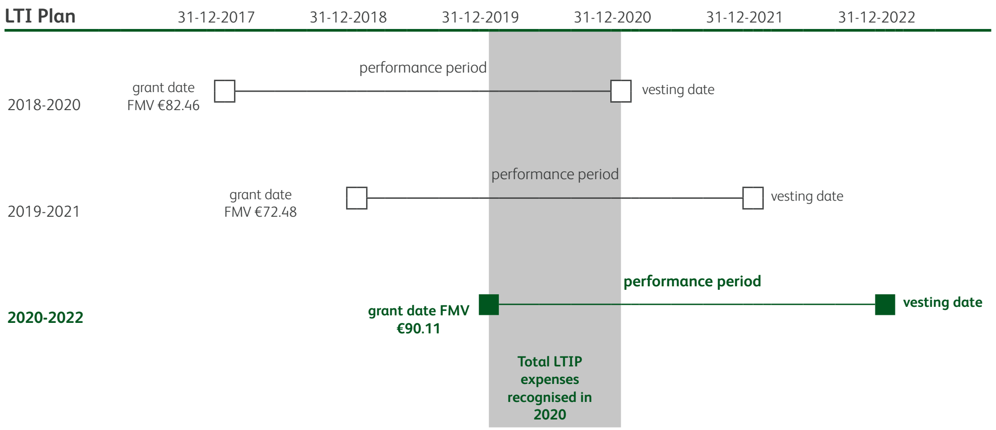
Long-term incentive plan (LTIP)

HEINEKEN has a performance-based 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. The performance conditions are equally weighted.

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

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



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

	Number of share rights 2020	Number of share rights 2019
Outstanding as at 1 January	**1,746,018**	2,047,880
Granted during the year	457,906	531,949
Forfeited during the year	(104,002)	(157,276)
Vested previous year	(764,496)	(617,012)
Performance adjustment	(483,737)	(59,523)
Outstanding as at 31 December	**851,689**	1,746,018
Share price as at 31 December	**91.22**	94.92

In response to the impact of the COVID-19 pandemic on HEINEKEN's business, the LTI awards made under the 2018-2020 LTIP for Heineken N.V.'s Executive Board will not vest. The cancellation of the 2018-2020 LTIP did not result in any settlements nor was it replaced with an alternative plan.

Other share-based compensation plans

Under the Extraordinary share plans for senior management, in 2020 24,100 shares were granted and 1,500 (gross) shares vested. These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. In 2020, expenses amounted to €1 million (2019: €0.2 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 income that is recognised in 2020 amounts to €1 million (2019: €31 million share-based compensation expense).

In millions of €	Note	**2020**	2019
Share rights granted in 2017		—	13
Share rights granted in 2018		(21)	8
Share rights granted in 2019		4	10
Share rights granted in 2020		16	—
Total expense recognised in personnel expenses	6.4	**(1)**	31

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	**2020**	2019
Property, plant and equipment	8.3	1,981	1,540
Intangible assets	8.2	855	419
Other		38	—
		2,874	1,959

Refer to note 8.1 for the impairment losses.

Property, plant and equipment includes depreciation and impairment of ROU assets of €280 million (2019: €238 million).

ACCOUNTING POLICIES

Refer to note 8.2 for the accounting policy on impairments and amortisation, and to note 8.3 for the policy on depreciation.

6.7 EARNINGS PER SHARE

The calculation of earnings per share (EPS) for the period ended 31 December 2020 is based on the profit attributable to the shareholders of the Company (net profit/(loss)) and the weighted average number of shares outstanding (basic and diluted) during the year ended 31 December 2020.

In € per share (basic or diluted) for the period ended 31 December	**2020**	2019
Basic earnings per share	(0.36)	3.77
Diluted earnings per share	(0.36)	3.77

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

	2020	2019
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

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

In millions of €	**2020**	2019
Raw materials	321	403
Work in progress	228	252
Finished products	460	488
Goods for resale	331	339
Non-returnable packaging	241	283
Other inventories and spare parts	377	448
	1,958	2,213

During 2020 inventories were written down by €20 million to net realisable value (2019: €7 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 during the course of ordinary activities, for example from the sale of inventory, from proceeds for contract brewing or from royalty fees.

In millions of €	**2020**	2019
Trade receivables	1,768	2,913
Other receivables	636	813
Trade receivables due from associates and joint ventures	20	12
Prepayments	383	385
	2,807	4,123

Trade and other receivables contain a net impairment loss of €141 million (2019: €65 million) from contracts with customers, which is included in expenses for raw materials, consumables and services. The increase in impairment losses compared to last year is primarily due to the impact of the COVID-19 pandemic.

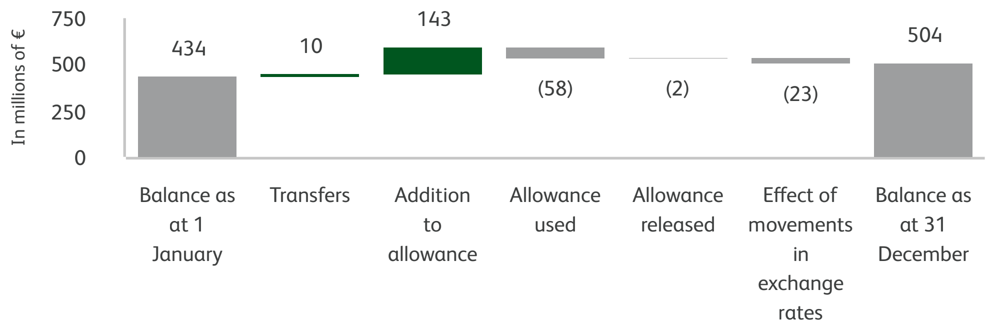
The ageing of trade and other receivables (excluding prepayments) as at 31 December 2020 is as follows:

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

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

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

Allowance for expected credit losses 2020
Trade and other receivables



In millions of €	**2020**	2019
Balance as at 1 January	**434**	437
Changes in consolidation	—	1
Transfers	10	—
Addition to allowance	143	69
Allowance used	(58)	(73)
Allowance released	(2)	(4)
Effect of movements in exchange rates	(23)	4
Balance as at 31 December	**504**	434

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. Due to the uncertainty relating to the depth and duration of the COVID-19 pandemic and its related impact on HEINEKEN's customers, more judgement is required in the calculation of expected credit losses compared to the prior year. As part of these assessments, HEINEKEN has incorporated all reasonable and supportable information available such as whether there has been a breach or deterioration of payments terms, a request for extended payment terms or a request for waived payment terms. 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 €	**2020**	2019
Trade payables	3,663	4,720
Accruals	1,232	1,386
Taxation and social security contributions	845	1,009
Interest	187	147
Dividends	13	12
Other payables	167	246
	6,107	7,520

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

ACCOUNTING ESTIMATES

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

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 8.3) includes €824 million (2019: €922 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 reimbursed when the empty returnable packaging material is returned.

In millions of €	**2020**	2019
Returnable packaging deposits	454	565

ACCOUNTING ESTIMATES

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

ACCOUNTING POLICIES

Returnable packaging materials

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

Refer to note 8.3 for the general accounting policy on property, plant and equipment. Specifically for returnable packaging materials, the estimated useful life depends on the loss of the materials in the market as well as on HEINEKEN's sites.

Returnable packaging deposit liability

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

8. NON-CURRENT ASSETS

8.1 IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(a) Introduction

The results of impairment testing for non-financial non-current assets is covered both in note 8.2 Intangible assets and note 8.3 Property, plant and equipment. Note 8.2 covers the impairment testing of goodwill and intangible assets with an indefinite useful life. Note 8.3 covers the impairment testing for property, plant and equipment (P,P&E) and intangible assets with a finite useful life.

(b) Impact of the COVID-19 pandemic on impairment testing

Due to the uncertainty of the depth and duration of the COVID-19 pandemic, including the resurgence of the virus, limitations on operations and adverse effects on disposable income, projecting future cash flows for cash generating units (CGUs) for 2020 involves a higher degree of judgement compared to previous years. HEINEKEN therefore prepared multiple recovery scenario's for the impairment trigger testing with regard to the short-term impact (e.g. short-term impact on sales volumes and revenue) and the longer term impact of COVID-19 (e.g. the recovery of sales volumes to pre-COVID-19 levels).

In the event of an impairment indicator, the final forecasts used for impairment testing were prepared for a single most likely scenario. These forecasts were prepared under the assumption of a full recovery to the 2019 sales volumes over a two-year planning horizon. The forecasts took into account the continuation of the current wave and its containment measures into 2021, but no additional waves beyond 2021.

(c) Summary of impairments on Intangible assets and Property, plant and equipment

During the year, impairment losses of €963 million were recorded, of which €39 million relates to goodwill (2019: €6 million), €427 million to intangible assets with a finite useful life (2019: €14 million) and €497 million to P,P&E (2019: €52 million). The impairment charges mainly relate to the CGUs Papua New Guinea (€246 million), Lagunitas (€230 million), Jamaica (€100 million) and various (individual) pub impairments in the UK amounting to €191 million. Additionally, various smaller impairments have been recorded.

The drivers of the impairment losses in 2020 are mainly due to the impact of the COVID-19 pandemic on developing economies and on the on-trade business (like cafés, bars and restaurants) in some developed economies. For more details refer to note 8.3.

The impairments have been charged to the line 'Amortisation, depreciation and impairments' in the Income Statement.

8.2 INTANGIBLE ASSETS

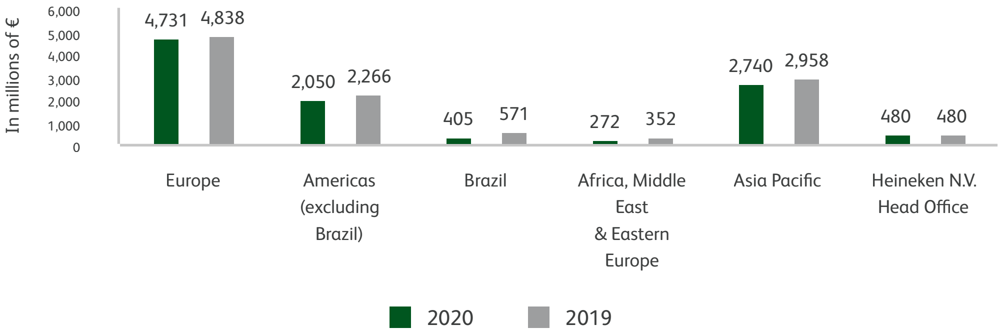
Intangible assets within HEINEKEN are mainly goodwill, brands and customer-related intangibles such as customer lists. The majority of intangible assets have been recognised by HEINEKEN as part of acquisitions. Refer to the table below for the historical cost per asset class and the movements during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

		2020						2019					
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		**11,898**	**4,979**	**2,300**	**1,064**	**1,037**	**21,278**	11,621	4,775	2,204	1,010	931	20,541
Changes in consolidation and other transfers		11	13	(14)	(17)	(1)	(8)	62	71	21	5	12	171
Purchased/internally developed		—	—	1	3	135	139	—	—	4	6	176	186
Transfer (to)/from assets classified as held for sale	10.2	—	(3)	—	—	—	(3)	(5)	—	—	—	—	(5)
Disposals		—	—	(1)	(1)	(38)	(40)	—	—	—	(3)	(73)	(76)
Effect of movements in exchange rates		(760)	(437)	(235)	(103)	(52)	(1,587)	220	133	71	46	(9)	461
Balance as at 31 December		**11,149**	**4,552**	**2,051**	**946**	**1,081**	**19,779**	11,898	4,979	2,300	1,064	1,037	21,278
AMORTISATION AND IMPAIRMENT LOSSES													
Balance as at 1 January		**(433)**	**(1,026)**	**(1,169)**	**(328)**	**(553)**	**(3,509)**	(427)	(865)	(992)	(269)	(529)	(3,082)
Changes in consolidation and other transfers		—	—	7	8	—	15	—	—	—	—	—	—
Amortisation charge for the year	6.6	—	(124)	(113)	(40)	(112)	(389)	—	(134)	(135)	(43)	(87)	(399)
Impairment losses	6.6	(39)	(369)	(38)	(3)	(17)	(466)	(6)	—	(6)	(6)	(2)	(20)
Transfer (to)/from assets classified as held for sale	10.2	—	—	—	—	—	—	—	—	—	—	—	—
Disposals		—	—	—	—	34	34	—	—	—	—	57	57
Effect of movements in exchange rates		1	110	131	31	30	303	—	(27)	(36)	(10)	8	(65)
Balance as at 31 December		**(471)**	**(1,409)**	**(1,182)**	**(332)**	**(618)**	**(4,012)**	(433)	(1,026)	(1,169)	(328)	(553)	(3,509)
CARRYING AMOUNT													
As at 1 January		11,465	3,953	1,131	736	484	17,769	11,194	3,910	1,212	741	402	17,459
As at 31 December		10,678	3,143	869	614	463	15,767	11,465	3,953	1,131	736	484	17,769

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 €10,678 million (2019: €11,465 million) is allocated to each (group of) CGU as follows:

Goodwill per (group of) CGU



The decrease in goodwill of €787 million compared to 2019, mainly relates to movement in exchange rates of €759 million and impairment losses of €39 million recognised in the current year.

The carrying amount of a CGU is compared to the recoverable amount of the CGU. The recoverable amounts of the (group of) CGUs are based on the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU) calculations. CGUs for which the recoverable amount is based on a VIU model represent more than 99% of goodwill. VIU is determined by discounting the future cash flows generated from the continuing use of the CGU using a pre-tax discount rate.

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

- Cash flows are projected based on actual operating results and the 3-year business plan. Cash flows for a further 7-year period (except for Europe, where a further 2-year period is applied) are extrapolated using an expected annual per country volume growth rate, which are based on external sources. Management believes that this period reflects the long-term development of the local beer business and is based on past experiences.
- The beer price growth per year, after the forecast period, is assumed to be a country specific expected annual long-term inflation, which is based on external sources.
- Cash flows after the first 10-year period (Europe 5-year) are extrapolated using a perpetual growth rate equal to the expected 10-year compounded average 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 applied for years 2024-2030	Expected volume growth rates applied for years 2024-2030
Europe	6.6	1.9	1.4
Americas (excluding Brazil)	9.7	2.9	3.8
Brazil	12.9	3.1	0.3
Africa, Middle East & Eastern Europe	12.8 - 25.0	4.9 - 9.4	2.2 - 8.6
Asia Pacific	11.7	3.3	3.8
Heineken N.V. Head Office	6.5	1.9	1.4

CGUs for which the recoverable amount is based on a FVLCD model, represent less than 1% of goodwill.

Impairment losses

The annual goodwill impairment test did not result in an impairment loss for the current year (2019: €6 million). The impairment test required as a result of the identification of impairment indicators, however resulted in an impairment on goodwill of €39 million and €427 million (2019: €14 million) for intangible assets other than goodwill, which was charged to profit or loss (refer to note 8.3).

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (i.e. lower growth rates or higher discount rates respectively) did not result in a materially different outcome for the impairment test and the headroom for no CGUs would have been reduced to nil.

Brands, customer-related and contract-based intangibles

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

ACCOUNTING POLICIES

Goodwill

Goodwill represents the difference between the fair value of the net assets acquired and the transaction price of the acquisition. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to individual or groups of CGUs for 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 intangible assets are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in amortisation. Goodwill is derecognised when the related CGU is sold.

Impairment of non-financial assets

At each reporting date HEINEKEN reviews the carrying amounts of its non-financial assets (except for inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use. The CGU for other non-financial assets is often the operating company on country level. The recoverable amount of an asset or CGU is the higher of an asset's FVLCD and VIU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are first allocated to goodwill and intangible assets with an indefinite useful life. A remaining impairment loss is then allocated to the other assets in the unit on a pro rata basis. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

8.3 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 €	**2020**	2019
Property, plant and equipment - owned assets	10,606	12,230
Right of use assets	945	1,039
Property, plant and equipment	**11,551**	13,269

Owned assets

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

		2020					2019				
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		**7,418**	**9,638**	**5,778**	**1,077**	**23,911**	6,978	8,872	5,344	998	22,192
Changes in consolidation and other transfers		25	97	9	3	134	25	23	8	3	59
Purchases		37	35	295	883	1,250	62	91	411	1,465	2,029
Transfer of completed projects under construction		217	613	331	(1,161)	—	328	737	327	(1,392)	—
Transfer (to)/from assets classified as held for sale		(62)	(21)	(2)	—	(85)	(23)	—	(1)	—	(24)
Disposals		(46)	(131)	(269)	(4)	(450)	(133)	(194)	(385)	(13)	(725)
Effect of movements in exchange rates		(547)	(776)	(443)	(129)	(1,895)	181	109	74	16	380
Balance as at 31 December		**7,042**	**9,455**	**5,699**	**669**	**22,865**	7,418	9,638	5,778	1,077	23,911
DEPRECIATION AND IMPAIRMENT LOSSES											
Balance as at 1 January		(2,367)	(5,464)	(3,850)	—	(11,681)	(2,178)	(5,116)	(3,539)	—	(10,833)
Changes in consolidation and other transfers		(32)	(101)	(2)	—	(135)	—	—	—	—	—
Depreciation charge for the year	6.6	(166)	(443)	(629)	—	(1,238)	(177)	(440)	(633)	—	(1,250)
Impairment losses	6.6	(224)	(110)	(60)	(69)	(463)	(15)	(27)	(10)	—	(52)
Transfer to/(from) assets classified as held for sale		40	11	2	—	53	8	—	—	—	8
Disposals		30	128	260	—	418	25	190	378	—	593
Effect of movements in exchange rates		133	374	280	—	787	(30)	(71)	(46)	—	(147)
Balance as at 31 December		**(2,586)**	**(5,605)**	**(3,999)**	**(69)**	**(12,259)**	(2,367)	(5,464)	(3,850)	—	(11,681)
CARRYING AMOUNT											
As at 1 January		5,051	4,174	1,928	1,077	12,230	4,800	3,756	1,805	998	11,359
As at 31 December		4,456	3,850	1,700	600	10,606	5,051	4,174	1,928	1,077	12,230

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

Given the impact of COVID-19 on HEINEKEN's markets and businesses, HEINEKEN assessed its CGUs for an indication of an impairment. Following the assessment, CGUs with a total fixed asset base (including goodwill and before impairment) of €4.3 billion were tested for asset impairment (2019: €0.4 billion). As a result, CGUs with a total fixed asset base of €2.5 billion (2019: €0.1 billion) were found to be partially impaired.

Following the impairment tests, impairments of €463 million on owned P,P&E (2019: €52 million), €34 million of ROU assets, €427 million on intangible assets with a finite useful life and €39 million on goodwill were recorded in 2020. The impairment charges mainly relate to the CGUs Papua New Guinea (€246 million), Lagunitas (€230 million), Jamaica (€100 million, net of reversal) and various (individual) pub impairments in the UK totalling €191 million. Additionally, various smaller impairments were recorded.

Impairments are recorded on the line 'Amortisation, depreciation and impairments' in the Income Statement. Refer to the table below for the impairment loss recorded per segment:

In millions of €	Total impairment loss	Lagunitas	Jamaica	Papua New Guinea	Various UK pubs	Various smaller impairments
Americas	391	230	100	—	—	61
AMEE	96	—	—	—	—	96
APAC	269	—	—	246	—	23
Europe	194	—	—	—	191	3
Heineken N.V. Head Office	13	—	—	—	—	13
Total	**963**	**230**	**100**	**246**	**191**	**196**

For a split per asset class refer to the movement schedules in note 8.2 and 8.3.

The determination of the recoverable amount of the assets of Lagunitas, Papua New Guinea and Jamaica is based on a VIU valuation, which is based on a management forecast extrapolated to a 10-year cash flow forecast for Papua New Guinea and Jamaica and a 5-year cash flow forecast for Lagunitas. Cash flows after the first 10-year period (Lagunitas 5-year) are extrapolated using a perpetual growth rate equal to the expected 10-year compounded average inflation, in order to calculate the terminal recoverable amount. The key assumptions used to determine the cash flows are based on market expectations and management's best estimates.

See the table below for the key assumptions:

	Papua New Guinea		Lagunitas		Jamaica	
In %	2021 - 2025	2026 - 2030	2021-2023	2024-2025	2021-2024	2025-2030
Pre-tax WACC (in local currency)	17.7	17.7	6.7	6.7	17.7	17.7
Expected annual long-term inflation	4.0	4.0	1.9	1.9	4.7	4.7
Expected volume growth	7.9	4.6	0.1	2.0	3.7	0.0

Right of use (ROU) assets

HEINEKEN leases stores, pubs, offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. HEINEKEN has around 35,000 leases with a wide range of different terms and conditions, depending on local regulations and 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 €	**2020**	2019
Land and buildings	672	807
Equipment	273	232
Carrying amount ROU assets as at 31 December	**945**	1,039

During 2020, €329 million was added to the ROU assets as a result of entering into new lease contracts and the remeasurement of existing leases (2019: €271 million). The depreciation and impairments of ROU assets for the financial year ending 31 December is as follows:

In millions of €	**2020**	2019
Land and buildings	185	158
Equipment	95	80
Depreciation and impairments for ROU assets	**280**	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 restructuring.

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

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

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

ACCOUNTING POLICIES

Owned assets

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

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

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

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

Depreciation and impairments

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

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

Land and assets under construction are not depreciated. When assets under construction are ready for 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.

HEINEKEN reviews whether indicators for impairment exist on CGU level. When an indicator of impairment exists, assets are tested for impairment. Impairment losses on assets, other than goodwill, recognised in prior periods are assessed at each reporting date for any indication of a reversal.

De-recognition of Property, plant and equipment

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

Right of use (ROU) assets

Definition of a lease

A contract 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 8.5 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.

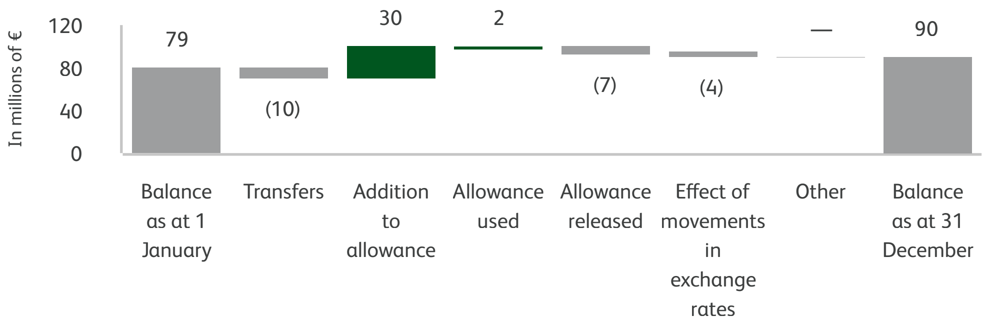
8.4 LOANS AND ADVANCES TO CUSTOMERS

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 €	**2020**	2019
Loans to customers	53	55
Advances to customers	141	222
Loans and advances to customers	**194**	277

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

Allowance for credit losses 2020
Loans and advances to customers



In millions of €	**2020**	2019
Balance as at 1 January	**79**	135
Transfers	(10)	—
Addition to allowance	30	7
Allowance used	2	(56)
Allowance released	(7)	(3)
Effect of movements in exchange rates	(4)	2
Other	—	(6)
Balance as at 31 December	**90**	79

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. If a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer), credit losses over the lifetime of the asset are incurred. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Due to the uncertainty relating to the depth and duration of the COVID-19 pandemic and its related impact on HEINEKEN's customers, more judgement is required for the calculation of expected credit losses compared to previous years. 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.

8.5 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	**2020**	2019
Fair value through OCI investments		117	408
Non-current derivatives	11.6	21	2
Loans to joint ventures and associates		30	38
Long-term prepayments		375	439
Other receivables		341	368
Other non-current assets		**884**	1,255

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 main FVOCI equity investment was €241 million in the Saigon Alcohol Beer and Beverages Corporation ('SABECO', Vietnam), of which the majority was sold during 2020.

The other receivables include lease receivables of €160 million (2019: €167 million). Including the short-term portion of lease receivables, the average outstanding term of the lease receivables is 5.3 years (2019: 4.6 years). 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 qualify for indemnification towards FEMSA and is provided for.

Sensitivity analysis – equity securities

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

ACCOUNTING ESTIMATES

HEINEKEN determines on each reporting date the impairment of other receivables using an expected credit loss model, which estimates the credit losses over 12 months. Only in case 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. Upon the sale of these equity securities the accumulated fair value and currency translation changes are transferred to retained earnings.

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

Non-current derivatives

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

Other

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

9. PROVISIONS AND CONTINGENT LIABILITIES

9.1 POST-RETIREMENT OBLIGATIONS

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

In millions of €	**2020**	2019
Present value of unfunded defined benefit obligations	203	307
Present value of funded defined benefit obligations	9,387	9,210
Total present value of defined benefit obligations	**9,590**	9,517
Fair value of defined benefit plan assets	(8,757)	(8,451)
Present value of net obligations	**833**	1,066
Asset ceiling items	48	53
Defined benefit plans included under non-current assets	5	7
Recognised liability for defined benefit obligations	**886**	1,126
Other long-term employee benefits	52	63
	938	1,189

The vast majority of benefit payments are from pension funds that are held in trusts (or equivalent), however, there is a small portion where HEINEKEN fulfils the benefit payment obligation as it falls due. Plan assets held in trusts are governed by Trustee Boards composed of HEINEKEN representatives and independent and/or member representation, in accordance with local regulations and practice in each country. The relationship and division of responsibility between HEINEKEN and the Trustee Board (or equivalent) including investment decisions and contribution schedules are carried out in accordance with the plan's regulations.

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

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

In millions of €	**2020** UK	2019 UK	**2020** NL	2019 NL	**2020** Other	2019 Other	**2020** Total	2019 Total
Total present value of defined benefit obligations	4,063	3,945	4,102	4,096	1,425	1,476	9,590	9,517
Fair value of defined benefit plan assets	(3,751)	(3,529)	(4,059)	(3,939)	(947)	(983)	(8,757)	(8,451)
Present value of net obligations	**312**	416	**43**	157	**478**	493	**833**	1,066

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 2020, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level will apply in 2021. As a result of a legal obligation to settle a closed transitional plan per the end of 2020, a one-off contribution of €80 million was prepaid by HEINEKEN to the pension fund in 2020. Early 2021 the final contribution will be determined and settled with the prepayment. As a result of the final settlement, the respective plan will be fully funded. The final contribution is expected to be in line with the prepayment of €80 million.

Defined benefit plan in the United Kingdom

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

Movement in net defined benefit obligation

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

		Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
In millions of €	Note	**2020**	2019	**2020**	2019	**2020**	2019
Balance as at 1 January		**9,517**	8,511	**(8,451)**	(7,682)	**1,066**	829
Included in profit or loss							
Current service cost		111	81	—	—	111	81
Past service cost/(credit)		(10)	(1)	—	—	(10)	(1)
Administration expense		—	—	4	3	4	3
Effect of any settlement		(1)	(5)	—	—	(1)	(5)
Expense recognised in personnel expenses	6.4	**100**	75	**4**	3	**104**	78
Interest expense/(income)	11.1	145	212	(122)	(182)	23	30
		245	287	**(118)**	(179)	**127**	108
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from							
Demographic assumptions		(112)	(93)	—	—	(112)	(93)
Financial assumptions		605	1,065	—	—	605	1,065
Experience adjustments		(22)	(125)	—	—	(22)	(125)
Return on plan assets excluding interest income		—	—	(525)	(579)	(525)	(579)
Effect of movements in exchange rates		(280)	210	234	(190)	(46)	20
		191	1,057	**(291)**	(769)	**(100)**	288
Other							
Changes in consolidation and reclassification		(8)	20	13	(4)	5	16
Contributions paid:							
By the employer		—	—	(265)	(175)	(265)	(175)
By the plan participants		24	24	(24)	(24)	—	—
Benefits paid		(379)	(382)	379	382	—	—
Settlements		—	—	—	—	—	—
		(363)	(338)	**103**	179	**(260)**	(159)
Balance as at 31 December		**9,590**	9,517	**(8,757)**	(8,451)	**833**	1,066

Defined benefit plan assets

			2020			2019
In millions of €	Quoted	Unquoted	**Total**	Quoted	Unquoted	**Total**
Equity instruments:						
Europe	411	—	411	579	—	579
Northern America	868	—	868	1,051	—	1,051
Japan	153	—	153	196	—	196
Asia other	213	—	213	122	—	122
Other	83	76	159	339	69	408
	1,728	**76**	**1,804**	2,287	69	2,356
Debt instruments:						
Bonds – investment grade	4,634	723	5,357	3,759	512	4,271
Bonds – non-investment grade	393	162	555	251	240	491
	5,027	**885**	**5,912**	4,010	752	4,762
Derivatives	35	(473)	(438)	5	(602)	(597)
Properties and real estate	20	860	880	15	794	809
Cash and cash equivalents	169	63	232	107	17	124
Investment funds	9	319	328	66	848	914
Other plan assets	13	26	39	13	70	83
	246	**795**	**1,041**	206	1,127	1,333
Balance as at 31 December	**7,001**	**1,756**	**8,757**	6,503	1,948	8,451

During 2020, the UK fund replaced their equity portfolio of approx. €550 million by a synthetic equity exposure using swaps. This lowered the reported equity value, whilst increasing the debt portfolio.

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 and the next will take place in 2021.

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, this resulted in a strategic asset mix comprising 30% of plan assets in liability driven investments, 20% in equities, 15% in higher yielding credit, 15% in private markets, 12.5% in corporate bonds and 7.5% 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 24% on average during the year (2019: 23.4%). 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 84% of the interest rate sensitivity of the total liabilities as measured on a Gilts +1% liability basis (2019: 87% as measured on the same basis).

Inflation risk

Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation is partly managed through the use of a mixture of inflation-linked derivative instruments. These instruments match 84% of the inflation-linked liabilities as measured on a Gilts + 1% liability basis (2019: 76% as measured on the same basis).

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will 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.

Principal actuarial assumptions as at the balance sheet date

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

	The Netherlands		UK[1]	
In %	**2020**	2019	**2020**	2019
Discount rate as at 31 December	0.5	0.9	1.4	2.1
Future salary increases	2.0	2.0	—	—
Future pension increases	0.2	0.5	3.0	2.9

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

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

	Europe		Americas		Africa, Middle East & Eastern Europe	
In %	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate as at 31 December	0.2-0.8	0.3-0.9	6.9-12.0	6.8-14.0	0.5-8.0	0.9-12.4
Future salary increases	0.0-3.5	0.0-3.5	0.0-4.5	0.0-4.5	0.0-4.0	0.0-5.0
Future pension increases	0.0-1.5	0.0-1.5	0.0-3.5	0.0-3.6	0.0-1.2	0.0-2.9
Medical cost trend rate	0.0-4.5	0.0-4.5	0.0-15.1	0.0-13.1	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 2020', fully generational. For the UK, the future mortality rates are obtained by applying the Continuous Mortality Investigation 2019 projection model.

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

HEINEKEN expects the contributions to be paid for the defined benefit plans for 2021 to be in line with 2020 excluding the one-off contribution of €80 million for the transitional plan of the Dutch pension fund.

Sensitivity analysis

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

	2020		2019	
Effect in millions of €	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(620)	689	(770)	884
Future salary growth (0.25% movement)	15	(13)	17	(16)
Future pension growth (0.25% movement)	378	(338)	365	(335)
Medical cost trend rate (0.5% movement)	6	(5)	6	(5)
Life expectancy (1 year)	438	(436)	393	(392)

ACCOUNTING ESTIMATES

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

ACCOUNTING POLICIES

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-retirement plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

HEINEKEN's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; those benefits are discounted to determine its present value. The fair value of any defined benefit plan assets 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 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 restructuring, and claims and litigation that arise in the ordinary course of business. The outcome depends on future events, which are by nature uncertain.

In millions of €	Claims and litigation	Taxes	Restructuring	Onerous contracts	Other	**Total**
Balance as at 1 January 2020	339	337	154	30	80	940
Transfers	—	—	—	—	8	8
Provisions made during the year	86	44	359	21	100	610
Provisions used during the year	(11)	(1)	(76)	(1)	(14)	(103)
Provisions reversed during the year	(45)	(85)	(15)	(20)	(27)	(192)
Effect of movements in exchange rates	(125)	(41)	—	(2)	(3)	(171)
Unwinding of discounts	11	1	—	—	—	12
Balance as at 31 December 2020	**255**	**255**	**422**	**28**	**144**	**1,104**
Non-current	229	201	175	18	65	688
Current	26	54	247	10	79	416

Claims and litigation

The provisions for claims and litigation of €255 million (2019: €339 million) mainly relate to civil and labour claims in Brazil.

Taxes

The provisions for taxes of €255 million (2019: €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

On 28 October 2020, HEINEKEN announced a review of the effectiveness and efficiency of the organisations at Heineken N.V. Head Office, regional offices and each of its local operations as a part of its EverGreen strategic review. The increase in the provisions for restructuring of €268 million is related to the productivity programme part of EverGreen.

Other provisions

Included are, among others, provisions for credit risk on surety and guarantees issued of €57 million (2019: €42 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 restructuring, management assesses the timing of the costs to be incurred, which influences the classification as current or non-current liabilities.

ACCOUNTING POLICIES

A provision is a liability of uncertain timing or amount. A provision is recognised when HEINEKEN has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable (> 50%) that an outflow of economic benefits will be required to settle the obligation. In 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.

Other provisions

A provision for guarantees is recognised at the time the guarantee is issued. The provision is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model and the amount initially recognised.

9.3 CONTINGENCIES

HEINEKEN's contingencies are mainly in the area of tax, civil cases (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 €707 million (2019: €957 million), out of which €70 million (2019: €171 million) qualifies for indemnification. For several tax contingencies that were part of acquisitions, an amount of €197 million (2019: €306 million) has been recognised as provisions and other non-current liabilities in the balance sheet (refer to note 9.2 and 11.6).

Other contingencies

Other contingencies mainly relate to civil cases in Brazil. Management's best estimate of the potential financial impact for these cases is €27 million (2019: €39 million). As at 31 December 2020, €15 million (2019: €23 million) of other contingencies related to acquisitions is included in provisions (refer to note 9.2).

Guarantees

	2020				2019
In millions of €	Total	Less than 1 year	1-5 years	More than 5 years	Total
Guarantees to banks for loans (to third parties)	330	47	278	5	332
Other guarantees	865	426	229	210	1,019
Guarantees	**1,195**	**473**	**507**	**215**	1,351

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 2020

During 2020, there were no significant acquisitions or disposals.

Prior year adjustments

During 2020, all the provisional accounting periods related to acquisitions in 2019 were 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 €	**2020**	2019
Current assets	—	—
Property, plant and equipment	17	46
Intangible assets	—	—
Other non-current assets	7	65
Assets classified as held for sale	**24**	111
Current liabilities	—	—
Non-current liabilities	—	—
Liabilities associated with assets classified as held for sale	**—**	—

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 €4,437 million as at 31 December 2020 (2019: €4,868 million) and the total share of profit and other comprehensive income was a loss of €15 million in 2020 (2019: €144 million, profit). The share of profit includes impairments of associates and joint ventures of €139 million (2019: €30 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 updated investigation report was communicated to UBL on 19 March 2020. UBL has filed its comments to the investigation report on 28 August 2020. 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 HKD71.40 as at 31 December 2020, the fair value of this economic interest in CR Beer amounts to €5,032 million. The carrying amount of CBL as at 31 December 2020 amounts to €2,508 million.

Set out below is the summarised financial information of CR Beer, not adjusted for the percentage of ownership held by HEINEKEN. The financial information has been amended to reflect adjustments made by HEINEKEN when using the equity method (such as fair value adjustments). Due to a difference in reporting timelines, the financial information is included with a two-month delay. This means that the financial information included relates to the period November 2019-October 2020. The reconciliation of the summarised financial information to the carrying amount of the effective interest in CR Beer is also presented.

In millions of €	**2020**	2019[1]
Summarised balance sheet (100%)		
Non-current assets	7,657	8,708
Current assets	1,281	1,140
Non-current liabilities	(1,313)	(1,470)
Current liabilities	(2,241)	(2,577)
Net assets	**5,384**	5,801
Reconciliation to carrying amount		
Opening net assets[1]	5,801	5,887
Profit for the period	47	61
Other comprehensive income	(395)	(86)
Dividends paid	(69)	(61)
Closing net assets	**5,384**	5,801
Heineken N.V.'s share in %	20.67%	20.67%
Heineken N.V.'s share	1,113	1,199
Goodwill	1,395	1,517
Carrying amount	**2,508**	2,716

In millions of €	November 2019 to October 2020	May 2019 to October 2019
Summarised income statement (100%)		
Revenue	3,996	2,500
Profit	**47**	61
Other comprehensive income	(395)	(86)
Total comprehensive income	**(348)**	(25)
Dividends received	14	13

[1] The opening net asset balance for 2019 is at the acquisition date 29 April 2019.

Summarised financial information for equity accounted joint ventures and associates

The following table includes, in aggregate, the carrying amount and HEINEKEN's share of profit and OCI of joint ventures and associates (net of income tax):

	Joint ventures		Associates[1]	
In millions of €	**2020**	2019	**2020**	2019
Carrying amount of interests	**1,574**	1,734	**2,863**	3,134
Share of:				
Profit or (loss) from continuing operations	(34)	112	3	52
Other comprehensive income/(loss)	(2)	4	18	(24)
	(36)	116	**21**	28

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

ACCOUNTING POLICIES

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

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

When HEINEKEN's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that HEINEKEN has an obligation or has made a payment on behalf of the associate or JV.

11. FINANCING AND CAPITAL STRUCTURE

11.1 NET FINANCE INCOME AND EXPENSE

Interest expenses are mainly related to interest charges over the outstanding bonds, commercial paper and bank loans (refer to note 11.3). Other net finance income and expenses 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	**2020**	2019
Interest income		**50**	75
Interest expenses		**(497)**	(529)
Dividend income from fair value through OCI investments		10	10
Net change in fair value of derivatives		13	(14)
Net foreign exchange gain/(loss)[1]		(133)	(25)
Unwinding discount on provisions	9.2	(11)	(19)
Interest on the net defined benefit obligation	9.1	(23)	(26)
Other		1	15
Other net finance income/(expenses)		**(143)**	(59)
Net finance income/(expenses)		**(590)**	(513)

[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 €60 million (2019: €55 million).

ACCOUNTING POLICIES

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

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

11.2 CASH AND CASH EQUIVALENTS

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

In millions of €	Note	**2020**	2019
Cash and cash equivalents		4,000	1,821
Bank overdrafts	11.3	(481)	(1,134)
Cash and cash equivalents in the statement of cash flows		**3,519**	687

Cash and cash equivalents increased in order to build liquidity buffers in relation to the COVID-19 pandemic. For more information on HEINEKEN's liquidity risk exposure refer to note 11.5.

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

In millions of €	Gross amounts	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
2020					
ASSETS					
Cash and cash equivalents	4,000	—	4,000	(235)	3,765
LIABILITIES					
Bank overdrafts	(481)	—	(481)	235	(246)
2019					
ASSETS					
Cash and cash equivalents	1,821	—	1,821	(600)	1,221
LIABILITIES					
Bank overdrafts	(1,134)	—	(1,134)	600	(534)

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, €373 million (2019: €342 million) of cash included in cash and cash equivalents is restricted for use by HEINEKEN, yet available for use in the relevant subsidiary's day-to-day operations.

ACCOUNTING POLICIES

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

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

11.3 BORROWINGS

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

				2020			2019
In millions of €	Note	Non-current	Current	**Total**	Non-current	Current	**Total**
Unsecured bond issues		13,242	1,200	14,442	11,774	1,014	12,788
Lease liabilities		936	263	1,199	1,003	255	1,258
Bank loans		374	38	412	462	22	484
Other interest-bearing liabilities		64	983	1,047	127	568	695
Deposits from third parties[1]		—	615	615	—	693	693
Bank overdrafts		—	481	481	—	1,134	1,134
Total borrowings		**14,616**	**3,580**	**18,196**	13,366	3,686	17,052
Market value of cross-currency interest rate swaps	11.5			14			28
Cash and cash equivalents	11.2			(4,000)			(1,821)
Net interest-bearing debt position				**14,210**			15,259

[1] Mainly employee deposits.

As at 31 December 2020, €106 million of the €412 million of bank loans is secured (2019: €103 million). Other interest-bearing liabilities includes €698 million of centrally issued commercial paper (2019: €532 million).

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 2020	**12,788**	**1,258**	**484**	**695**	**693**	**28**	**15,946**
Consolidation changes	—	2	(47)	(24)	—	—	(69)
Effect of movements in exchange rates	(314)	(83)	(21)	(63)	(4)	(19)	(504)
Addition of leases	—	341	—	—	—	—	341
Proceeds	2,973	—	290	2,748	21	5	6,037
(Re)payments	(1,016)	(281)	(295)	(2,300)	(90)	—	(3,982)
Interest paid over lease liability	—	(60)	—	—	—	—	(60)
Other	11	22	1	(9)	(5)	—	20
Balance as at 31 December 2020	**14,442**	**1,199**	**412**	**1,047**	**615**	**14**	**17,729**

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

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 2020 was 3.0% (2019: 3.0%). The average maturity of the bonds as at 31 December 2020 was 8 years (2019: 7 years).

Centrally available financing headroom

The centrally available financing headroom at Group level was approximately €5.2 billion as at 31 December 2020 (2019: €3.0 billion) and consisted of the undrawn revolving credit facility and cash minus commercial paper and other short-term borrowings. HEINEKEN increased its financing headroom by issuing new bonds and acquiring short-term funding, including raising €3.0 billion through five new bonds under the EMTN programme.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ACCOUNTING POLICIES

Borrowings

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

Borrowings for which HEINEKEN has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date are classified as non-current liabilities. For the accounting policy on derivatives and cash and cash equivalents refer to notes 11.6 and 11.2 respectively.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate ('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.

	2020		2019	
Share capital	Ordinary shares of €1.60	Nominal value in millions of €	Ordinary shares of €1.60	Nominal value in millions of €
1 January	**288,030,168**	**461**	288,030,482	461
Changes	—	—	(314)	—
31 December	**288,030,168**	**461**	288,030,168	461

The Company's authorised capital amounts to €1.5 billion, consisting of 937,500,000 shares of €1.60 nominal value (2019: 937,500,000 shares of €1.60 nominal value).

Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. In respect of the Company's shares that were held by Heineken Holding N.V., rights were suspended.

Share premium

As at 31 December 2020, the share premium amounted to €1,257 million (2019: €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 with the changes in 2019.

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

There have been no changes to the reserve for own shares in 2020.

Purchase own shares by Heineken N.V.

Refer to the table below with the changes in 2020 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 2020	**694,570**
Changes	(414,838)
31 December 2020	**279,732**

Dividends

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

In millions of €	2020	2019
Final dividend previous year €1.04, respectively €1.01 per qualifying share	300	291
Interim dividend current year €nil, respectively €0.64 per qualifying share	—	184
Total dividend declared and paid	**300**	475

For 2020, a payment of a total cash dividend of €0.70 per share (2019: €1.68) will be proposed at the AGM of Heineken N.V. If approved, the full dividend will be paid on 6 May 2021, as no interim dividend was paid during 2020. The payment will be subject to a 15% Dutch withholding tax.

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

After the balance sheet date, the Board of Directors announced the following appropriation of profit. The dividends have not been provided for.

In millions of €	2020	2019
Dividend per qualifying share €0.70 (2019: €1.68)	202	484
Addition to/(reduction of) retained earnings	(304)	603
Net profit/(loss)	**(102)**	1,087

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

In millions of €	2020	2019
NCI percentage[1]	**49.971%**	49.935%
Non-current assets	33,612	38,085
Current assets	9,020	8,419
Non-current liabilities	(17,372)	(16,886)
Current liabilities	(10,868)	(12,307)
Net assets	**14,392**	17,311
Carrying amount of NCI	**6,788**	8,154
Net revenue	**19,715**	23,969
Profit /(loss)	**(88)**	2,374
OCI	(2,016)	186
Total comprehensive income	**(2,104)**	2,560
Profit/(loss) allocated to NCI[2]	**(102)**	1,079
OCI allocated to NCI[2]	**(1,063)**	1,160
Cash flow from operating activities	3,136	4,337
Cash flow from investing activities	(1,438)	(4,873)
Cash flow from financing activities	1,238	(1,016)
Net increase (decrease) in cash and cash equivalents	**2,936**	(1,552)
Final dividend previous year	599	581
Interim dividend current year	—	368
Total dividend	**599**	949
Dividend allocated to NCI	**297**	474

[1] Of which 8.632% (2019: 8.632%) relates to FEMSA and 41.363% (2019: 41.363%) to the public.
[2] Calculated based on 49.971% (2019: 49.935%) of the equity attributable to Heineken N.V.

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

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total NCI as at 31 December 2020 amounted to €1,000 million (2019: €1,164 million).

Capital management

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

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

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

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

ACCOUNTING POLICIES

Shares are classified as equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares recorded at purchase price are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

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

11.5 CREDIT, LIQUIDITY AND MARKET RISK

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

Risk management framework

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

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

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk

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

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

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

Loans and advances to customers

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

Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies all customers requiring credit above a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. This review can include external ratings, where available, and in some cases bank references. Credit limits are determined for each customer and are reviewed regularly. Customers that fail to meet HEINEKEN's credit requirements transact only with HEINEKEN on either a prepayment or cash on delivery basis.

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

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

Allowances

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

Due to the uncertainty relating to the depth and duration of the COVID-19 pandemic and its related impact on HEINEKEN's customers, more judgement is required in the calculation of expected credit losses compared to previous years. As part of these assessments, HEINEKEN has incorporated all reasonable and supportable information available such as whether there has been a breach or deterioration of payments terms, a request for extended payment terms or a request for waived payment terms.

Investments

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

Guarantees

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

Heineken N.V. has issued a joint and several liability 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.

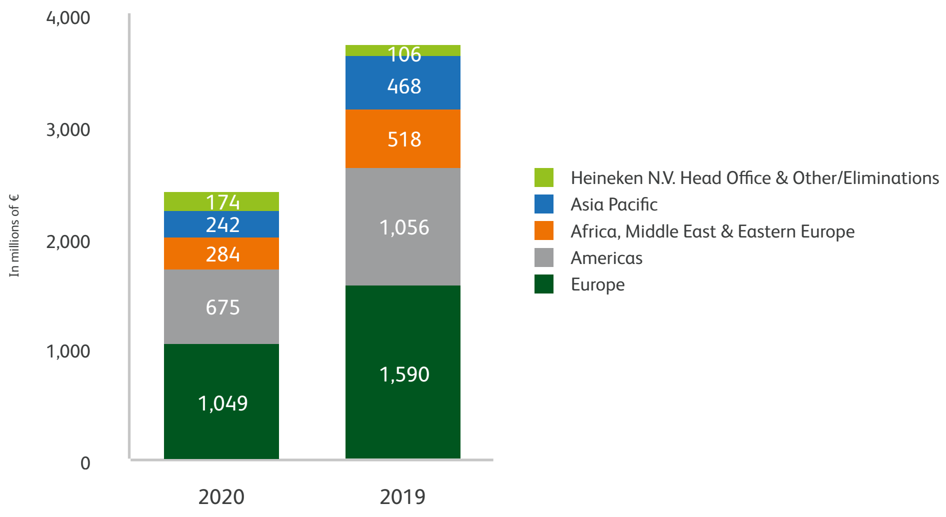
Exposure to credit risk

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

In millions of €	Note	**2020**	2019
Cash and cash equivalents	11.2	4,000	1,821
Trade and other receivables, excluding prepayments	7.2	2,424	3,738
Derivative assets	11.6	98	30
Fair value through OCI investments	8.5	13	408
Loans and advances to customers	8.4	194	277
Other non-current receivables	8.5	307	406
Guarantees to banks for loans (to third parties)	9.3	330	332
		7,366	7,012

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

Exposure to credit risk



Liquidity risk

Liquidity risk is the risk that HEINEKEN will have difficulties 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. As a result of the COVID-19 pandemic, there is increased attention for and monitoring of risks associated with working capital that might impact liquidity.

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

Contractual maturities

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

In millions of €	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
2020					
FINANCIAL LIABILITIES					
Interest-bearing liabilities	(16,997)	(20,067)	(3,672)	(5,899)	(10,496)
Lease liabilities	(1,199)	(1,684)	(314)	(706)	(664)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(6,392)	(6,392)	(6,348)	(25)	(19)
DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)					
Cross currency interest rate swaps	(14)	(61)	8	(62)	(7)
Forward exchange contracts	4	(12)	(12)	—	—
Commodity derivatives	18	18	18	—	—
Other derivatives	3	16	1	4	11
Total	**(24,577)**	**(28,182)**	**(10,319)**	**(6,688)**	**(11,175)**
2019					
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)

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. During the COVID-19 pandemic, the financial markets became very volatile. The objective of HEINEKEN's market risk management was 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. Overall, COVID-19 negatively impacted currency developments for HEINEKEN. In 2020, the transactional exchange risk was hedged in line with the hedging policy to the extent possible. Especially the development of the Mexican Peso and Brazilian Real resulted in a negative translational and transactional impact on the reported numbers of HEINEKEN.

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

HEINEKEN hedges up to 90% of its net US Dollar export cash flows on the basis of rolling cash flow forecasts of sales and purchases. Material cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. For this hedging, HEINEKEN mainly uses forward exchange contracts. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

HEINEKEN has a clear policy on hedging transactional exchange risks. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the hedging of translation risk, using net investment hedges is recognised in the translation reserve, as can be seen in the consolidated statement of comprehensive income.

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

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

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

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of HEINEKEN, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

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

	2020		2019	
In millions	EUR	USD	EUR	USD
Financial assets	111	4,940	171	4,908
Financial liabilities	(2,374)	(5,433)	(2,243)	(5,524)
Gross balance sheet exposure	**(2,263)**	**(493)**	(2,072)	(616)
Estimated forecast sales next year	154	1,207	161	1,203
Estimated forecast purchases next year	(1,825)	(2,346)	(1,871)	(2,644)
Gross exposure	**(3,934)**	**(1,632)**	(3,782)	(2,057)
Net notional amounts foreign exchange contracts	373	885	366	858
Net exposure	**(3,561)**	**(747)**	(3,416)	(1,199)
SENSITIVITY ANALYSIS				
Equity	(158)	27	(142)	18
Profit/(Loss)	(30)	(6)	(21)	(12)

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 2020. 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 €	**2020**	2019
FIXED RATE INSTRUMENTS		
Financial assets	122	128
Financial liabilities	(16,473)	(14,822)
Cross-currency interest rate swaps	407	445
	(15,944)	(14,249)
VARIABLE RATE INSTRUMENTS		
Financial assets	4,289	2,275
Financial liabilities	(1,724)	(2,230)
Cross-currency interest rate swaps	(463)	(463)
	2,102	(418)

Cash flow sensitivity analysis for variable rate instruments

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

Commodity price risk

Commodity price risk is the risk that changes in the prices of commodities will affect HEINEKEN's cost. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters. As a consequence of the COVID-19 pandemic, the commodity price volatility increased significantly in 2020. 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

A 10% change in the market price of aluminium would not have a material impact on equity.

11.6 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2020		2019	
In millions of €	Asset	Liability	Asset	Liability
Current	77	(52)	28	(69)
Non-current[1]	21	(35)	2	(22)
	98	**(87)**	30	(91)

[1] Non-current derivative assets and liabilities are part of 'Other non-current assets' (note 8.5) and 'Other non-current liabilities' respectively.

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

	2020		2019	
In millions of €	Asset	Liability	Asset	Liability
No hedge accounting - CCIRS	3	—	—	(16)
No hedge accounting - Other	9	(12)	4	(10)
Cash flow hedge - Forwards	46	(37)	11	(31)
Cash flow hedge - Commodity forwards	21	(3)	15	(20)
Fair value hedge - CCIRS	—	(35)	—	(7)
Net investment hedge - CCIRS	18	—	—	(5)
Net investment hedge - Forwards	1	—	—	(2)
	98	**(87)**	30	(91)

Cash flow hedges

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

Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering into local currency denominated borrowings, forward contracts and cross-currency interest rate swaps, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings, forward contracts and swaps are designated as net investment hedges and fully effective, as such there was no ineffectiveness recognised in profit and loss in 2020 (2019: nil). As at 31 December 2020 the fair value of these borrowings was €200 million (2019: €288 million), the market value of forward contracts was €1 million positive (2019: €2 million negative) and the market value of these swaps was €18 million positive (2019: €5 million negative).

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 €38 million as at 31 December 2020 (2019: €11 million). The gain arising on the adjustment for the hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship also amounts to €38 million as at 31 December 2020 (2019: €11 million).

Hedge effectiveness

Hedge effectiveness is determined at the start of the hedge relationship and periodically through a prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and 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 €	**2020**	2019
CURRENT TAX EXPENSE		
Current year	688	896
Under/(over) provided in prior years	15	27
	703	923
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences, tax losses and tax credits	(438)	30
De-recognition/(recognition) of deferred tax assets	(2)	(33)
Effect of changes in tax rates	(13)	(1)
Under/(over) provided in prior years	(5)	(9)
	(458)	(13)
Total income tax expense in profit or loss	**245**	910

Reconciliation of the effective tax rate

In millions of €	**2020**	2019
Profit before income tax	157	3,284
Share of (profit)/loss of associates and joint ventures	31	(164)
Profit before income tax excluding share of profit/(loss) of associates and joint ventures	**188**	3,120

	%	**2020**	%	2019
Income tax using the Company's domestic tax rate	25.0	47	25.0	780
Effect of tax rates in foreign jurisdictions	(5.6)	(10)	0.7	21
Effect of non-deductible expenses	66.2	124	3.2	100
Effect of tax incentives and exempt income	(34.3)	(64)	(3.8)	(119)
De-recognition/(recognition) of deferred tax assets	(1.0)	(2)	(1.1)	(33)
Effect of unrecognised current year losses	67.9	128	2.8	87
Effect of changes in tax rates	(6.9)	(13)	—	(1)
Withholding taxes	26.2	49	2.1	67
Under/(over) provided in prior years	5.5	10	0.6	18
Other reconciling items	(12.7)	(24)	(0.3)	(10)
	130.3	**245**	29.2	910

COVID-19 related impairment and operational losses for which no tax benefit could be recognised increased the effective tax rate in 2020. Furthermore, the relative effect of permanent items increased significantly due to the low profit before income tax.

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 €	**2020**	2019	**2020**	2019	**2020**	2019
P,P&E	104	98	(623)	(803)	(519)	(705)
Intangible assets	45	29	(1,049)	(1,358)	(1,004)	(1,329)
Investments	35	41	(5)	(5)	30	36
Inventories	57	47	(3)	(12)	54	35
Borrowings	281	308	(3)	—	278	308
Post-retirement obligations	279	278	(5)	(4)	274	274
Provisions	258	302	(13)	(28)	245	274
Other items	182	138	(181)	(216)	1	(78)
Tax losses carried forward	421	410	—	—	421	410
Tax assets/(liabilities)	**1,662**	1,651	**(1,882)**	(2,426)	**(220)**	(775)
Set-off of tax	(883)	(1,004)	883	1,004	—	—
Net tax assets/(liabilities)	**779**	647	**(999)**	(1,422)	**(220)**	(775)

Of the total net deferred tax assets of €779 million as at 31 December 2020 (2019: €647 million), €528 million (2019: €101 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 and the impact of COVID-19.

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries, joint ventures and associates, with an impact of €201 million (2019: €141 million). This is because HEINEKEN is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

Tax losses carried forward

HEINEKEN has tax losses carried forward of €3,663 million as at 31 December 2020 (2019: €4,024 million), out of which €409 million (2019: €382 million) expires in the following five years, €490 million (2019: €191 million) will expire after five years and €2,764 million (2019: €3,451 million) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of tax losses carried forward of €1,858 million (2019: €2,163 million) as it is not probable that taxable profit will be available to offset these losses. Out of this €1,858 million (2019: €2,163 million), €256 million (2019: €173 million) expires in the following five years, €233 million (2019: €16 million) will expire after five years and €1,369 million (2019: €1,974 million) can be carried forward indefinitely.

Movement in deferred tax balances during the year

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

In millions of €	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	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)

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ACCOUNTING POLICIES

Income tax comprises current and deferred tax. Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

Deferred tax is a tax payable or receivable in the future and is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognised on temporary differences related to:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Investments in subsidiaries, associates and joint ventures to the extent that HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable (>50% chance) that they will not reverse in the foreseeable future.
- The initial recognition of non-deductible goodwill.

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

12.3 INCOME TAX ON OTHER COMPREHENSIVE INCOME

In millions of €	2020 Amount before tax	2020 Tax	2020 Amount net of tax	2019 Amount before tax	2019 Tax	2019 Amount net of tax
Items that will not be reclassified to profit or loss:						
Remeasurement of post-retirement obligations	53	9	62	(268)	58	(210)
Net change in fair value through OCI investments	(90)	(8)	(98)	6	3	9
Items that may be subsequently reclassified to profit or loss:						
Currency translation differences	(2,169)	55	(2,114)	412	(43)	369
Change in fair value of net investment hedges	76	—	76	(43)	—	(43)
Change in fair value of cash flow hedges	58	(13)	45	52	12	64
Cash flow hedges reclassified to profit or loss	5	(1)	4	27	(6)	21
Net change in fair value through OCI investments	(1)	—	(1)	1	—	1
Cost of hedging	(8)	2	(6)	(6)	1	(5)
Share of other comprehensive income of associates/joint ventures	16	—	16	(20)	—	(20)
Other comprehensive income/(loss)	**(2,060)**	**44**	**(2,016)**	161	25	186

13. OTHER

13.1 FAIR VALUE

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

Financial instruments - hierarchy

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

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

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

In millions of €	Note	Carrying amount	Fair value Level 1	Level 2	Level 3
Fair value through OCI investments	8.5	117	33	—	84
Non-current derivative assets	11.6	21	—	20	1
Current derivative assets	11.6	77	—	77	—
Total 2020		**215**	**33**	**97**	**85**
Total 2019		438	283	30	125
Non-current derivative liabilities	11.6	(35)	—	(35)	—
Borrowings[1]	11.3	(14,854)	(15,508)	(1,076)	—
Current derivative liabilities	11.6	(52)	—	(52)	—
Total 2020		**(14,941)**	**(15,508)**	**(1,163)**	**—**
Total 2019	11.3	(13,526)	(13,824)	(737)	—

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

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

In millions of €	2020	2019
Fair value through OCI investments based on level 3		
Balance as at 1 January	**125**	91
Fair value adjustments recognised in other comprehensive income	(41)	34
Balance as at 31 December	**84**	125

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

ACCOUNTING ESTIMATES

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

Investments in equity securities

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

Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on 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 2020	Less than 1 year	1-5 years	More than 5 years	Total 2019
Property, plant and equipment ordered	363	352	11	—	321
Raw materials purchase contracts	9,586	2,934	5,791	861	8,827
Marketing and merchandising commitments	851	311	525	15	1,051
Other off-balance sheet obligations	1,773	324	629	820	2,005
Off-balance sheet obligations	**12,573**	**3,921**	**6,956**	**1,696**	12,204
Undrawn committed bank facilities	**3,941**	**389**	**3,552**	**—**	3,750

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

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

ACCOUNTING POLICIES

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

Raw materials purchase contracts

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

13.3 RELATED PARTIES

Identification of related parties

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

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

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

Board of Directors of Heineken Holding N.V. remuneration

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

In thousands of €	**2020**	2019
C.L. de Carvalho-Heineken	90	90
M.R. de Carvalho	90	90
Remuneration executive members	**180**	180
M. Das	120	120
J.A. Fernández Carbajal	90	90
C.M. Kwist	90	90
A.A.C. de Carvalho	90	90
A.M. Fentener van Vlissingen	90	90
L.L.H. Brassey	90	90
J.F.M.L. van Boxmeer[1]	53	—
Remuneration non-executive members	**623**	570
	803	750

[1] Appointed as non-executive director of Heineken Holding N.V. as of 1 June 2020.

Refer to the separate Remuneration Report on page 18 and further.

As at 31 December 2020, the Board of Directors represented 151,685,148 shares in the Company (2019: 151,685,148 shares).

Heineken N.V. key management remuneration

In millions of €	**2020**	2019
Executive Board of Heineken N.V.	9.9	10.8
Supervisory Board of Heineken N.V.	1.3	1.5
Total	**11.2**	12.3

Executive Board of Heineken N.V. remuneration

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

As at 31 December 2020, Mr R.G.S. van den Brink held 4,379 Heineken N.V. shares and Mrs L.M. Debroux held 63,330 Heineken N.V. shares (2019: Mrs L.M. Debroux 45,318).

	2020				2019		
In thousands of €	R.G.S. van den Brink[2]	L.M. Debroux[5]	J.F.M.L. van Boxmeer[1,3,4,6]	**Total**	J.F.M.L. van Boxmeer	L.M. Debroux	**Total**
Fixed salary	631	737	500	1,868	1,250	850	2,100
Short-term incentive	—	—	—	—	2,223	1,080	3,303
Matching share entitlement	—	—	—	—	505	245	750
Long-term incentive	396	(235)	1,597	1,758	2,323	1,201	3,524
Pension contributions	154	179	120	453	762	167	929
Other emoluments	80	154	5,536	5,770	49	183	232
Total[3]	**1,261**	**835**	**7,753**	**9,849**	7,112	3,726	10,838

[1] Stepped down as CEO and Chairman of the Executive Board of Heineken N.V. on 1 June 2020.
[2] Appointed on 24 April 2020 as member of the Executive Board of Heineken N.V. and on 1 June 2020 as CEO and Chairman of the Executive Board of Heineken N.V.
[3] In 2020, an estimated tax penalty of €7.0 million to the Dutch tax authorities was recognised in relation to the remuneration of Mr. J.F.M.L. van Boxmeer. This tax was an expense to the employer and therefore not included in the table above.
[4] In 2020, the accrual for the long term incentive plans for Mr. J.F.M.L. van Boxmeer (LTI plan 2019-2021 and 2020-2022) have been recognised in full.
[5] The reversal of the LTI plan 2018-2020 accrual (due to the cancellation it will not vest and will not be paid out) and the decline in the LTI plan 2019-2021 (due to declining performance), has resulted in a negative Long-term incentive expense in 2020.
[6] Other emoluments include the end of service payment for Mr. J.F.M.L. van Boxmeer.

In response to the COVID-19 impact on HEINEKEN's business and as announced on 22 April 2020, the Executive Board of Heineken N.V. has voluntarily decided to reduce their base salary by 20% between May and December 2020. In addition the Supervisory Board of Heineken N.V. has decided that there will not be a Short-term incentive (STI) pay-out for the performance year 2020 and that the LTIP 2018-2020 will not vest (refer to note 6.5 for more information).

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. Following the decision not to pay out the STI relating to the performance year 2020, no investment shares were issued this year for the members of the Executive Board of Heineken N.V.

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 €	**2020**	2019[3]
J.M. Huët	225	195
J.A. Fernández Carbajal	154	153
M. Das	130	133
M.R. de Carvalho	135	141
V.C.O.B.J. Navarre	105	110
J.G. Astaburuaga Sanjinés	116	133
P. Mars-Wright	126	151
M. Helmes	125	131
R.L. Ripley[2]	110	97
I.H. Arnold[2]	115	100
G.J. Wijers[1]	—	103
Y. Dervisoglu[1]	—	53
	1,341	1,500

[1] Stepped down on 25 April 2019.
[2] Appointed as at 25 April 2019.
[3] Supervisory Board management fees of Heineken N.V. were approved by the AGM in 2019.

M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2020 (2019: 100,008 shares). As at 31 December 2020 and 2019, 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 2020 (2019: 100,008 shares). J.M. Huet held 3,719 shares of Heineken Holding N.V. as at 31 December 2020 (2019: nil shares).

Other related party transactions

	Associates & Joint Ventures		FEMSA		Total	
In millions of €	**2020**	2019	**2020**	2019	**2020**	2019
Sales	364	462	831	1,170	1,195	1,632
Purchases	178	290	131	160	309	450
Accounts receivables	109	114	135	208	244	322
Accounts payables and other liabilities	37	20	65	108	102	128

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 50.029% (2019: 50.065%) of the outstanding capital following the purchase of own shares by Heineken N.V.).

L'Arche Green N.V. holds 52.599% (2019: 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 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 2020 up to and including 31 December 2020, the liabilities referred to in Schedule 3 of the Republic of Ireland Companies Act 2014 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, The West Cork Bottling Company Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

Significant subsidiaries of Heineken N.V.

Set out below are Heineken N.V.'s significant subsidiaries at 31 December 2020. 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 €14 billion and total asset value of €27 billion and are structural contributors to the business.

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

	Country of incorporation	Percentage of ownership 2020	2019
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	56.1	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

At the end of October 2020, HEINEKEN announced the acquisition of cider brand Strongbow from Asahi Group Holdings Limited (Asahi) in Australia, along with two other cider brands, Little Green and Bonamy's. As part of the transaction, HEINEKEN will also gain the perpetual licenses on beer brands Stella Artois and Beck's in Australia. The transaction was completed on 6 January 2021 for €137 million.

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, 9 February 2021

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

04 Other Information

Heineken Holding N.V. Annual Report 2020

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 without a doubt does not follow from the remuneration policy as adopted by the general meeting, shall be determined by the general meeting. The company prepares an annual remuneration report for the individual members of the Board of Directors in compliance with relevant legal provisions. The remuneration report is submitted to the Annual General Meeting for an advisory vote.

Shares held by the Board of Directors

As at 31 December 2020, 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 2020 INCLUDED IN THE ANNUAL REPORT 2020

Our opinion

We have audited the accompanying financial statements for the year ended 31 December 2020 of Heineken Holding N.V. ('The Company' or 'HEINEKEN'), based in Amsterdam. The financial statements include the consolidated financial statements and The Company financial statements.

In our opinion:

- The accompanying financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 2020, and of its result for the year 2020 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 2020, and of its result and its cash flows for 2020 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 2020.
2. The Company income statement for the year ended 31 December 2020.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2020.
2. The following consolidated statements for the year ended 31 December 2020: 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 accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional

Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 140 million (2019: EUR 200 million). The decrease of 30% compared to 2019 is predominantly a result of the impact of the COVID-19 outbreak on the financial statements of Heineken Holding N.V. The materiality of 2020 is based on 2% 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 revenue and income-based measures 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 € 42 million and for the majority of the components materiality is significantly less than this amount.

We agreed with the Board of Directors that misstatements in excess of € 7 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.

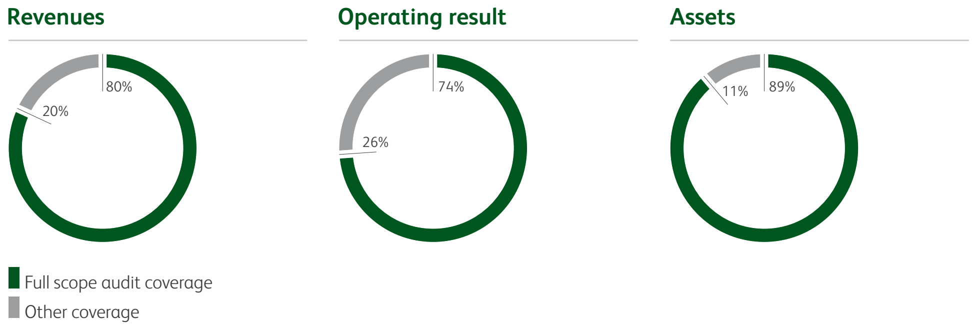
Because we are ultimately responsible for our opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the group entities (components). Decisive were size and/or risk 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 28 components including 3 non-consolidated components.

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

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

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion 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. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

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

Following these procedures, and the presumed risks under the prevailing audit standards, we considered fraud risks related to management override of controls (presumed) and related to the valuation of accrued liabilities for promotional allowances and rebates. Our audit procedures to respond to these fraud risks include, 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 matters considered as key to our audit are consistent with those identified in the prior year with the exception of IFRS 16 *Leases* after the implementation of the standard in 2019. This year, we specifically considered the impact of COVID-19 on Heineken N.V.'s business and its operating results. In addition to the aforementioned impact on materiality, scoping and group oversight we evaluated those accounting areas for which the impact was most pervasive in our audit as a key audit matter. We therefore added our specific audit considerations related to the increased judgement involved with projecting future cash flows and calculating expected credit losses to the key audit matters on impairment testing and contracts with customers, respectively.

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.

REVENUES FROM CONTRACTS WITH CUSTOMERS — REFER TO NOTE 6.1 AND 7.3 TO THE FINANCIAL STATEMENTS

<table>
<tr><td>Risk</td><td>HEINEKEN provides a wide variety of discounts depending on the nature of the customer. The Company also provides discounts with contractually agreed conditions for volume and promotional rebates. Conditional discounts are recognized based on target realization as specified in Note 6.1 to the financial statements. The target realization requires management to estimate target realization based on the expected or actual volume and adjust the discount accruals at balance sheet date.

Given the estimate made by management to assess target realization for conditional discounts under IFRS 15 Revenue From Contracts with Customers and the inherent presumed fraud risk related to year-end adjustments of revenues and discount accruals, performing audit procedures to evaluate management's estimate of target realization based on expected and actual volumes and the resulting adjustments at balance sheet date, required a higher degree of auditor judgement and an increased extent of effort.</td></tr>
<tr><td>How the scope of our audit responded to the risk</td><td>Our audit procedures related to management's assessment of target realization and the related year end discount accrual included the following, amongst others:
▪ We obtained an understanding of management's process for the recognition of discount accruals at the reporting date based on expected or actual volume data under IFRS 15 Revenue From Contracts with Customers.
▪ We evaluated forecasting accuracy and management's ability to appropriately estimate the year end discount accrual by comparing the prior year amount accrued to the amount subsequently settled.
▪ We tested the amount of the year end discount accrual through a combination of:
o Developing an expectation for the amount based on the historical and current sales information recorded as a percentage of sales and comparing our expectation to the amount recorded by management.
o Selecting a sample of customers based on current sales information and recalculating the discount accrual by and using the terms of the agreement, accumulated experience, and historical and current sales information.
o Evaluating subsequent settlement of the year end discount accruals.
o Obtaining confirmations from customers to confirm sales data, contractual agreements and/or outstanding receivables net of discounts payable.</td></tr>
<tr><td>Observation</td><td>Applying the aforementioned materiality, we have audited the discount 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.</td></tr>
</table>

EXPECTED CREDIT LOSSES FOR CONTRACTS WITH CUSTOMERS – REFER TO NOTES 7.2, 8.4 AND 11.5 TO THE FINANCIAL STATEMENTS

Risk

HEINEKEN determines the impairment of receivables using a model which estimates the lifetime expected credit losses that will be 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. In 2020 the outbreak of the COVID-19 pandemic and the related containment measures (including the closure of outlets) inherently resulted in a substantial decline in outstanding trade receivables with simultaneously more judgement involved in the calculation of expected credit losses on these and associated receivables (such as loans or advances to customers).

Further details on the accounting and disclosure requirements under IFRS 9 *Financial Instruments,* including management's policies around credit management, are included in Notes 7.2, 8.4 and 11.5 to the financial statements respectively. These notes also explain the allowances for expected credit losses recorded at December 31, 2020 for a total amount of EUR 504 million.

Because of increasing judgement involved with the calculation of expected credit losses and the related higher decree of auditor judgement, we considered the recognition of impairments on receivables a key audit matter for our 2020 audit.

How the scope of our audit responded to the risk

Our audit procedures related to management's assessment of expected credit losses included, amongst others:

- We obtained an understanding of management's process and evaluated relevant controls related to valuation of allowances of allowances for expected credit losses and the disclosure of credit risks under IFRS 9 Financial Instruments;
- We obtained an understanding of management's process for the recognition of allowances for expected credit losses based on reasonable and supportable information available such as whether there has been a breach or deterioration of payments terms, a request for extended payment terms or a request for waived payment terms.
- We evaluated management's ability to appropriately estimate allowances for credit losses and tested the amount recorded at yearend through a combination of:
  - o Developing an expectation for the amount based on the historical collection data and current supportable data on changes in customer payment behavior and comparing our expectation to the amount recorded by management.
  - o Testing subsequent collection of outstanding receivables and/or circulating confirmations to customers to confirm contractual agreements and/or the outstanding receivables net of discounts payable.

Observation

Applying the aforementioned materiality, we have audited the allowances for credit losses as recorded in the financial statements and the related disclosures required under IFRS 9 Financial Instruments included in Note 7.2, 8.4 and 11.5. Based on our procedures performed, we did not identify any reportable matters.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT — REFER TO NOTES 8.1, 8.2 AND 8.3 TO THE FINANCIAL STATEMENTS

Risk

Intangible assets (including goodwill) and property, plant and equipment amounted to EUR 27,318 million at December 31, 2020 and represented 64 per cent of the consolidated total assets. For purposes of impairment testing, goodwill is allocated and monitored on a (groups of) Cash Generating Unit ('CGU') basis. Other intangibles and property, plant and equipment, are grouped to the smallest Cash Generating Units ('CGUs'). For goodwill, management is required to assess the recoverable amount of the respective CGUs (of groups of CGUs). Recoverable amounts of other non-current assets are assessed upon the existence of a triggering event. Following the impact of COVID-19 on HEINEKEN's markets and businesses, HEINEKEN has assessed all CGUs for an indication of an impairment, prepared multiple recovery scenarios for the impairment trigger tests (e.g. if and when the CGUs can return to pre-COVID-19 sales volumes) and performed impairment tests based on the single most likely scenario, accordingly.

The estimated sales volumes, revenues and discount rates used in management's trigger and impairment tests involved a higher degree of uncertainty due to the current market circumstances. Further details on the accounting and disclosure requirements under IAS 36 Impairment of Assets are included in notes 8.1, 8.2 and 8.3 to the financial statements. These notes also explain the total impairment recorded in 2020, for a total amount of EUR 963 million due to the impact of COVID-19 in some developing economies and in the on-trade business (like cafés, bars and restaurants) in some developed economies.

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

How the scope of our audit responded to the risk

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

- We obtained an understanding of management's process over the impairment trigger tests and the impairment tests.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated sensitivities in management's projections that could cause a substantial change to the impairments recorded, and or cause headroom to change in an impairment.

	▪ We evaluated projected cash flows and reviewed management's scenario-analyses by: o Comparing the projections (and scenarios) to historical forecasts and information included in Heineken's internal communications to the management and the Board of Directors. o Challenging and comparing the estimated sales volumes and revenues to, for example, external economic outlook data, external market data on the beer market and expected inflation rates. ▪ With the assistance of our fair value specialists, we evaluated the reasonableness of discount rates, including testing the source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rates selected by management.
Observation	Applying the aforementioned materiality, we did not identify any reportable matters in management's assessment of the recoverability of intangible assets and property, plant and equipment, the impairments recorded and the disclosures in Note 8.1 and 8.2 (including further disclosures on key uncertainties and scenarios assumed in management impairment testing).

MANAGEMENT JUDGEMENT RELATED TO THE PROVISIONS FOR UNCERTAIN TAX POSITIONS AND RECOVERABILITY OF DEFERRED TAX ASSETS — REFER TO NOTES 9.3 AND 12 TO THE FINANCIAL STATEMENTS

Risk	HEINEKEN operates across several tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business. In those cases where the amount of tax payable or recoverable is uncertain, management establishes provisions based on its judgement of the probable amount of the tax liability. Deferred tax assets are only recognized to the extent that it is probable that future taxable income will be available, against which unused tax losses can be utilized. This assessment is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives and the impact of COVID-19. The accounting for uncertain tax positions and deferred tax assets, as detailed in notes 9.3 and 12 to the financial statements, inherently requires management to apply judgement in quantifying appropriate provisions (including assessing probable outcomes) for uncertain tax positions, and in determining the recoverability of deferred tax assets. Given the significant judgement applied by management, performing procedures to evaluate the reasonableness of probable outcomes for uncertain tax positions and the recoverability of deferred tax assets based on budgets and business plans, required a higher degree of auditor judgement and a need to involve our own in-country tax specialists.
How the scope of our audit responded to the risk	Our audit procedures to address management's judgement's related to the provisions for uncertain tax positions and recoverability of deferred tax assets included the following, amongst others: ▪ We obtained an understanding of management's tax process related to the valuation uncertain tax positions and the recoverability of deferred tax assets. ▪ We involved our own in-country tax specialists to assess tax risks, tax carry forward facilities, legislative developments and the status of ongoing local tax authority audits. ▪ We challenged management's judgement applied in quantifying provisions for tax uncertainties and assessing probable outcomes based on correspondence with tax authorities, case law and opinions from management's tax expert. ▪ We evaluated management's ability to forecast taxable income by comparing prior forecasts on future taxable income with the actual income for the year. ▪ We evaluated management's recoverability assessment including the likelihood of generating sufficient future taxable income based on budgets, business plans and tax losses carry forward facilities in the various tax jurisdictions (including expiry dates).
Observation	Applying the aforementioned materiality, we have audited the provisions for uncertain tax positions and the valuation of deferred tax assets as well as the related disclosure in Notes 3, 12 and 9.3 and have no reportable findings.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Risk	HEINEKEN has implemented a control framework and operates various systems, processes and procedures that are important for reliable financial reporting. These systems and 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 effectively implemented, there are risks associated with financial reporting to which we need to tailor our substantive audit procedures.
How the scope of our audit responded to the risk	Our procedures in the context of our audit engagement included the following, among others: ▪ We performed audit procedures on both the centrally and locally established process level controls of the Company, including those relating to the various IT platforms. ▪ We performed walkthroughs to gain an understanding of the entity and to identify relevant controls. ▪ We tested the design of those controls and, where effective for the audit, we also tested their operating effectiveness. ▪ In cases of deficiencies, we evaluated compensating controls and measures of the Company and tailored our procedures performed incremental substantive to address the risk. ▪ We evaluated the information on internal controls in the Risk Management and Corporate Governance section of the Report of the Board of Directors. We note however that we are 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 HEINEKEN's internal controls over financial reporting.
Observation	We communicated our observations on internal controls over financial reporting to the Company's Board of Directors. In our audit, and 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 financial reporting risks.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT 2020

In addition to the financial statements and our auditor's report thereon, the Annual report 2020 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 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 assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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

We have exercised professional judgement and have maintained professional 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.
- 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.

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

Amsterdam, 9 February 2021

Deloitte Accountants B.V.

L. Albers

Information

A Heineken Holding N.V. publication
Heineken Holding N.V.
Tweede Weteringplantsoen 5
1017 ZD Amsterdam
The Netherlands
Telephone +31 20 622 11 52

Graphic Design and Electronic Publishing
KentieDesign bno

This Annual Report can be downloaded as a PDF
at: www.heinekenholding.com

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.