Heineken N.V. reports 2020 half year results

Amsterdam, 3 August 2020 – Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) announces:

KEY HIGHLIGHTS

- Net revenue (beia) organic growth -16.4%; net revenue (beia) per hectolitre -3.6%
- Consolidated beer volume -11.5%
- Heineken® volume -2.5%
- Operating profit (beia) organic growth -52.5%
- Net profit (beia) €227 million, -75.8% organically
- Diluted EPS (beia) €0.39 (2019: €1.84).

CEO STATEMENT

Dolf van den Brink, CEO and Chairman of the Executive Board, commented:

“The first half of 2020 was defined by unprecedented challenges and I am very proud of our employees all around the world who are adapting quickly to new emerging realities while taking care of each other, our customers and our communities.

The Heineken® brand once again demonstrated its strength with double digit growth in 14 markets and continued momentum of Heineken® 0.0.

Our bottom-line was disproportionately impacted due to the decline in the European on-trade, as well as temporary government restrictions on our activities in Mexico and South Africa. We have taken mitigating actions and will further intensify our focus on costs.

HEINEKEN has entered the crisis with a strong financial position, a diversified global footprint, great brands, superior consumer and customer intimacy and highly dedicated and talented teams. Moving forward and as markets recover, we will leverage these unique strengths to chart our next growth chapter."

FINANCIAL SUMMARY[1]

IFRS Measures	€ million	Total growth	BEIA Measures	€ million	Organic growth[2]
Revenue	11,156	-18.0%	Revenue (beia)	11,156	-15.5%
Net revenue	9,243	-19.2%	Net revenue (beia)	9,243	-16.4%
Operating profit	85	-94.8%	Operating profit (beia)	827	-52.5%
			Operating profit (beia) margin	8.9%	
Net profit	-297	-131.7%	Net profit (beia)	227	-75.8%
Diluted EPS (in €)	-0.52	-131.5%	Diluted EPS (beia) (in €)	0.39	-78.6%
			Free operating cash flow	-809	
			Net debt / EBITDA (beia)[3]	3.5x	

[1] Consolidated figures are used throughout this report, unless otherwise stated; please refer to the Glossary for an explanation of non-GAAP measures and other terms used throughout this report.

[2] Organic growth shown, except for Diluted EPS (beia) which is total growth.

[3] Includes acquisitions and excludes disposals on a 12 month pro-forma basis.

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In the first half of 2020, HEINEKEN's markets and businesses were materially impacted by the COVID-19 pandemic. Given the unprecedented nature of the situation, HEINEKEN has increased its disclosures. There are no changes vs the announcement of 16 July.

UPDATE ON OUR RESPONSE TO COVID-19

Since the beginning of the COVID-19 crisis, we have been adhering to three guiding principles. First, the health, safety and trust of our people is of paramount importance. Second, we do everything we can to safeguard the continuity of our business and protect the appeal of our brands. This includes supporting the business continuity of our customers and suppliers. And, third, we offer our support to communities that are most impacted by the pandemic.

In view of those principles, on 8 April 2020, we outlined our commitment to our people, customers, suppliers and communities in which we operate.

Significant efforts have been made within the organisation to support our employees in doing their jobs safely, by working from home where possible, and applying the standard COVID-19 preventive measures, including physical distancing, personal hygiene and disinfection protocols and providing sufficient personal protective equipment. In addition, to provide some security for our employees in these trying times, we have committed to not carry out structural lay-offs as a consequence of COVID-19 in 2020.

We have supported our on-trade customers across all regions with advice and tools to safely reopen, helping them set up home delivery and on-line businesses and supporting them financially, for example by waiving rental payments. Our Back the Bars initiative was launched to support on-trade customers in 21 countries and has raised over €10 million.

We continued to pay all suppliers on time and have also provided advanced payments to suppliers who were heavily impacted by COVID-19.

Pandemic relief totalling over €23 million has been deployed to front-line medical facilities, including donations of water, non-alcoholic beverages, hand sanitiser and monetary contributions.

TOP-LINE PERFORMANCE

Top-line performance was materially impacted as multiple countries took far-reaching measures to mitigate the spread of COVID-19 including restricted movement of populations, outlet closures and mandatory lockdown of production facilities. At this moment, none of our breweries are closed due to government restrictions.

Net revenue (beia) declined 16.4% organically driven by a 13.4% decline in total consolidated volume and a 3.6% decline in net revenue (beia) per hectolitre due to adverse channel, product and country mix effects. The underlying price mix on a constant geographic basis was down 1.3%.

Consolidated beer volume declined 11.5% organically. As expected, the impact of the COVID-19 crisis deepened in the second quarter when beer volume declined 19.4%. After a low point in April, volume started to gradually recover into June as lockdowns were lifted around the world and customers restored depleted inventories. Premium volume declined high-single digits, outperforming the rest of the portfolio, mainly driven by the resilience of **Heineken®**.

Consolidated beer volume *(in mhl)*	**2Q20**	2Q19	Organic growth	**HY20**	HY19	Organic growth
Heineken N.V.	**51.0**	63.4	-19.4%	**102.6**	116.1	-11.5%
Africa Middle East & Eastern Europe	**8.7**	11.4	-23.9%	**18.1**	21.6	-15.9%
Americas	**15.3**	20.9	-26.8%	**34.6**	40.7	-15.0%
Asia Pacific	**6.5**	7.7	-13.6%	**13.9**	15.1	-4.7%
Europe	**20.5**	23.4	-12.5%	**35.9**	38.7	-8.1%

Heineken® volume declined 9.0% in the second quarter to close the first half with a 2.5% decline. Heineken® is the most trusted international beer brand and is outperforming the overall category. The brand grew double digits in 14 markets including Brazil, China, the UK, Poland, Germany, Ivory Coast and South Korea. **Heineken® 0.0** grew double digits with growth across all regions and particular strength in the US, Mexico and South Africa. Following a pause, some of our global sponsorship platforms are resuming activities for the second half of the year.

Heineken® volume *(in mhl)*	**2Q20**	Organic growth	**HY20**	Organic growth
Total	**9.7**	-9.0%	**19.1**	-2.5%
Africa Middle East & Eastern Europe	**1.1**	-37.0%	**2.4**	-26.0%
Americas	**3.4**	6.1%	**7.1**	15.1%
Asia Pacific	**1.2**	-9.5%	**2.7**	-7.3%
Europe	**4.0**	-8.5%	**6.9**	-4.9%

The **international brand portfolio** declined high-single digits. Amstel declined in the low-teens driven mainly by Spain and South Africa partially offset by continued strong growth in Brazil. Sol declined in the mid-twenties driven by Mexico. Tiger declined mid-single digits with sharp declines in Singapore, Cambodia and Malaysia and a small decline in Vietnam. In contrast, Desperados grew in the mid-teens, driven by France, Poland and the Netherlands.

Cider volume declined in the high-teens to 2.1 million hectolitres. Volume declined in the mid-twenties outside the UK, mainly driven by South Africa. New cider markets Russia, Mexico and Vietnam grew in the high-teens. In the UK, volume declined in the low-teens driven by pub closures.

Low & No-Alcohol (LONO) volume declined high-single digits to 6.3 million hectolitres. The no-alcohol portfolio declined mid-single digits, with strong growth of Heineken® 0.0. Our LONO portfolios grew in more than 20 markets, particularly the US, the UK, Egypt and Singapore.

Digitalisation accelerated throughout the crisis as consumers changed shopping patterns and customers adapted to the lockdowns. As a result, our **e-commerce platforms** showed strong growth:

- Beerwulf, our business-to-consumer platform in Europe, had more than 3 million visitors, half of them new. Online sales of our home-draught systems like the Sub and Blade have more than doubled during the lockdown.
- Six 2 Go, our business-to-consumer platform in Mexico, received ten times the number of orders in the first six months of 2020 versus the full year of 2019.
- Our business-to-business digital platforms are operational in 24 markets. At the end of 2019, we were connected to more than 60 thousand customers in traditional channels representing more than €1 billion of net revenue. We expect to more than double the number of customers connected this year.

OPERATING PROFIT PERFORMANCE

Operating profit was materially impacted by the revenue decline, incremental expenses and impairments due to the COVID-19 crisis, partially offset through mitigation actions.

Operating profit (beia) declined 52.5% organically, with lower profit in all regions. **Operating profit** declined 94.8%. 84% of the organic operating profit decline was driven by Europe, Mexico and South Africa. The operational deleverage was amplified by the volume decline in the on-trade in Europe.

Regarding the **on-trade business in Europe,** HEINEKEN has a vertically integrated business model, including wholesale in several markets as well as pubs in the UK, which provides close proximity to customers and consumers enabling a broader range of products, better service and deeper insight into our customer and consumer base. While this is a long-term competitive advantage with typically higher variable profits, it also requires a higher fixed cost structure and explains a disproportionate short-term drag on profit. At the end of July, we estimate 90% of outlets in Europe have reopened.

In **Mexico**, beer volume contracted in the mid-twenties as our operations were suspended in April and May. In June, we resumed sales and customers began rebuilding inventories. In July, we observed an increase in market restrictions including alcohol sales bans in some states and on-trade restrictions.

In **South Africa**, total volume declined in the forties, due to a ban on the sale, distribution and production of alcohol from late March to end of May. After sales resumed in June, a new ban on alcohol sales was implemented mid-July.

Input costs per hectolitre increased by about 10% with the combined negative impact of channel and product mix and transactional currency effects, despite lower commodity prices.

Other incremental expenses included higher depreciations, credit losses, safety & protection equipment, donations and other forms of support to our customers and communities.

In March, we implemented **cost mitigating actions** that resulted in a net organic reduction of half a billion of other expenses (beia) in the first half. This excludes the effects on input costs, goods for resale, transport and depreciation.

For more details, please refer to pages 14 and 15.

BREWING A BETTER WORLD

During the first half of 2020, we continued to advance our sustainable development commitments. Despite the significant drop in volumes, key water efficiency and local sourcing metrics were stable and we increased our energy from renewable sources to 21% (2019: 19%) driven by Mexico and Vietnam. We also joined the Water Resilience Coalition, which was launched in March this year, pledging a commitment to collective action and net positive water impact by 2050.

Given the circumstances, we transformed our #EnjoyResponsibly campaign temporarily to #SocialiseResponsibly. We have redirected part of our 10% Heineken® media investments from 'responsible consumption' to 'socialise responsibly' campaigns. The new Heineken® Back to the Bars campaign called '#SocialiseResponsibly to keep bars open' is meant to celebrate the return to the bars whilst reminding consumers to embrace social distancing and other safety measures.

For more details on our Brewing a Better World programmes and definitions, please refer to our 2019 Annual Report.

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EXCEPTIONAL ITEMS AND IMPAIRMENTS

The impact of exceptional items and amortization of acquisition-related intangibles (eia) was €742 million (2019: €133 million) on operating profit and €524 million (2019: €118 million) on net profit.

This included **impairments** of €548 million in tangible and intangible assets. The impact of the crisis in developing economies precipitated the need for these impairments. In total, cash generating units representing €3 billion in fixed assets were identified for impairment tests resulting in the impairments in Papua New Guinea (€196 million), Jamaica (€138 million) and various other smaller impairment charges. For more details on the exceptional items and impairments, please refer to pages 30 to 32.

NET PROFIT AND LOSS

Net profit (beia) decreased by 75.8% organically to €227 million (2019: €1,054 million). The decrease was higher than the decline in operating profit (beia) due to higher net finance expenses, higher non-deductible interest expenses and other tax effects and the lower relative decline in minority interest. **Net loss** after exceptional items and amortisation of acquisition-related intangibles was €297 million (2019: €936 million gain).

CASH FLOW PERFORMANCE

Free operating cash flow amounted to an outflow of €809 million (2019: €578 million inflow) mainly due to lower cash flow from operating activities and an increase in working capital driven by the change in payables.

Cash outflow related to the purchase of property, plant and equipment (PP&E) amounted to €1,064 million (2019: €1,005 million), including payments for PP&E additions executed in 2019. The additions to PP&E executed in 2020 amounted to €484 million (2019: €760 million), a reduction of 36% as all non-committed CAPEX was suspended from late March, unless necessary for safety or business continuity.

FINANCING UPDATE

HEINEKEN entered the crisis with a strong balance sheet and an undrawn committed revolving credit facility of €3.5 billion that matures in May 2024 and does not contain financial covenants. In recent months, HEINEKEN has successfully secured €3 billion in additional financing by issuing new bonds.

HEINEKEN is well prepared to meet its financial commitments, including the €1 billion bond maturing on 4 August 2020. As a measure of prudence, HEINEKEN announced it will deviate from its dividend policy and will not pay an interim dividend following its half-year results.

TRANSLATIONAL CURRENCY CALCULATED IMPACT

Since the latest update on 12 February 2020 a number of currencies have depreciated significantly versus the Euro, especially the Mexican Peso, Brazilian Real and South African Rand. However, given the uncertainty in profit estimations for this year it is not possible to provide a reliable estimate of the translational currency impact.

OUTLOOK FOR FY 2020

The COVID-19 pandemic constitutes a major negative macroeconomic development and as such it is having a significant impact on HEINEKEN's markets and on its business in 2020. On 8 April,

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HEINEKEN withdrew all guidance for 2020 given the lack of visibility on the end date of the pandemic and the duration of its impact. Although we observe a gradual recovery since the trough in April across most markets, the situation continues to be volatile and uncertain. As a consequence, HEINEKEN is only able to share directional information for the remainder of the year.

Product and channel mix is expected to continue to adversely impact results, especially in Europe, as the on-trade continues to be more affected than the off-trade. As a consequence, input costs per hectolitre are expected to continue to be significantly higher than last year.

We have taken mitigating actions and will further intensify our focus on costs, balancing the reduction of discretionary expenses with providing sufficient support behind our brands and route to market. Non-committed supply chain CAPEX will continue to be suspended, while commercial CAPEX will resume if and when required to support our current and future top-line growth.

Significant uncertainty remains on the impact of the COVID-19 pandemic, including risks related to containment measures, supply chain continuity, cyber-security incidents and macro economic downturn in general.

Given the circumstances, we expect to continue to provide incremental disclosures of the material effects of the COVID-19 crisis on our markets and businesses. The next update will come with our third quarter trading update.

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

Trading Update for Q3 2020	28 October 2020
Full Year 2020 Results	10 February 2021

CONFERENCE CALL DETAILS

HEINEKEN will host an analyst and investor conference call in relation to its 2020 HY results today at 10:00 CET/ 9:00 GMT. The call will be audio cast live via the company's website: www.theheinekencompany.com. An audio replay service will also be made available after the conference call at the above web address. Analysts and investors can dial-in using the following telephone numbers:

United Kingdom (Local): 020 3936 2999
Netherlands (Local): 085 888 7233
USA: 1 646 664 1960
All other locations: +44 20 3936 2999
Participation password for all countries: 239940

Editorial information:

HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and specialty beers and ciders. We are committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets.

We employ over 85,000 employees and operate breweries, malteries, cider plants and other production facilities in more than 70 countries. Heineken N.V. and Heineken Holding N.V. shares trade on the Euronext in Amsterdam. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on Reuters under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V.

(OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY). Most recent information is available on HEINEKEN's website: www.theHEINEKENcompany.com and follow us on Twitter via @HEINEKENCorp.

Market Abuse Regulation

This press release contains price-sensitive information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Disclaimer:

This press release contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, developments in the ongoing COVID-19 pandemic and related government measures, 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, change in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in HEINEKEN's publicly filed annual reports. You are cautioned not to place undue reliance on these forward-looking statements, which speak only of the date of this press release. HEINEKEN does not undertake any obligation to update these forward-looking statements contained in this press release. Market share estimates contained in this press release are based on outside sources, such as specialised research institutes, in combination with management estimates.

REGIONAL OVERVIEW

Net revenue (beia) *(in € million)*		**HY20**	HY19	Organic growth
Heineken N.V.		**9,243**	11,446	-16.4%
	Africa Middle East & Eastern Europe	**1,294**	1,600	-16.6%
	Americas	**2,892**	3,553	-12.2%
	Asia Pacific	**1,322**	1,539	-10.4%
	Europe	**4,075**	5,103	-20.8%
	Head Office & Eliminations	**-340**	-350	

Operating profit (beia) *(in € million)*		**HY20**	HY19	Organic growth
Heineken N.V.		**827**	1,781	-52.5%
	Africa Middle East & Eastern Europe	**83**	200	-61.7%
	Americas	**365**	530	-31.0%
	Asia Pacific	**418**	511	-15.7%
	Europe	**82**	610	-87.0%
	Head Office & Eliminations	**-121**	-69	

Developing markets HY20 *(in mhl or € million unless otherwise stated)*		Group beer volume	Group net revenue (beia)	Group operating profit (beia)[1]
Developing markets in:		**77.7**	5,034	609
	Africa Middle East & Eastern Europe	18.7		
	Latin America & the Caribbean	31.4		
	Asia Pacific	23.8		
	Europe	3.7		
% of Group		64%	49%	59%

[1] Excludes Head Office & Eliminations

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Africa Middle East & Eastern Europe

Key financials *(in mhl or € million unless otherwise stated)*	**HY20**	HY19	Total growth	Organic growth
Net revenue (beia)	**1,294**	1,600	-19.2%	-16.6%
Operating profit (beia)	**83**	200	-58.3%	-61.7%
Operating profit (beia) margin	**6.4%**	12.5%	-603 bps	
Total consolidated volume	**20.7**	24.5	-15.4%	-15.4%
Beer volume	**18.1**	21.6	-15.9%	-15.9%
Non-Beer volume	**2.5**	2.9	-11.5%	-11.5%
Third party products volume	—	—	—	—
Licensed beer volume	*1.0*	*1.1*		
Group beer volume	*19.3*	*22.9*		

The Region was the last to be affected by COVID-19. Although reported cases were significantly lower than in other regions, most markets introduced containment measures in the second quarter. Nigeria introduced a ban on alcohol distribution in some states. In South Africa, operations were suspended in April and May. After sales resumed in June, a new ban on alcohol sales was implemented mid-July. COVID-19 curves spiked around May in Russia and Egypt and have stabilised in the last weeks. Based on reported cases, the spread of the pandemic is still at early stages in Ethiopia and Nigeria.

Consolidated beer volume declined 15.9% organically as most countries were down, especially South Africa and Nigeria. The premium portfolio declined mid-teens due to South Africa and Russia.

Net revenue (beia) declined 16.6% organically, with total consolidated volume down 15.4% and net revenue (beia) per hectolitre decreasing 1.3%. Price mix was up 1.4% on a constant geographic basis driven by Ethiopia and the DRC. Currency translation negatively impacted net revenue by €41 million mainly from the South African Rand, the Russian Rouble and the Ethiopian Birr.

Operating profit (beia) declined organically by 61.7% mainly driven by South Africa, Nigeria, Egypt and Russia. Currency translation positively impacted operating profit (beia) by €5 million. The disproportionate impact of operating profit relative to revenue was mainly due to the reported operating loss in South Africa.

In **Nigeria**, beer volume declined in the low-teens, performing better than the market. Maltina was broadly flat as we continued to produce and sell non-alcoholic malt drinks. The premium portfolio grew mid-single digit.

In **Russia**, beer volume decreased in the low teens mainly due to destocking. Our low- and non-alcoholic portfolio grew low-single digits.

In **South Africa**, total volume declined in the forties, due to a ban on the sale, distribution and production of alcohol from late March to end of May. Heineken® 0.0 grew nearly threefold.

In **Ethiopia**, beer volume decreased in the low twenties, held back by a price increase in mid-February to offset an increase in excise duties. The premium portfolio continued to deliver double digit growth driven by Bedele Special.

In **Egypt**, total volume declined in the low-teens driven by a ban on tourism but was partly offset by the mid-single digit growth of the LONO portfolio.

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Americas

Key financials *(in mhl or € million unless otherwise stated)*	**HY20**	HY19	Total growth	Organic growth
Net revenue (beia)	**2,892**	3,553	-18.6%	-12.2%
Operating profit (beia)	**365**	530	-31.1%	-31.0%
Operating profit (beia) margin	**12.6%**	14.9%	-229 bps	
Total consolidated volume	**37.9**	45.5	-16.8%	-16.8%
Beer volume	**34.6**	40.7	-15.0%	-15.0%
Non-Beer volume	**3.2**	4.7	-32.3%	-32.3%
Third party products volume	**0.1**	0.1	1.7%	1.7%
Licensed beer volume	*0.8*	*0.8*		
Group beer volume	*38.4*	*44.0*		

The pandemic reached the Americas region in March. Throughout the second quarter, the US, Brazil and Mexico reported some of the highest increases of COVID-19 cases worldwide and introduced lockdowns, travel restrictions and closure of the on-trade channels to varying extent even within each country. Our operations in Mexico were suspended in April and May and we resumed sales in June. In July, we observed an increase in market restrictions including alcohol sales bans in some states and on-trade restrictions. In Brazil, we continued our operations throughout the second quarter while following strict physical distancing, hygiene and disinfection protocols. Towards the end of the period, some states in the US started with gradual re-opening of the on-trade while others re-introduced COVID-19 measures due to the resurgence of cases.

Consolidated beer volume declined 15.0% organically in the first half, mainly due to the full lockdown of operations in Mexico during April and May. The premium portfolio grew low single digit led by Heineken® in Brazil. Non-beer volume declined 32.3% following the de-listing of a low margin brand in some regions of Brazil last year.

Net revenue (beia) declined 12.2% organically, with total consolidated volumes down 16.8% and net revenue (beia) per hectolitre up 5.4%. Price mix was up 5.2% on a constant geographic basis, mainly driven by the low-teens growth in Brazil due to portfolio mix. Currency translation negatively impacted net revenue by €233 million driven by the Brazilian Real and the Mexican Peso.

Operating profit (beia) declined 31.0% organically, driven by Mexico and Brazil and despite profit growth in the USA. Currency translation positively impacted operating profit (beia) by €5 million. The relative performance of operating profit compared to revenue was better than the company average, driven by profit growth in the USA.

In **Mexico**, beer volume contracted in the mid-twenties as our operations were suspended in April and May. In June, we resumed sales and customers began rebuilding inventories. Six 2 Go received ten times the number of orders in the first six months of 2020 versus the full year of 2019. Heineken® 0.0 was introduced last year and is already one of the largest contributors in volume for the brand extension globally.

In **Brazil**, beer volume declined low-single digits, outperforming the market. Our premium and mainstream portfolios grew double digit, led by the growth of Heineken® of close to 50% and the continued momentum of Amstel. The economy portfolio declined in the high-teens, with improving trends in the second quarter. Non-beer volume declined by one-third due to the de-listing of a low-margin brand in some regions last year.

In the **USA**, beer volume declined in the low-teens, with growth in the off-trade not sufficient to offset declines in the on-trade. Sales to wholesalers of Heineken® were broadly stable, supported by the growth of Heineken® 0.0. The underlying trend for Tecate has improved since the relaunch of the brand in March but was affected by supply disruptions from Mexico. Dos Equis was significantly impacted due to its relative over-reliance on the on-trade.

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Asia Pacific

Key financials *(in mhl or € million unless otherwise stated)*	**HY20**	HY19	Total growth	Organic growth
Net revenue (beia)	**1,322**	1,539	-14.1%	-10.4%
Operating profit (beia)	**418**	511	-18.3%	-15.7%
Operating profit (beia) margin	**31.6%**	33.2%	-162 bps	
Total consolidated volume	**14.2**	15.5	-8.4%	-4.8%
Beer volume	**13.9**	15.1	-8.4%	-4.7%
Non-Beer volume	**0.3**	0.3	-4.7%	-4.5%
Third party products volume	—	—	—	—
Licensed beer volume	*1.2*	*0.5*		
Group beer volume	*25.6*	*19.2*		

In the first quarter the pandemic spread from China across the Asia Pacific region. The majority of countries introduced local containment measures at fairly early stages of the pandemic. In Vietnam, there was a steady re-opening of the on-trade channel during the second quarter. Our operations in Malaysia were suspended by the Government in late March and April and sales slowly resumed in May. The pandemic reached Indonesia in March and has started to accelerate since May, significantly impacting the country's tourism and hospitality industry.

Consolidated beer volume declined 4.7% organically, driven by significant declines in Cambodia, Indonesia, Malaysia and other markets, partially offset by the strong performance in Vietnam. Premium volume was more negatively impacted by weak consumer sentiment, on-premise restrictions and the drop in tourism.

Net revenue (beia) declined 10.4% organically, as total volume was down 4.8% whilst net revenue (beia) per hectolitre decreased by 5.9%. Price mix was down 3.1% on a constant geographic basis. Currency translation positively impacted net revenue by €21 million mainly from Vietnam and Cambodia.

Operating profit (beia) decreased 15.7% organically as the strong profit performance in Vietnam was offset by Indonesia, Cambodia, Malaysia and Papua New Guinea. Positive currency movements impacted operating profit by €8 million, mainly from Vietnam. The relative performance of operating profit compared to net revenue was better than in other regions driven by the growth of Vietnam.

In **Vietnam,** beer volume was up high-single digits, significantly ahead of the market, benefiting from the continued positive momentum of our mainstream portfolio, innovations like Heineken® Silver, Heineken® 0.0, Strongbow and Bia Viet and a price increase at the end of June. Tiger was down low-single digits, as it was most affected by the on-trade closures in key cities.

In **Indonesia,** beer volume declined in the mid-double digits as the beer market was impacted by the collapse of tourism, particularly around Bali, and on-trade closures.

In **Cambodia**, beer volume was down mid-teens driven by weak consumer sentiment as the economy is significantly affected by the rise in unemployment in the tourism, garment export and construction industries.

In **Malaysia**, beer volume declined in the low-twenties, heavily impacted by the Government suspension of our operations for nearly two months.

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Europe

Key financials *(in mhl or € million unless otherwise stated)*	**HY20**	HY19	Total growth	Organic growth
Net revenue (beia)	**4,075**	5,103	-20.1%	-20.8%
Operating profit (beia)	**82**	610	-86.6%	-87.0%
Operating profit (beia) margin	**2.0%**	11.9%	-994 bps	
Total consolidated volume	**42.4**	47.6	-11.0%	-11.8%
Beer volume	**35.9**	38.7	-7.1%	-8.1%
Non-Beer volume	**4.3**	5.1	-15.8%	-15.8%
Third party products volume	**2.2**	3.8	-43.5%	-43.6%
Licensed beer volume	*0.3*	*0.4*		
Group beer volume	*37.2*	*40.1*		

COVID-19 started to accelerate in Europe in mid-March and led to lockdowns and closure of the on-premises channel in April and May in practically all countries. Towards the end of the second quarter, the pandemic curves stabilised across the continent. This enabled the lifting of national COVID-19 measures including travel restrictions and a gradual re-opening of the on-trade channel and re-stocking in all markets. With the pandemic curve in the UK a few weeks behind other European countries, the re-opening of the on-trade only started at the beginning of July.

Consolidated beer volume declined organically by 8.1% driven by a drop in on-trade beer volume of around one-half, partially offset by an off-trade increase in the mid-teens.Third party volume declined 43.6% as wholesale operations were materially impacted by outlet closures. Total consolidated volume declined 11.8% organically.

Net revenue (beia) declined by 20.8% organically with net revenue (beia) per hectolitre down 10.5%. Price mix was down 6.4% on a constant geographic basis due to the heavy impact of channel and product mix.

Operating profit (beia) decreased by 87.0% organically, disproportionately impacted by the lower revenue from the on-trade.

Regarding the on-trade business in Europe, HEINEKEN has a vertically integrated business model, including wholesale in several markets as well as pubs in the UK, which provides close proximity to customers and consumers enabling a broader range of products, better service and deeper insight into our customer and consumer base. While this is a long-term competitive advantage with typically higher variable profits, it also requires a higher fixed cost structure and explains a disproportionate short-term drag on profit. At the end of July, we estimate 90% of outlets in Europe have reopened.

In the **UK,** total volume declined mid-teens. Beer volume decreased low-teens, with a decline of around 60% in the on-trade partially offset by growth of around one-third in the off-trade well ahead of the market. At the end of July, 85% of our estate of 2,500 pubs had re-opened.

In **France,** beer volume grew low-single digits following a strong double digit recovery in June once the on-trade outlets started to re-open. Our premium portfolio grew high-single digit, led by Desperados and Affligem.

In **Spain,** beer volume declined around twenty percent, due to a decline in the forties in the on-trade, partially offset by mid-teens growth in the off-trade, outperforming the market trends in each channel.

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In **Italy,** beer volume was down high-single digits, with a decline in the thirties in the on-trade partially offset by high-single digit growth in the off-trade, ahead of the market. Our premium portfolio performed broadly in line with last year, due to the growth of Ichnusa and Messina.

In **Poland,** beer volume grew low-single digits as the on-trade represents a relatively small portion of the overall beer market and the decrease was offset through strong performance from recently acquired Namysłów and our premium brands Heineken® and Desperados. The integration of Namysłów has been successfully completed.

In the **Netherlands**, beer volume declined high-single digits, with a decline in the forties in the on-trade. The off-trade grew in the mid-teens, ahead of the market. Our premium portfolio grew double digit, led by Desperados and Affligem.

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INTERIM FINANCIAL REVIEW

Key figures *(in mhl or € million unless otherwise stated)*	**HY19**	Currency translation	Consolidation impact	Organic growth	**HY20**	Organic growth
Revenue	**13,597**				**11,156**	
Eia	—				—	
Revenue (beia)	**13,597**	-288	-46	-2,107	**11,156**	-15.5%
Excise tax expense (beia)	**-2,152**	23	-9	224	**-1,913**	10.4%
Net revenue (beia)	**11,446**	-265	-55	-1,883	**9,243**	-16.4%
Total other expenses (beia)	**-9,664**	282	19	948	**-8,416**	9.8%
Operating profit (beia)	**1,781**	17	-37	-935	**827**	-52.5%
Net interest income/(expenses) (beia)	**-208**	5	-13	-16	**-232**	-7.7%
Other net finance income/(expenses) (beia)	**-28**	3	0	-41	**-65**	-146.6%
Share of net profit of assoc./ JVs (beia)	**83**	0	-5	-57	**21**	-68.3%
Income tax expense (beia)	**-459**	-3	6	227	**-229**	49.4%
Non-controlling interests (beia)	**-115**	-3	1	23	**-95**	19.6%
Net profit (beia)	**1,054**	19	-47	-799	**227**	-75.8%
Eia	-118				-524	
Net profit	**936**				**-297**	

Note: due to rounding, this table will not always cast

Main changes in consolidation

- On 1 April 2019 Grupa Żywiec S.A., a HEINEKEN subsidiary, completed the acquisition of 100% of the share capital of Browar Namysłów Sp. z o.o.
- On 29 April 2019 HEINEKEN completed all transactions to form a long-term strategic partnership with China Resources Enterprise, Limited and China Resources Beer (Holdings) Co. Ltd. (CR Beer), including the transfer of its operating entities in China to CR Beer. HEINEKEN's share of CR Beer's profits is reported with a two month delay, starting on 1 July 2019.
- On 2 May 2019 HEINEKEN acquired a majority stake in Biela y Bebidas del Ecuador S.A. BIELESA.

Revenue

Revenue was €11,156 million, a decline of 18.0% (2019: €13,597 million). Revenue (beia) declined organically 15.5% to €11,156 million (2019: €13,597 million).

Net revenue

Net revenue decreased 19.2% to €9,243 million. Net revenue (beia) decreased by 16.4% organically to €9,243 million, with total consolidated volume decline of 13.4% and a decrease in net revenue (beia) per hectolitre of 3.6%. Currency developments had a negative impact of €265 million, mainly driven by unfavourable development versus the Euro of the Brazilian Real and the Mexican Peso. The negative impact of consolidation changes was €55 million mainly related to China.

Total other expenses[1]

Total other expenses were € 9,158 million (2019: € 9,795 million). Total other expenses (beia) were €8,416 million, down 9.8% on an organic basis driven by lower volume and cost mitigation actions, partially offset by higher input costs per hectolitre and other incremental costs.

[1] Please refer to pages 22 and 31 for additional details on the breakdown of other expenses.

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Input costs increased close to 10% on a per hectolitre basis, mainly driven by the combined effect of channel and product mix and adverse transactional currency impacts, despite lower commodity prices. Transactional currency effects had a significant impact in some of our markets like Brazil, although in aggregate the product mix was more relevant. Other effects included inventory write-offs and penalties from contracts with suppliers.

Goods for resale (beia) declined organically by 45.2% to €393 million (2019: €680 million), in line with the performance of on-trade volume in Europe. Goods for resale relate to third party products, not produced by HEINEKEN, bought to be resold by our wholesale operations.

Other increases in expenses included higher depreciations, credit losses, safety & protection equipment, donations and other forms of support to our customers and communities.

In March, we implemented cost mitigating actions that resulted in a net organic reduction of half a billion of other expenses (beia) in the first half. This excludes the effects on input costs, goods for resale, transport and depreciation.

Marketing and selling (beia) expenses represented 11.1% of net revenue (beia) (2019: 11.7%). We adapted our commercial activities to the fast changes in consumer behaviours and consumption patterns. We continued to invest behind the long term health of strategic brands and areas of long term growth.

While respecting our commitment to no structural layoffs in 2020 due to COVID-19, personnel expenses (beia) declined to €1,690 million (2019: €1,881 million) driven by the cancellation of variable pay, salary reductions of the Executive Team and Executive Board, lower overtime and a hiring freeze, partially offset by higher pension expenses. The reduction includes benefits received of €35 million from various relief and support measures from governments in a few countries in Europe and Asia Pacific.

Other mitigating actions included the postponement of non-essential maintenance of plants and machinery, the suspension of international travel and corporate events, among other reductions of discretionary expenses.

Operating profit

Operating profit declined by 94.8% to €85 million driven by the underlying decline and the impact from exceptional items. Operating profit (beia) was €827 million, down 52.5% organically, materially impacted by the revenue decline and incremental costs and expenses due to the COVID-19 crisis, partially offset through mitigation actions. Currency translation had a positive impact of €17 million. Consolidation changes had a negative impact of €37 million.

Net finance expenses (beia)

Net interest expenses (beia) increased organically by 7.7% to €232 million, reflecting additional funding raised at Group level and the increase in local bank debts in some countries. The average interest rate (beia) in the first half of 2020 was 2.9% (2019: 3.0%). Other net finance expenses (beia) amounted to €65 million, up 146.6% on an organic basis driven by the negative impact of currency revaluation on outstanding foreign currency payables.

Share of net profit of associates and joint ventures (beia)

The share of net profit of associates and joint ventures (beia) amounted to €21 million, including the attributable profit from CR Beer with a two month lag (November 2019 to April 2020). The organic decline was €57 million, reflecting the impact of COVID-19 mainly coming from CCU S.A. and United Breweries Limited (UBL).

Income tax expense (beia)

The effective tax rate (beia) was 43.2% (2019: 29.7%). The increase was driven by higher operational losses for which no deferred tax assets could be recognized and higher non-deductible interest in the Netherlands. Furthermore, the relative effect of permanent items increased due to the lower profit before tax base.

Net profit and loss

Net loss for 2020 was €297 million (2019: €936 million net profit). Net profit (beia) was €799 million down 75.8% organically to €227 million. The impact of currency translation was positive by €19 million and consolidation changes had a negative impact of €47 million.

Exceptional items & amortisation of acquisition-related intangibles (eia)

Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Exceptional items include, amongst others, impairments (and reversal of impairments) of goodwill and fixed assets, gains and losses from acquisitions and disposals, redundancy costs following a restructuring, past service costs and curtailments, the tax impact on exceptional items and tax rate changes (the one-off impact on deferred tax positions).
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 an exceptional item, unless the effect relates to the aforementioned exceptional items (e.g. impairments).

The impact of eia on net profit amounted to €524 million (2019: €118 million). On operating profit the impact of eia amounted to €742 million (2019: €133 million).

Amortisation of acquisition-related intangibles recorded in operating profit amounted to €144 million (2019: €151 million). Net exceptional expenses in operating profit amounted to €598 million (2019: €18 million net benefit), of which:

- €548 million in impairments, mainly relating to Papua New Guinea and Jamaica (2019: nil)
- €10 million restructuring expenses (2019: €21 million)
- €40 million other net exceptional expenses (2019: €39 million other net exceptional benefits)

Please refer to page 30 for a description of the exceptional items and amortisation of acquisition-related intangibles below operating profit.

Capital expenditure and cash flow

Cash flow related to the purchase of property, plant and equipment (PP&E) amounted to €1,064 million (2019: €1,005 million) including payments for PP&E additions in 2019. The additions to PP&E amounted to €484 million (2019: €760 million), a reduction of 36% as all non-committed CAPEX was suspended from late March, unless necessary for safety or business continuity.

Free operating cash flow amounted to an outflow of €809 million (2019: €578 million inflow) mainly due to lower cash flow from operating activities and the change in payables.

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Financial structure

Total gross debt amounted to €20,987 million (31 December 2019: €17,052 million). Net debt increased to €16,669 million (31 December 2019: €15,259 million) as the negative free operation cash flow and cash outflow for dividends exceeded the cash inflow from disposals and positive foreign currency impact on debt.

In recent months, HEINEKEN has successfully secured €3 billion additional financing by issuing new bonds.

- On 25 March 2020, Heineken N.V. issued CHF 100 million of privately placed 5-year Notes with a coupon of 0.6375%.
- On 30 March 2020, HEINEKEN issued €600 million of 5-year Notes with a coupon of 1.625% and €800 million of 10-year Notes with a coupon of 2.25%. The maturity dates of the Notes are 30 March 2025 and 30 March 2030.
- On 7 May 2020, HEINEKEN issued €650 million of 13-year Notes with a coupon of 1.25% and €850 million of 20-year Notes with a coupon of 1.75%. The maturity dates of the Notes are 7 May 2033 and 7 May 2040.

The notes were issued under the Company's Euro Medium Term Note Programme and are listed on the Luxembourg Stock Exchange. The proceeds from the Notes issuance will be used for general corporate purposes.

Including the effect of cross-currency swaps, 61% of net debt is Euro-denominated and 19% is US dollar and US dollar proxy currencies. The pro-forma 12 month rolling net debt/EBITDA (beia) ratio was 3.5x on 30 June 2020 (FY 2019: 2.6x). HEINEKEN is committed to return to the Company's long-term target net debt/EBITDA (beia) ratio of below 2.5x.

Average number of shares

HEINEKEN has 576,002,613 shares in issue at 30th June 2020. In the calculation of basic EPS, the weighted average number of shares outstanding in the first half of 2020 was 575,527,247 (30 June 2019: 571,951,471).

In the calculation of diluted EPS (beia), shares to be delivered under the employee incentive programme (264,602 shares) are added to the weighted average shares outstanding. The weighted average diluted number of shares outstanding in the first half of 2020 was 575,791,849 (30 June 2019: 572,169,318). In the calculation of diluted EPS on IFRS measures, shares to be delivered under the employee incentive programme are excluded as these have an anti-dilutive impact in the first half of 2020.

Risk paragraph

The Annual Report 2019 outlines HEINEKEN's main risks and mitigation activities at the time of closing the 2019 financial year. For a detailed description of HEINEKEN's risks and risk control systems, please refer to pages 26 to 33 of the Annual Report 2019.

The first half of 2020 has been marked by the COVID-19 pandemic and its far reaching impact on our people and business. Containment measures such as restrictions of movement for populations and outlet closures, sometimes combined with the mandatory lockdown of production facilities represented the key challenges to the execution of HEINEKEN's strategy and have materially affected performance. There is significant uncertainty on the severity and duration of the adverse impact of the COVID-19 pandemic. An increased exposure on risks related to containment measures, supply chain continuity, cyber security incidents and macro economic downturn in general could further adversely impact HEINEKEN's results and remains high on its risk management agenda.

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There may also be risks the Company is not aware of or currently deems immaterial but which could, at a later stage, have a material impact on the Company's business. As new risks emerge and existing immaterial risks evolve, they will be assessed and managed.

Interim Consolidated Metrics: Half Year 2020

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	**HY19**	Currency translation	Consolidation impact	Organic growth	**HY20**	Organic growth
Africa, Middle East & Eastern Europe						
Net revenue (beia)	**1,600**	-41	—	-265	**1,294**	-16.6%
Operating profit (beia)	**200**	5	1	-123	**83**	-61.7%
Operating profit (beia) margin	**12.5%**				**6.4%**	
Total consolidated volume	**24.5**		—	-3.8	**20.7**	-15.4%
Beer volume	**21.6**		—	-3.4	**18.1**	-15.9%
Non-beer volume	**2.9**		—	-0.3	**2.5**	-11.5%
Third party products volume	—		—	—	—	—
Licensed beer volume	***1.1***				***1.0***	
Group beer volume	***22.9***				***19.3***	
Americas						
Net revenue (beia)	**3,553**	-233	5	-434	**2,892**	-12.2%
Operating profit (beia)	**530**	5	-6	-164	**365**	-31.0%
Operating profit (beia) margin	**14.9%**				**12.6%**	
Total consolidated volume	**45.5**		—	-7.6	**37.9**	-16.8%
Beer volume	**40.7**		—	-6.1	**34.6**	-15.0%
Non-beer volume	**4.7**		—	-1.5	**3.2**	-32.3%
Third party products volume	**0.1**		—	—	**0.1**	1.7%
Licensed beer volume	***0.8***				***0.8***	
Group beer volume	***44.0***				***38.4***	
Asia Pacific						
Net revenue (beia)	**1,539**	21	-77	-160	**1,322**	-10.4%
Operating profit (beia)	**511**	8	-21	-80	**418**	-15.7%
Operating profit (beia) margin	**33.2%**				**31.6%**	
Total consolidated volume	**15.5**		-0.6	-0.7	**14.2**	-4.8%
Beer volume	**15.1**		-0.6	-0.7	**13.9**	-4.7%
Non-beer volume	**0.3**		—	—	**0.3**	-4.5%
Third party products volume	—		—	—	—	—
Licensed beer volume	***0.5***				***1.2***	
Group beer volume	***19.2***				***25.6***	
Europe						
Net revenue (beia)	**5,103**	-12	44	-1,061	**4,075**	-20.8%
Operating profit (beia)	**610**	-2	4	-531	**82**	-87.0%
Operating profit (beia) margin	**11.9%**				**2.0%**	
Total consolidated volume	**47.6**		0.4	-5.6	**42.4**	-11.8%
Beer volume	**38.7**		0.4	-3.1	**35.9**	-8.1%
Non-beer volume	**5.1**		—	-0.8	**4.3**	-15.8%
Third party products volume	**3.8**		—	-1.7	**2.2**	-43.6%
Licensed beer volume	***0.4***				***0.3***	
Group beer volume	***40.1***				***37.2***	
Head Office & Eliminations						
Net revenue (beia)	**-350**	1	-28	38	**-340**	n.a.
Operating profit (beia)	**-69**	—	-15	-37	**-121**	n.a.
Heineken N.V.						
Net revenue (beia)	**11,446**	-265	-55	-1,883	**9,243**	-16.4%
Total expenses (beia)	**-9,664**	282	19	948	**-8,416**	9.8%
Operating profit (beia)	**1,781**	17	-37	-935	**827**	-52.5%
Operating profit (beia) margin	**15.6%**				**8.9%**	
Share of net profit of associates /JVs (beia)	**83**	—	-5	-57	**21**	-68.3%
Net Interest income / (expenses) (beia)	**-208**	5	-13	-16	**-232**	-7.7%
Other net finance income / (expenses) (beia)	**-28**	3	—	-41	**-65**	-146.6%
Income tax expense (beia)	**-459**	-3	6	227	**-229**	49.4%
Minority Interests	**-115**	-3	1	23	**-95**	19.6%
Net profit (beia)	**1,054**	19	-47	-799	**227**	-75.8%
Total consolidated volume	**133.1**		-0.2	-17.8	**115.2**	-13.4%
Beer volume	**116.1**		-0.2	-13.4	**102.6**	-11.5%
Non-beer volume	**13.0**		—	-2.7	**10.3**	-20.6%
Third party products volume	**4.0**		—	-1.7	**2.3**	-42.7%
Licensed beer volume	***2.7***				***3.4***	
Group beer volume	***126.2***				***120.5***	

Note: due to rounding, this table will not always cast

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Second Quarter 2020 Metrics

In mhl unless otherwise stated & consolidated figures unless otherwise stated	**2Q19**	Consolidation impact	Organic growth	**2Q20**	Organic growth
Africa, Middle East & Eastern Europe					
Total consolidated volume	**13.0**	—	-3.0	**10.0**	-23.1%
Beer volume	**11.4**	—	-2.7	**8.7**	-23.9%
Non-beer volume	**1.6**	—	-0.3	**1.3**	-16.9%
Third party products volume	—	—	—	—	—
Licensed beer volume	***0.5***			***0.5***	
Group beer volume	***11.9***			***9.3***	
Americas					
Total consolidated volume	**23.0**	—	-6.3	**16.8**	-27.3%
Beer volume	**20.9**	—	-5.6	**15.3**	-26.8%
Non-beer volume	**2.1**	—	-0.7	**1.4**	-32.3%
Third party products volume	—	—	—	—	—
Licensed beer volume	***0.3***			***0.3***	
Group beer volume	***22.6***			***16.8***	
Asia Pacific					
Total consolidated volume	**7.8**	-0.1	-1.1	**6.6**	-13.8%
Beer volume	**7.7**	-0.1	-1.0	**6.5**	-13.6%
Non-beer volume	**0.2**	—	0.0	**0.1**	-16.9%
Third party products volume	—	—	—	—	—
Licensed beer volume	***0.3***			***0.6***	
Group beer volume	***10.0***			***11.7***	
Europe					
Total consolidated volume	**28.5**	—	-5.0	**23.5**	-17.5%
Beer volume	**23.4**	—	-2.9	**20.5**	-12.5%
Non-beer volume	**3.0**	—	-0.7	**2.3**	-24.1%
Third party products volume	**2.2**	—	-1.4	**0.8**	-63.8%
Licensed beer volume	***0.2***			***0.2***	
Group beer volume	***24.3***			***21.2***	
Heineken N.V.					
Total consolidated volume	**72.5**	-0.1	-15.4	**56.9**	-21.3%
Beer volume	**63.4**	-0.1	-12.3	**51.0**	-19.4%
Non-beer volume	**6.8**	—	-1.7	**5.1**	-24.8%
Third party products volume	**2.2**	—	-1.4	**0.8**	-63.5%
Licensed beer volume	***1.3***			***1.5***	
Group beer volume	***68.7***			***58.9***	

Note: due to rounding, this table will not always cast

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six-month period ended 30 June

In millions of €	Note	**2020**	2019
Revenue	7	**11,156**	13,597
Excise tax expense	7	(1,913)	(2,154)
Net revenue	7	**9,243**	11,443
Other income	7	**5**	78
Raw materials, consumables and services	8	(5,967)	(7,064)
Personnel expenses		(1,716)	(1,898)
Amortisation, depreciation and impairments	9	(1,480)	(911)
Total other expenses		**(9,163)**	(9,873)
Operating profit	7	**85**	1,648
Interest income		32	28
Interest expenses		(239)	(255)
Other net finance income/(expenses)		(58)	(25)
Net finance expenses		**(265)**	(252)
Share of profit/(loss) of associates and joint ventures	7	(41)	80
Profit/(loss) before income tax	7	**(221)**	1,476
Income tax expense		(51)	(438)
Profit/(loss)		**(272)**	1,038
Attributable to:			
Shareholders of the Company (net profit/(loss))		(297)	936
Non-controlling interests		25	102
Profit/(loss)		**(272)**	1,038
Weighted average number of shares – basic	11	575,527,247	571,951,471
Weighted average number of shares – diluted	11	575,527,247	572,169,318
Basic earnings/(loss) per share (€)		(0.52)	1.64
Diluted earnings/(loss) per share (€)		(0.52)	1.64

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June

In millions of €	**2020**	2019
Profit/(loss)	**(272)**	1,038
Other comprehensive income/(loss), net of tax:		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-retirement obligations	(51)	(136)
Net change in fair value through OCI investments - Equity investments	(88)	24
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	(1,642)	135
Change in fair value of net investment hedges	72	8
Change in fair value of cash flow hedges	42	60
Cash flow hedges reclassified to profit or loss	8	15
Net change in fair value through OCI investments - Debt investments	(1)	—
Cost of hedging	(3)	(5)
Share of other comprehensive income/(loss) of associates/ joint ventures	6	(3)
Other comprehensive income/(loss), net of tax	**(1,657)**	98
Total comprehensive income/(loss)	**(1,929)**	1,136
Attributable to:		
Shareholders of the Company	(1,919)	1,026
Non-controlling interests	(10)	110
Total comprehensive income	**(1,929)**	1,136

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at

In millions of €	Note	**30 June 2020**	31 December 2019
Intangible assets	9	16,461	17,769
Property, plant and equipment	9	11,857	13,269
Investments in associates and joint ventures		4,705	4,868
Loans and advances to customers		183	277
Deferred tax assets		701	647
Other non-current assets		1,115	1,255
Total non-current assets		**35,022**	38,085
Inventories		2,163	2,213
Trade and other receivables		3,983	4,123
Current tax assets		204	123
Derivative assets		97	28
Cash and cash equivalents		4,266	1,821
Assets classified as held for sale		61	111
Total current assets		**10,774**	8,419
Total assets		**45,796**	46,504

In millions of €	Note	**30 June 2020**	31 December 2019
Shareholders' equity	11	13,593	16,147
Non-controlling interests	11	967	1,164
Total equity		**14,560**	17,311
Borrowings	12	15,564	13,366
Post-retirement obligations		1,206	1,189
Provisions		602	756
Deferred tax liabilities		1,198	1,422
Other non-current liabilities		108	153
Total non-current liabilities		**18,678**	16,886
Borrowings	12	5,423	3,686
Trade and other payables		6,115	7,520
Returnable packaging deposits		528	565
Provisions		176	184
Current tax liabilities		259	283
Derivative liabilities		57	69
Total current liabilities		**12,558**	12,307
Total equity and liabilities		**45,796**	46,504

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June

In millions of €	**2020**	2019
Operating activities		
Profit/(loss)	(272)	1,038
Adjustments for:		
Amortisation, depreciation and impairments	1,479	911
Net interest expenses	207	227
Other income	(5)	(78)
Share of profit or loss of associates and joint ventures and dividend income on fair value through OCI investments	32	(85)
Income tax expenses	51	438
Other non-cash items	85	182
Cash flow from operations before changes in working capital and provisions	**1,577**	2,633
Change in inventories	(155)	(332)
Change in trade and other receivables	7	(769)
Change in trade and other payables and returnable packaging deposits	(548)	818
Total change in working capital	**(696)**	(283)
Change in provisions and post-retirement obligations	3	(98)
Cash flow from operations	**884**	2,252
Interest paid	(244)	(256)
Interest received	27	31
Dividends received	50	111
Income taxes paid	(382)	(456)
Cash flow related to interest, dividend and income tax	**(549)**	(570)
Cash flow from operating activities	**335**	1,682

In millions of €	**2020**	2019
Investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	28	23
Purchase of property, plant and equipment	(1,064)	(1,005)
Purchase of intangible assets	(62)	(41)
Loans issued to customers and other investments	(68)	(121)
Repayment on loans to customers and other investments	22	40
Cash flow (used in)/from operational investing activities	**(1,144)**	(1,104)
Free operating cash flow	**(809)**	578
Acquisition of subsidiaries, net of cash acquired	—	(169)
Acquisition of/additions to associates, joint ventures and other investments	(10)	(2,872)
Disposal of subsidiaries, net of cash disposed of	—	279
Disposal of associates, joint ventures and other investments	65	—
Cash flow (used in)/from acquisitions and disposals	**55**	(2,762)
Cash flow (used in)/from investing activities	**(1,089)**	(3,866)
Financing activities		
Proceeds from borrowings	5,872	537
Repayment of borrowings	(1,474)	(881)
Payment of lease commitments	(137)	(114)
Dividends paid	(709)	(724)
Purchase own shares and shares issued	(4)	418
Acquisition of non-controlling interests	(3)	(103)
Cash flow (used in)/from financing activities	**3,545**	(867)
Net cash flow	**2,791**	(3,051)
Cash and cash equivalents as at 1 January	687	2,249
Effect of movements in exchange rates	15	6
Cash and cash equivalents as at 30 June	**3,493**	(796)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN 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	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 31 December 2018[1]	922	2,701	(3,289)	(38)	9	342	1,096	(415)	13,184	14,512	1,182	15,694
Changes in accounting policy[1]	—	—	—	—	—	—	—	—	13	13	1	14
Balance as at 1 January 2019[1]	922	2,701	(3,289)	(38)	9	342	1,096	(415)	13,197	14,525	1,183	15,708
Profit	—	—	—	—	—	—	82	—	854	936	102	1,038
Other comprehensive income	—	—	132	76	(5)	24	—	—	(137)	90	8	98
Total comprehensive income	—	—	132	76	(5)	24	82	—	717	1,026	110	1,136
Realised hedge results from non-financial assets	—	—	—	(66)	—	—	—	—	—	(66)	—	(66)
Transfer to retained earnings	—	—	—	—	—	—	(113)	—	113	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(581)	(581)	(229)	(810)
Purchase/reissuance own/non-controlling shares	—	—	—	—	—	—	—	320	98	418	—	418
Own shares delivered	—	—	—	—	—	—	—	32	(32)	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	13	13	—	13
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(121)	(121)	1	(120)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	4	4
Balance as at 30 June 2019	922	2,701	(3,157)	(28)	4	366	1,065	(63)	13,404	15,214	1,069	16,283

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	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2020	**922**	**2,701**	**(2,998)**	**(19)**	**4**	**313**	**1,115**	**(63)**	**14,172**	**16,147**	**1,164**	**17,311**
Profit/(loss)	—	—	—	—	—	—	26	—	(323)	(297)	25	(272)
Other comprehensive income/(loss)	—	—	(1,529)	50	(3)	(89)	—	—	(51)	(1,622)	(35)	(1,657)
Total comprehensive income/(loss)	—	—	**(1,529)**	**50**	**(3)**	**(89)**	**26**	—	**(374)**	**(1,919)**	**(10)**	**(1,929)**
Realised hedge results from non-financial assets	—	—	—	2	—	—	—	—	—	2	—	2
Transfer to retained earnings	—	—	—	—	—	(53)	(32)	—	85	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(599)	(599)	(191)	(790)
Purchase/reissuance own/non-controlling shares	—	—	—	—	—	—	—	(5)	—	(5)	1	(4)
Own shares delivered	—	—	—	—	—	—	—	43	(43)	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	(30)	(30)	—	(30)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(3)	(3)	3	—
Balance as at 30 June 2020	**922**	**2,701**	**(4,527)**	**33**	**1**	**171**	**1,109**	**(25)**	**13,208**	**13,593**	**967**	**14,560**

[1]Restated for IAS 37 (refer to note 4 of the HEINEKEN's consolidated financial statements as at and for the year ended 31 December 2019 for further details) and IFRS 16.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Heineken N.V. (the 'Company') is a public company domiciled in the Netherlands. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended 30 June 2020 include the financial statements of the Company and its consolidated subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interest in joint ventures and associates.

The consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2019 are available at www.theheinekencompany.com

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements are:

- Prepared in accordance with IAS 34 'Interim Financial Reporting' of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The condensed consolidated interim financial statements do not meet the full requirements for annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2019. HEINEKEN's consolidated financial statements as at and for the year ended 31 December 2019 were adopted by the Annual General Meeting of shareholders on 23 April 2020 and an unqualified auditor's opinion was issued by Deloitte Accountants B.V. thereon.
- Prepared by the Executive Board of the Company and authorised for issue on 31 July 2020. The condensed consolidated interim financial statements have been reviewed by Deloitte Accountants B.V., refer to page 36.
- Prepared on the historical cost basis unless otherwise stated.
- Presented in Euro, which is the Company's functional currency.
- Rounded to the nearest million unless stated otherwise.

3. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Since the end of the last annual reporting period, the COVID-19 outbreak has evolved into a pandemic and 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 represented the key challenges to the execution of HEINEKEN's strategy and have materially affected performance. This resulted in a revenue decline, incremental expenses and impairments being recorded. Despite cost mitigation actions which were taken, HEINEKEN reported a net loss.

Since 31 December 2019 many currencies have devaluated significantly versus the Euro. Primarily the devaluation of the Mexican Peso, Brazilian Real and British Pound impacted the Euro value of HEINEKEN's fixed assets and equity.

COVID-19 had an impact on a number of line items in the financial statements. Areas significantly impacted are:

- Revenue and expenses: refer to note 7 'Operating Segments' and note 8 'Raw materials, consumables and services';
- Impairments on Intangible assets and Property, plant and equipment (PP&E) as included in note 9 'Impairments';
- Increased credit and liquidity risk as explained in note 10 'Financial risk management and financial instruments';

- Issuance of new borrowings: see note 12 'Borrowings'.

In some countries HEINEKEN has received government support, for example compensation for personnel expenses or delay of payments of value added taxes. For the period ending 30 June 2020 these measures resulted in reduction of operating expenses of €35 million and the postponement of tax payments positively impacted our cash flow for an amount of €105 million.

Although there is significant uncertainty on the severity and duration of the adverse impact of the COVID-19 pandemic, an increased exposure on risks related to containment measures, supply chain continuity, cyber security incidents and macro economic downturn in general could further adversely impact HEINEKEN's results and remain high on its risk management agenda.

There may also be risks HEINEKEN is not aware of or currently deems immaterial but which could, at a later stage, have a material impact on HEINEKEN's business. As new risks emerge and existing immaterial risks evolve, they will be timely assessed and managed.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial statements in conformity with IFRS, requires management to make estimates, judgements and assessments that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The areas that involve significant estimates and judgements are described in the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2019. Of those significant estimates and judgements, the following were significantly changed during the six-month period to 30 June 2020:

Area involving significant estimates	Note	Nature of the significant change in estimate
Assumptions used in impairment testing of Intangible assets and Property, plant and equipment	**9**	Reassessment of the expected future cash flows associated with Intangible assets and Property, plant and equipment

5. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in HEINEKEN's consolidated financial statements as at and for the year ended 31 December 2019.

(b) Income tax

Income tax expenses are recognised based on the expected full year effective tax rate per country.

(c) IFRS standards and interpretations effective on or after 1 January 2020

IFRS standards and interpretations effective for accounting periods beginning on or after January 1, 2020, do not have a significant impact on the condensed consolidated interim financial statements of HEINEKEN for the period ended 30 June 2020.

6. SEASONALITY

As a result of the impact of COVID-19 on the performance of the first six months of 2020, HEINEKEN's usual seasonal patterns are distorted. The performance of HEINEKEN is usually subject to seasonal fluctuations for example as a result of weather conditions. HEINEKEN's full year results and volumes are dependent on the performance in the peak-selling seasons (May through August and December). The impact from this seasonality is also noticeable in several working capital related items such as inventory, trade receivables and payables.

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7. OPERATING SEGMENTS

For the six-month period ended 30 June

In millions of €	Europe 2020	Europe 2019	Americas 2020	Americas 2019	Africa, Middle East & Eastern Europe 2020	Africa, Middle East & Eastern Europe 2019	Asia Pacific 2020	Asia Pacific 2019	Head Office & Other/eliminations 2020	Head Office & Other/eliminations 2019	Consolidated 2020	Consolidated 2019
Third party revenue	4,954	6,031	2,953	3,625	1,589	1,961	1,653	1,949	7	31	11,156	13,597
Interregional revenue	331	365	15	15	—	—	1	1	(347)	(381)	—	—
Revenue	**5,285**	6,396	**2,968**	3,640	**1,589**	1,961	**1,654**	1,950	**(340)**	(350)	**11,156**	13,597
Excise tax expense[2]	(1,210)	(1,293)	(76)	(87)	(295)	(361)	(332)	(413)	—	—	(1,913)	(2,154)
Net revenue	**4,075**	5,103	**2,892**	3,553	**1,294**	1,600	**1,322**	1,537	**(340)**	(350)	**9,243**	11,443
Other income	7	3	1	1	2	—	(5)	74	—	—	5	78
Operating profit	**59**	584	**94**	454	**(6)**	197	**116**	496	**(178)**	(83)	**85**	1,648
Net finance expenses											(265)	(252)
Share of profit/(loss) of associates and joint ventures	(1)	7	10	43	8	17	(34)	14	(24)	(1)	(41)	80
Income tax expense											(51)	(438)
Profit/(loss)											**(272)**	1,038
Operating profit reconciliation												
Operating profit	59	584	94	454	(6)	197	116	496	(178)	(83)	85	1,648
Eia[1]	23	26	271	76	89	3	302	15	57	13	742	133
Operating profit (beia)[1]	**82**	610	**365**	530	**83**	200	**418**	511	**(121)**	(70)	**827**	1,781
For the six-month period ended 30 June 2020 and as at 31 December 2019												
Total segment assets	**15,675**	15,640	**10,131**	12,299	**3,861**	4,231	**11,620**	12,277	**3,528**	1,279	**44,815**	45,726
Unallocated assets											**981**	778
Total assets											**45,796**	46,504

[1]Note that this is a non-GAAP measure. Due to rounding, this balance will not always cast.
[2]In addition to the €1,913 million of excise tax expense included in revenue (30 June 2019: €2,154 million), €784 million of excise tax expense is collected on behalf of third parties and excluded from revenue (30 June 2019: €836 million).

Reconciliation of segment profit or loss

In its internal management reports, HEINEKEN measures its segmental performance primarily based on operating profit and operating profit beia (before exceptional items and amortisation of acquisition-related intangible assets).

Exceptional items are defined as items of income and expenses of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Exceptional items include, amongst others, impairments (and reversal of impairments) of goodwill and fixed assets, gains and losses from acquisitions and disposals, redundancy costs following a restructuring, past service costs and curtailments, the tax impact on exceptional items and tax rate changes (the one-off impact on deferred tax positions). 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 an exceptional item, unless the effect relates to the aforementioned exceptional items (e.g. impairments).

Operating profit beia is a non-GAAP measure not calculated in accordance with IFRS. 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.

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.

For the six-month period ended 30 June

In millions of €	**2020**	2019
Operating profit (beia)	**827**	1,781
Amortisation of acquisition-related intangible assets included in operating profit	(144)	(151)
Exceptional items included in operating profit	(598)	18
Share of profit/(loss) of associates and joint ventures	(41)	80
Net finance expenses	(265)	(252)
Profit/(loss) before income tax	**(221)**	1,476
Profit/(loss) attributable to shareholders of the Company (net profit/(loss))	**(297)**	936
Amortisation of acquisition-related intangible assets included in operating profit	144	151
Exceptional items included in operating profit	598	(18)
Exceptional items included in net finance expenses	(32)	16
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	62	3
Exceptional items included in income tax expense	(178)	(21)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(70)	(13)
Net profit (beia)	**227**	1,054

The exceptional items and amortisation of acquisition-related intangibles in operating profit for the six-month period ended 30 June 2020 amounts to €742 million (2019: €133 million). This amount consists of:

- €144 million (2019: €151 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €598 million of net exceptional expenses recorded in operating profit (2019: €18 million net benefit). This includes €548 million of impairments (2019: nil), restructuring expenses of €10 million (2019: €21 million) and €40 million of other net exceptional expenses (2019: €39 million other net exceptional benefits).

- €32 million of exceptional net benefits in net finance expenses, mainly related to interest over settled tax liabilities (2019: €16 million net expense, mainly related to interest over tax liabilities and pre-financing of acquisitions).
- €62 million of exceptional net expenses included in share of profit of associates and joint ventures (2019: €3 million).
- €178 million of exceptional net benefits in income tax expense (2019: €21 million), mainly related to the tax effect of impairments of €115 million and remeasurement of deferred tax positions due to nominal tax rates changes of €17 million.
- Total amount of eia allocated to non-controlling interest amounts to €70 million (2019: €13 million).

8. RAW MATERIALS, CONSUMABLES AND SERVICES

For the six-month period ended 30 June

In millions of €	**2020**	2019
Raw materials	856	997
Non-returnable packaging	1,831	2,004
Goods for resale	393	680
Inventory movements	(74)	(149)
Marketing and selling expenses	1,028	1,339
Transport expenses	528	639
Energy and water	232	291
Repair and maintenance	234	273
Others	939	990
	5,967	7,064

9. IMPAIRMENTS

Given the impact of COVID-19 on HEINEKEN's markets and businesses, HEINEKEN has assessed for all cash generating units (CGUs) whether there was an indication for an impairment trigger. As a result of this assessment, CGUs with a total fixed asset base (including goodwill and before impairment) of €3.0 billion have been tested for impairment. CGUs with a total fixed asset base of €1.2 billion were concluded to be partially impaired.

Based on these impairment tests an impairment of €214 million on Property, plant and equipment, €295 million on Intangible assets and €39 million on goodwill was recorded. The impairment charges mainly relate to the CGUs Jamaica (€138 million) and Papua New Guinea (€196 million). Next to this, various smaller impairments have been recorded. The impairments have been 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 €	Impairment loss
Americas	220
AMEE	96
APAC	219
Head Office	13
Total	**548**

Given the unprecedented volatility and uncertainty of the effects of COVID-19, projecting future cash flows for CGUs involves judgement. The depth and duration of the impact of COVID-19 is uncertain, among others due to potential resurgence of the virus, limitations to operate and adverse effects on disposable income. The forecast was prepared under the assumption of a full recovery to 2019 sales volumes within a two year planning horizon. No second COVID-19 outbreak peak leading to reintroduction of containment measures is assumed.

The determination of the recoverable amount of the assets of both Jamaica and Papua New Guinea is based on a value in use (VIU) valuation, which is based on a discounted 10-year cash flow forecast. 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		Jamaica	
In %	2020 - 2022	2023 - 2029	2020 - 2024	2025 – 2029
Pre-tax WACC	19.8	19.8	21.1	21.1
Expected annual long-term inflation	4.1	4.1	5.0	5.0
Expected volume growth	5.4	(0.5)	3.8	0.7

The impairment is first allocated to the goodwill and Intangible assets with an indefinite useful life. A remaining impairment loss is allocated pro-rata to other fixed assets of the CGU. See the table below with the allocation of the impairment to the different classes of Intangible assets and PP&E:

In millions of €	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total intangible assets
Impairment losses	39	238	39	2	16	**334**

In millions of €	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total PP&E owned	Right of use assets	Total PP&E
Impairment losses	42	69	27	63	**201**	13	**214**

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk management

The consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2019 describe the financial risks that HEINEKEN is exposed to in the normal course of business, as well as the policies and processes that are in place for managing these risks. Those risks remain valid and should be read in conjunction with these interim financial statements. Refer to below for an update on credit and liquidity risk.

(b) Credit risk

Due to the impact of COVID-19, credit risk on financial assets has increased. Below table shows the financial assets on the balance sheet of HEINEKEN which are exposed to credit risk:

As at	**30 June**	31 December
In millions of €	**2020**	2019
Cash and cash equivalents	4,266	1,821
Trade and other receivables, excluding prepayments	3,550	3,738
Derivative assets	147	30
Fair value through OCI investments	328	408
Loans and advances to customers	183	277
Other non-current receivables	356	406
Guarantees to banks for loans (to third parties)	333	332
Total	**9,163**	7,012

During the first half year of 2020 Heineken recognized €137 million (2019: €44 million) of credit losses mainly driven by receivables from customers and loans and advances to customers. Heineken recognizes allowance for expected credit losses (ECL) in line with the accounting policy disclosed in the consolidated financial statements of HEINEKEN for the year ended 31 December 2019. The ECL assessment was updated to correctly reflect historic, current and forward looking information regarding expected credit losses, and involves judgement.

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.

(c) Liquidity risk

HEINEKEN entered the crisis with an undrawn committed revolving credit facility of €3.5 billion that matures in May 2024 and does not contain financial covenants. As a result of COVID-19, there is increased attention for and monitoring of risks associated with working capital that might impact liquidity. HEINEKEN has increased its liquidity buffers during the COVID-19 crisis by issuing new bonds and acquiring short-term funding, including raising €3.0 billion through five new bonds under the EMTN programme (for more information refer to note 12).

Centrally available cash and the undrawn committed revolving credit facility added up to approximately €5.9 billion as at 30 June 2020. When deducting commercial paper and short-term bank borrowings at Group level, the centrally available financing headroom was approximately €4.5 billion (2019: €3.0 billion).

Centrally available cash has been deposited with various well-rated relationship banks in line with our policy as described in the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2019.

(d) Fair value

For bank loans the carrying amount is a reasonable approximation of fair value. The fair value of the unsecured bond issued as at 30 June 2020 was €17,043 million (31 December 2019: €13,824 million) and the carrying amount measured at amortised cost was €15,775 million (31 December 2019: €12,788 million). The fair value of the other interest bearing liabilities as at 30 June 2020 was €669 million (31 December 2019: €646 million) and the carrying amount measured at amortised cost was €670 million (31 December 2019: €646 million).

(e) Fair value hierarchy

During the six-month period ended 30 June 2020 there have been no significant changes with regard to the fair value hierarchy.

11. EQUITY

(a) Reserves

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

(b) Weighted average number of shares - basic and diluted

For the six-month period ended 30 June	2020	2019
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	(475,366)	(4,051,142)
Weighted average number of basic shares outstanding	**575,527,247**	571,951,471
Dilutive effect of share-based payment plan obligations	—	217,847
Weighted average number of diluted shares outstanding	**575,527,247**	572,169,318

For the calculation of weighted average number of diluted shares outstanding, the shares to be delivered under the employee incentive programme (264,602 shares) are excluded as these have an anti-dilutive impact.

The change in effect of own shares held is mainly due to the sale of 5.2 million Heineken N.V. shares held in Treasury, as part of the transactions with China Resources Enterprise Limited on 29 April 2019.

(c) Dividends

The following dividends have been declared and paid by HEINEKEN:

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For the six-month period ended 30 June

In millions of €	**2020**	2019
Final dividend previous year €1.04, respectively €1.01 per qualifying share	**599**	581

In April 2020, HEINEKEN announced that it will deviate from its dividend policy and will not pay an interim dividend following the issuance of its condensed consolidated interim financial statements for the six-month period to 30 June 2020.

For the six-month period ended 30 June

In millions of €	**2020**	2019
Interim dividend per qualifying share €0.00 (2019: €0.64)	—	368

12. BORROWINGS

As at *In millions of €*	**30 June 2020**	31 December 2019
Unsecured bond issues	15,775	12,788
Lease liabilities	1,159	1,258
Bank loans	541	484
Other interest-bearing liabilities	2,097	695
Deposits from third parties[1]	642	693
Bank overdrafts	773	1,134
Total borrowings	**20,987**	17,052
Market value of cross-currency interest rate swaps	(52)	28
Cash and cash equivalents	(4,266)	(1,821)
Net interest-bearing debt position	**16,669**	15,259

[1]Mainly employee deposits

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. As at 30 June 2020, Bank overdrafts and Cash and cash equivalents both include an amount of €460 million with legally enforceable rights to offset (31 December 2019: €600 million).

The higher balance of other interest-bearing liabilities as at 30 June 2020, compared to 31 December 2019, is primarily due to commercial paper issued with increasing maturities, and other short term interest bearing debt.

New financing

During the six-month period to 30 June 2020, HEINEKEN secured additional financing by issuing the following notes, which are included in the unsecured bond issues:

Date of issuance	Note	Date of maturity
25 March 2020	CHF100 million of privately placed 5-year Notes with a coupon of 0.6375%	30 March 2025
30 March 2020	€600 million of 5-year Notes with a coupon of 1.625%	30 March 2025
30 March 2020	€800 million of 10-year Notes with a coupon of 2.25%.	30 March 2030
7 May 2020	€650 million of 13-year Notes with a coupon of 1.25%	7 May 2033
7 May 2020	€850 million of 20-year Notes with a coupon of 1.75%	7 May 2040

The notes were issued under the Company's Euro Medium Term Note Programme and are listed on the Luxembourg Stock Exchange. The proceeds from the Notes issuance will be used for general corporate purposes.

13. SUBSEQUENT EVENTS

No material subsequent events occurred.

STATEMENT OF THE EXECUTIVE BOARD

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

To our knowledge:

1. The condensed consolidated interim financial statements for the six-month period ended 30 June 2020, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, and profit or loss of Heineken N.V. and the businesses included in the consolidation as a whole;

2. The management report of the Executive Board for the six-month period ended 30 June 2020 (as set out on pages 8-19 of this press release) includes a fair review of the information required pursuant to article 5:25d paragraphs 8 and 9 of the Dutch Financial Markets Supervision Act (“Wet op het financieel toezicht”).

Executive Board

Dolf van den Brink (Chairman/CEO)

Laurence Debroux (CFO)

Amsterdam, 31 July 2020

INDEPENDENT ACCOUNTANT'S REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Executive Board and Supervisory Board of Heineken N.V.

Introduction
We have reviewed the accompanying condensed consolidated interim financial statements of Heineken N.V., Amsterdam, which comprise the condensed consolidated interim statement of financial position as at 30 June 2020, the related condensed consolidated interim income statement and the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and the notes to the condensed consolidated interim financial statements.

Management's responsibility
Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's responsibility
Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements. We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This requires that we comply with ethical requirements and that we plan and perform the review to be able to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, are not prepared in all material respects in accordance with the applicable financial reporting framework. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 31 July 2020

Deloitte Accountants B.V.

L. Albers

GLOSSARY

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

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

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

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

Consolidation changes
Changes as a result of acquisitions and disposals.

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Earnings per share (EPS)
Basic
Net profit divided by the weighted average number of shares - basic - during the year.

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

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

Effective tax rate
Income tax expense expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures.

Eia
Exceptional items and amortisation of acquisition-related intangible assets.

Exceptional items
Items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period.

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

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

Group operating profit (beia)
Consolidated operating profit (beia) plus attributable share of operating profit (beia) from joint ventures and associates, excluding Head Office and eliminations.

Input costs per hectolitre
Raw materials, non-returnable packaging and inventory movements divided by beer and non-beer volume.

Net debt
Non-current and current interest bearing borrowings (incl. lease liabilities), bank overdrafts and market value of cross-currency interest rate swaps less cash and cash equivalents.

Net profit / loss
Profit after deduction of non-controlling interests (profit attributable to shareholders' of the Company).

Net revenue
Revenue as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

Net revenue per hectolitre
Net revenue divided by total consolidated volume.

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

Organic volume growth
Growth in volume, excluding the effect of consolidation changes.

Price mix on a constant geographic basis
Refers to the different components that influence net revenue per hectolitre, namely the changes in the absolute price of each individual sku and their weight in the portfolio. The weight of the countries in the total revenue in the base year is kept constant.

Profit
Total profit of HEINEKEN before deduction of non-controlling interests.

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

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

Volume
Brand specific volume (Heineken® volume, Amstel® volume, etc.)
Brand volume produced and sold by consolidated companies plus 100% of brand volume sold under licence agreements by joint ventures, associates and third parties.
Beer volume
Beer volume produced and sold by consolidated companies.
Non-beer volume
Cider, soft drinks and other non-beer volume produced and sold by consolidated companies.
Third party products volume
Volume of third party products (beer and non-beer) resold by consolidated companies.
Total consolidated volume
The sum of beer volume, non-beer volume and third party products volume.
Licensed volume
100% of volume from HEINEKEN's beer brands sold under licence agreements by joint ventures, associates and third parties.
Group beer volume
The sum of beer volume, licensed beer volume and attributable share of beer volume from joint ventures and associates.

Weighted average number of shares

Basic

Weighted average number of outstanding shares.

Diluted

Weighted average number of outstanding shares and the weighted average number of shares that would be issued on conversion of the dilutive potential shares into shares as a result of HEINEKEN's share-based payment plans.

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