Academic Year 2024-2025

CORPORATE REPORTING AND GROUP ACCOUNTING

GROUP PROJECT

HEINEKEN - ADIDAS - FERRARI

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**at the end of each section a comparison between companies can be found*

**this represents our observations*

1. Heineken's Composition of the group and method used for consolidation 2021-2023

Disclosure of Heineken's subsidiares from 2021 to 2023

	Country of incorporation	Percentage of ownership 2022	2021
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0	100.0
Bavaria S.A.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	56.7	56.3
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	99.3	65.2
LLC Heineken Breweries	Russia	100.0	100.0
Heineken Vietnam Brewery Limited Company	Vietnam	60.0	60.0
SCC - Sociedade Central de Cervejas e Bebidas S.A.	Portugal	100.0	99.9
United Breweries Limited	India	61.5	61.5
Heineken South Africa (Proprietary) Limited	South Africa	82.4	82.4

(*) Source Heineken Financials

	Country of incorporation	Percentage of ownership 2023	2022
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
Cervejarias Kaiser Brasil Ltda.	Brazil	100.0	100.0
Bavaria Ltda.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	56.7	56.7
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	100.0	99.3
Heineken Vietnam Brewery Limited Company	Vietnam	60.0	60.0
SCC - Sociedade Central de Cervejas e Bebidas S.A.	Portugal	100.0	100.0
United Breweries Limited	India	61.5	61.5
Heineken Beverages (South Africa) Proprietary Limited	South Africa	65.0	—

(*) Source Heineken Financials

Major changes can be seen highlited in the tables and explained on the next slide

Changes in group's composition

- HEINEKEN's major subsidiaries include **Heineken International B.V., Heineken Nederland B.V., and Heineken USA Inc.**
- **No significan changes** have been recorded during the three years except for the next two points analysed.
- Heineken consolidated over 300 entities, including acquisitions such as **Distell** and **Namibia Breweries Limited (NBL),** which formed Heineken Beverages South Africa in 2023.
- It also **exited the Russian market**, selling its operations.

Methods used for consolidation

- Across 2021–2023, Heineken's approach to consolidation remained stable with the compliance to IFRS standards using **line-by-line consolidation**.
- There is a **full consolidation for subsidiaries** where Heineken has control (when Heineken has power over the entity, exposure to variable returns, and the ability to influence those returns).
- The **equity method** is applied for **joint ventures and associates** where it holds significant influence but not control.
- **Inter-company transactions and balances are eliminated** to ensure consistency and foreign operations are translated into euros.

Heineken's decision to exit the Russian market was driven largely by the ethical and geopolitical consequences of the conflict in Ukraine. This information is given on the Chief executive Q&A section, but no disclosure can be found on the Notes of Consolidated Financial Statements.

Changes in group's composition

- The total number of subsidiaries decreases over time. Notable factors include cases of **deconsolidation** and **mergers between existing subsidiaries**, with relatively fewer instances of new subsidiaries being added.

The higher frequency of deconsolidation and internal mergers compared to the creation of new subsidiaries accounts for the overall reduction in their total number.

- One major point to be pointed out is that Adidas reclassified the **Reebok business** as a "discontinued operation" (as held-for-sale); this is a significant change in the group's subsidiary structure (2021). In 2022 Reebok's sale has been finalized for €2.1 billion.

Criterion for reclassification need better explanations (the Reebok business was reclassified as discontinued operations, but the exact judgment criteria were not clearly discussed)

NUMBER OF CONSOLIDATED SUBSIDIARIES

	2022	2021
January 1	**120**	**121**
First-time consolidated subsidiaries	1	2
Thereof: newly founded	1	2
Deconsolidated/divested subsidiaries	(8)	(2)
Intercompany mergers	(2)	(1)
December 31	**111**	**120**

(*) Source Adidas Financials

Number of consolidated subsidiaries

	2023	2022
January 1	**111**	**120**
First-time consolidated subsidiaries	1	1
Thereof: newly founded	1	1
Deconsolidated/divested subsidiaries	(3)	(8)
Intercompany mergers	–	(2)
December 31	**109**	**111**

(*) Source Adidas Financials

Methods used for consolidation

- The consolidation method used is the **line-by-line consolidation** and it remains unaffected over the three years.

- The consolidated financial statements include the financial statements of Adidas AG and all its direct and indirect subsidiaries, which are prepared in accordance with IFRS principles.

- The subsidiaries are held either directly by adidas AG or indirectly via the two holding companies A**didas Beteiligungsgesellschaft mbH** in Germany or **Adidas International B.V.** in the Netherlands.

Adidas does not provide an explicit breakdown of direct versus indirect ownership stakes in significant subsidiaries.

- Joint ventures and associates (entities where Adidas has significant influence but no control, typically 20-50% ownership) are consolidated using the **equity method**.

- All intra-group transactions are fully eliminated during consolidation to prevent overstatement and profits from inter-company sales of inventory are deferred until the inventory is sold to external parties.

1. Ferraris' Composition of the group and methods used for consolidation 2021-2023

Disclosure of Ferrari's subsidiares from 2021 to 2023

Name	Country	Nature of business	At December 31, 2022 Shares held by the Group	At December 31, 2022 Shares held by NCI	At December 31, 2021 Shares held by the Group	At December 31, 2021 Shares held by NCI
Directly held interests						
Ferrari S.p.A.	Italy	Engineering, manufacturing and sales	100%	—%	100%	—%
New Business 33 S.p.A.[1]	Italy	Engineering, manufacturing and sales	100%	—%	100%	—%
Indirectly held through Ferrari S.p.A.						
Ferrari North America Inc.	USA	Importer and distributor	100%	—%	100%	—%
Ferrari Japan KK	Japan	Importer and distributor	100%	—%	100%	—%
Ferrari Australasia Pty Limited	Australia	Importer and distributor	100%	—%	100%	—%
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%	20%	80%	20%
Ferrari (HK) Limited	Hong Kong	Importer and distributor	100%	—%	100%	—%
Ferrari Far East Pte Limited	Singapore	Service company	100%	—%	100%	—%
Ferrari Management Consulting (Shanghai) Co. L.t.d.	China	Service company	100%	—%	100%	—%
Ferrari South West Europe S.a.r.l.	France	Service company	100%	—%	100%	—%
Ferrari Central Europe GmbH	Germany	Service company	100%	—%	100%	—%
G.S.A. S.A. in liquidation	Switzerland	Service company	100%	—%	100%	—%
Mugello Circuit S.p.A.	Italy	Racetrack management	100%	—%	100%	—%
Ferrari Financial Services, Inc.	USA	Financial services	100%	—%	100%	—%
Indirectly held through other Group entities						
Ferrari Auto Securitization Transaction LLC[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Lease, LLC[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Select, LLC[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Financial Services Titling Trust[2]	USA	Financial services	100%	—%	100%	—%
410 Park Display, Inc.[3]	USA	Retail	100%	—%	100%	—%

(*) Source Ferrari Financials

Name	Country	Nature of business	At December 31, 2023 Shares held by the Group	At December 31, 2023 Shares held by NCI	At December 31, 2022 Shares held by the Group	At December 31, 2022 Shares held by NCI
Directly held interests						
Ferrari S.p.A.	Italy	Engineering, manufacturing and sales	100%	—%	100%	—%
New Business 33 S.p.A.[4]	Italy	Engineering, manufacturing and sales	100%	—%	100%	—%
Indirectly held through Ferrari S.p.A.						
Ferrari North America Inc.	USA	Importer and distributor	100%	—%	100%	—%
Ferrari Japan KK	Japan	Importer and distributor	100%	—%	100%	—%
Ferrari Australasia Pty Limited	Australia	Importer and distributor	100%	—%	100%	—%
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%	20%	80%	20%
Ferrari (HK) Limited	Hong Kong	Importer and distributor	100%	—%	100%	—%
Ferrari Far East Pte Limited	Singapore	Service company	100%	—%	100%	—%
Ferrari Management Consulting (Shanghai) Co. L.t.d.	China	Service company	100%	—%	100%	—%
Ferrari South West Europe S.a.r.l.	France	Service company	100%	—%	100%	—%
Ferrari Central Europe GmbH	Germany	Service company	100%	—%	100%	—%
G.S.A. S.A. in liquidation	Switzerland	Service company	100%	—%	100%	—%
Mugello Circuit S.p.A.	Italy	Racetrack management	100%	—%	100%	—%
Ferrari Financial Services, Inc.	USA	Financial services	100%	—%	100%	—%
Indirectly held through other Group entities						
Ferrari Auto Securitization Transaction LLC[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Lease, LLC[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Select, LLC[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Financial Services Titling Trust[2]	USA	Financial services	100%	—%	100%	—%
Ferrari Lifestyle North America, Inc.[3][4]	USA	Retail	100%	—%	100%	—%

(*) Source Ferrari Financials

There is a clear distinction between directly and indirectly (through Ferrari S.p.A or through other entities) held interests.

Changes in the Composition of the Group

- There were no significant changes in subsidiaries reported over the three years, except for the new consolidation of New Business 33 S.p.A.
- **New Business 33 S.p.A.** was consolidated starting in **2022.** This consolidation coincided with the entity beginning its operational activities. Prior to this, it was not considered operational and thus **was not part of the consolidated group** in earlier years.

Ferrari's composition appears to be specialized; this reflects the company's position in an exclusive market.

Methods used for consolidation

- Ferrari's consolidation method remained consistent over the three years (2021–2023) in accordance with IFRS standards, using **line-by-line consolidation.**
- All **intra-group transactions are eliminated** during consolidation.
- **Investments in associates** (entities over which Ferrari has significant influence but not control) are accounted for using the **equity method**, where Ferrari recognizes its share of the associates' profits and losses in its income statement.

Comparison between companies

- The differences concerning diverse industries and strategic goals could be seen in the structure of each company's group composition. While Heineken and Adidas result having a broader number of subsidiaries, Ferrari seems to narrow its composition.

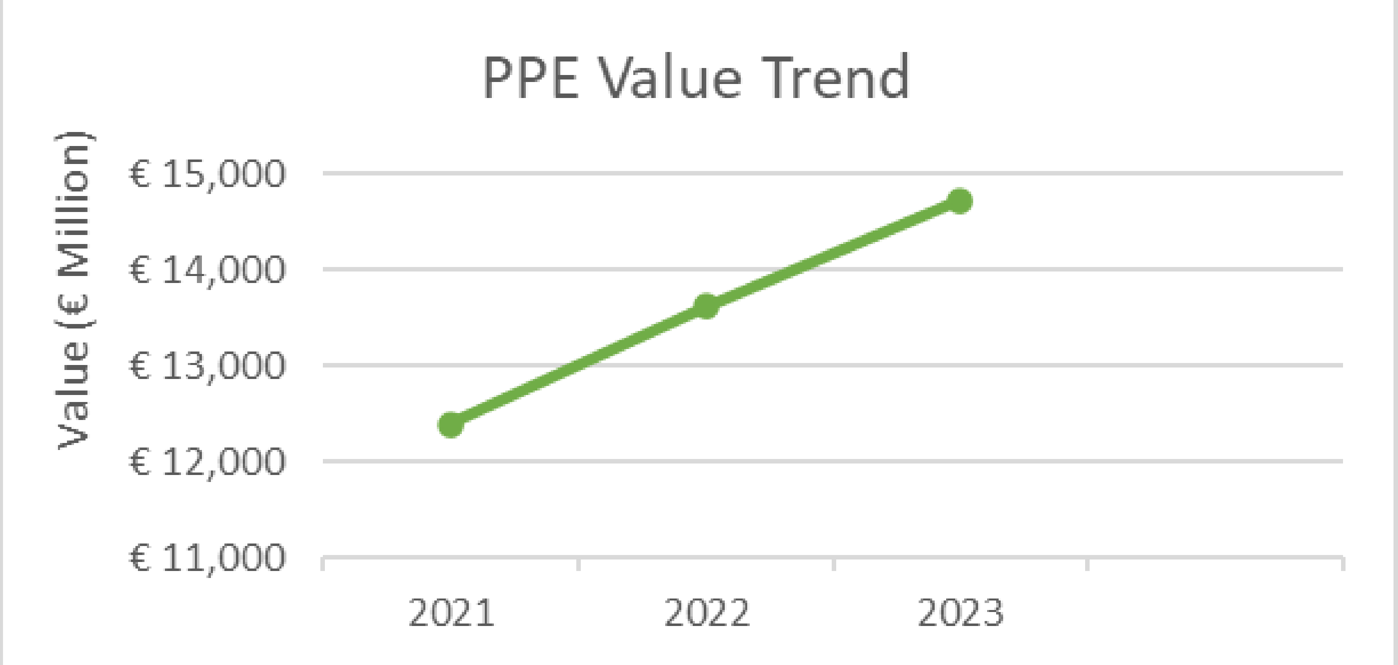
- Overall, the consolidation methods used by Heineken, Adidas, and Ferrari demonstrate good to high compliance with IFRS standards (particularly with IFRS 10, IFRS 11, and IFRS 3). Their approaches to consolidation is mostly similar, focusing on fully consolidating subsidiaries where control exists and applying the equity method for joint ventures and associates.

IFRS Compliance

All three companies show good fulfilment of IFRS requirements, presenting the necessary details on the definition they gave to "control", the consolidation methods used, and fair value adjustments made.

On the other hand, while for Ferrari and Heineken we have a clear and explicit distinction for direct and indirect ownerships this is not the same for Adidas (these leads to an ambiguous distinction between voting rights and cash flow rights).

Heineken’s Tangible Assets 2021–2023



(*) Own Production

Heineken's PPE increased from €12,401 million in 2021 to €14,722 million in 2023, driven by **strategic acquisitions**, s**ustainability initiatives**, and **operational expansions**.

Key contributors include acquiring Distell and Namibia Breweries to form Heineken Beverages in Southern Africa and a €430 million brewery investment in Yucatán, Mexico. Upgrades under the "**Brew a Better World 2030**" strategy improved efficiency, reduced emissions, and optimized water usage.

Initial Recognition and Subsequent Measurement of Tangible assets

Heineken recognizes tangible assets at **historical cost,** which include **purchase price** and **directly attributable costs**, consistently following IFRS standards.
The **cost model** ensures consistent and transparent financial reporting by measuring assets at cost less accumulated depreciation and impairment losses.

Depreciation method applied is **straight-line on**e, with **no significant changes** occurred in methods or rates in the period analysed.

Heineken periodically **reviews useful lives** and residual values, with **no significant changes** reported from 2021–2023. Annual impairment tests revealed **no major impairments** during this period, reflecting effective asset management and operational efficiency.

Heineken’s disclosures comply with IFRS standards, additionally providing clear insights into strategic investments and sustainability initiatives that reflect the company’s long-term direction and environmental responsibility.

Heineken's Leases 2021–2023

Right of use (ROU) assets

HEINEKEN leases stores, pubs, offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. HEINEKEN has around 36,000 leases with a wide range of different terms and conditions, depending on local regulations and practices. Many leases contain extension and termination options, which are included in the lease term if HEINEKEN is reasonably certain to exercise the option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

In millions of €	2022	2021
Land and buildings	830	692
Equipment	183	191
Carrying amount ROU assets as at 31 December	**1,013**	**883**

(*) Source Heineken Financials

Right of use (ROU) assets

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

In millions of €	2023	2022
Land and buildings	836	830
Equipment	204	183
Carrying amount ROU assets as at 31 December	**1,040**	**1,013**

(*) Source Heineken Financials

The company has seen a slight increase in ROU assets from €883 million in 2021 to €1,040 million in 2023, reflecting its growing leasing activities, likely linked to expansion and operational adjustments.

IFRS 16 Compliance

Heineken recognizes leases when contracts grant control of an asset in exchange for payments. As a lessee, it records Right of Use (ROU) assets and lease liabilities, adjusting ROU assets for **depreciation, impairments, and remeasurements.** As a lessor, it classifies leases as finance leases if most ownership risks and rewards transfer, with subleases based on the ROU asset.

The disclosure of ROU assets separately within PPE offers stakeholders a clearer view of leasing commitments. Detailed notes on lease liabilities, receivables, and short-term/low-value leases ensure transparency and compliance with IFRS 16.

In 2022, €218 million was added to ROU assets from new lease contracts and remeasurements (2021: €223 million), increasing to €350 million in 2023. This led to a slight increase in **depreciation** and **impairment** of **ROU assets**.

Heineken's Inventory: Valuation and Disclosure

(*) Own Production

Heineken's inventory value increased steadily over three years, rising by €812 million (33.3%) from 2021 to 2022 and by €471 million (14.5%) from 2022 to 2023. This consistent growth reflects the company's efforts to manage supply chain dynamics, support production, and align with market demand.

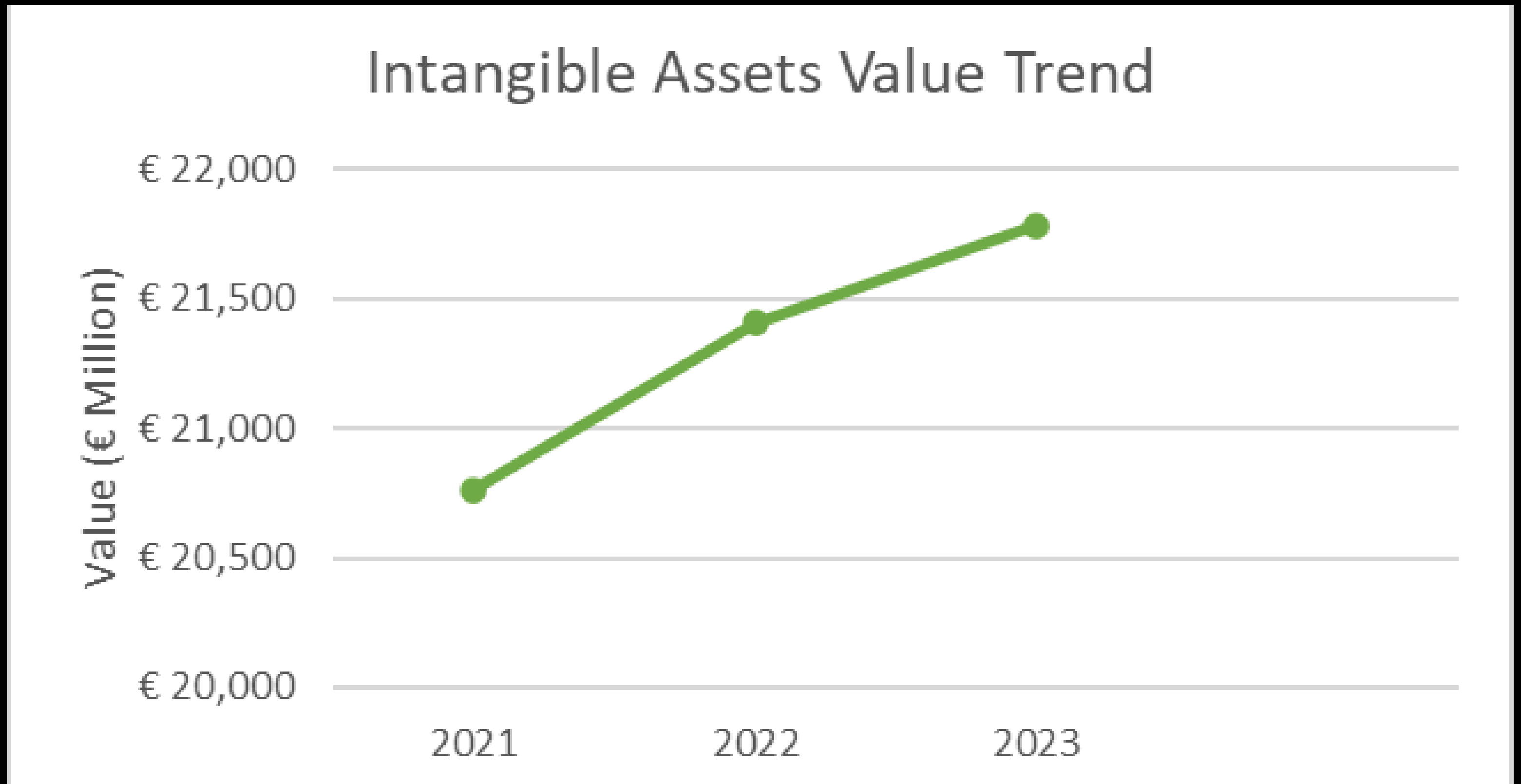
IAS 2 Compliance

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

According to IAS 2 (Inventories), Heineken values inventory at the **lower of cost and net realizable value (NRV)**. This approach aligns inventory valuation with market conditions, ensuring transparent and reliable financial statements while reducing the risk of overstatement.

Heineken's inventories increased over the years, but the absence of detailed disclosures on inventory composition **reduce transparency**. This lack of information makes it difficult for stakeholders to evaluate inventory management and potential risks. Adding detailed notes in future reports would improve clarity and provide better insights into operations.

Heineken's Intangible Assets 2021–2023



(*) Own Production

Heineken's impairment testing showed a €189 million reversal in 2021 due to regional performance improvements, but a €42 million impairment in 2023, mainly from economic pressures in markets like Haiti.

Heineken complies with IFRS in disclosing intangible assets but could enhance transparency by detailing asset composition (acquired vs. internal) and key assumptions in impairment testing.

Initial Recognition and Subsequent Measurement of Intangible Assets

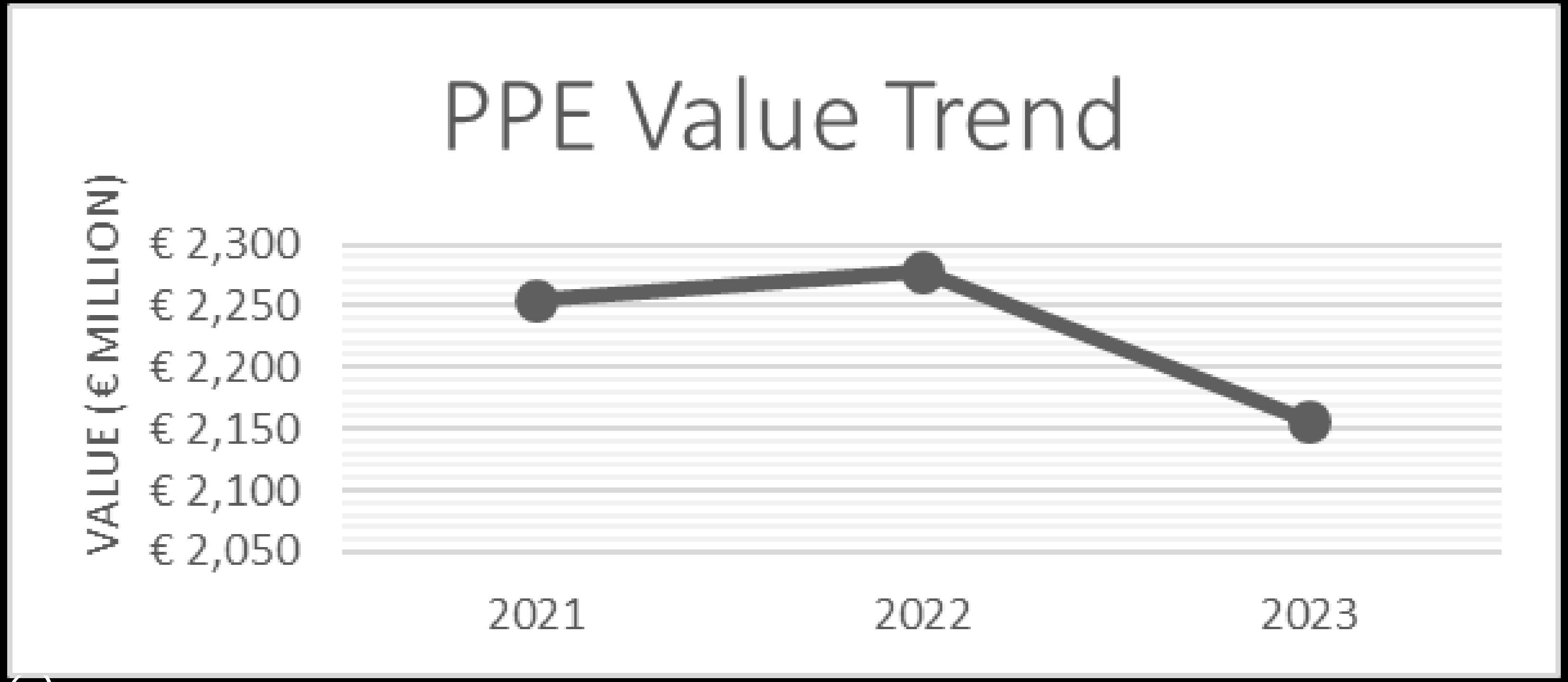
Intangible assets are recognized at cost if they are identifiable, under the company's control, and expected to generate future benefits in line with IFRS standards.

Heineken applies the **cost model** for intangible assets, measuring them at **cost less accumulated amortization** and **impairment losses.**

Amortization is performed through **straight-line method**, with no significant changes occurred in methods or rates from 2021 to 2023.

The minimal increase in intangible assets reflects Heineken's focus on brand value, goodwill, and digital innovation, through acquisitions like **Distell** and **Namibia Breweries**. This support its strategy to strengthen its premium portfolio and market presence but may suggest limited capitalization on intangible growth opportunities.

Adidas’ Tangible Assets 2021–2023



(*) Own Production

Between 2021 and 2023, Adidas' PPE increased from €2,256 million to €2,279 million in 2022 due to infrastructure investments but declined to €2,157 million in 2023. This drop reflects reduced capital expenditures and asset optimization amid market challenges.

Adidas’ disclosures on PPE are clear and consistent, providing transparency on the application of the straight-line depreciation method and the regular reviews of useful lives and residual values.

Initial Recognition and Subsequent Measurement of Tangible Assets

Heineken recognizes tangible assets at cost, including the purchase price, and directly attributable costs, consistently applying IFRS standards.

By using the cost model, Heineken ensures consistent and transparent financial reporting, measuring assets at cost less accumulated depreciation and impairment losses.

Depreciation method applied is the straight-line one, with no significant changes occurred in methods or rates from 2021–2023.

Adidas regularly reviews useful lives and residual values, with no significant changes reported from 2021–2023. Annual impairment tests showed no major impairments, reflecting effective asset management and operational efficiency.

Adidas' Leases 2021–2023

Property, plant, and equipment	10	2,279	2,256
Right-of-use assets	11	2,665	2,569
Goodwill	12	1,260	1,228
Other intangible assets	13	429	352
Long-term financial assets	14	301	290
Other non-current financial assets	15	336	160
Deferred tax assets	35	1,216	1,263
Other non-current assets	16	76	74
Total non-current assets		**8,563**	**8,193**

(*) Source Adidas Financials

Property, plant, and equipment	09	2,157	2,279
Right-of-use assets	10	2,247	2,665
Goodwill	11	1,238	1,260
Other intangible assets	12	442	429
Long-term financial assets	13	301	301
Other non-current financial assets	14	418	336
Deferred tax assets	34	1,358	1,216
Other non-current assets	15	49	76
Total non-current assets		**8,211**	**8,563**

(*) Source Adidas Financials

Adidas' adherence to IFRS 16 is commendable, with clear disclosure of Right-of-Use (ROU) assets and lease liabilities as separate line items. Also, the detailed notes in the consolidated financial statements provide stakeholders valuable insights into the company's leasing commitments, enhancing the transparency and clarity of its financial reporting.

IFRS 16 Compliance

Adidas follows IFRS 16, by recognizing right-of-use (ROU) assets and lease liabilities for its leased assets. ROU assets were disclosed as a separate line item, giving stakeholders a clearer view of company's leasing commitments.

Adidas' Right-of-Use (ROU) assets fluctuated between 2021 and 2023, reflecting changes in its leasing strategy and operations. The ROU asset value increased from €2,569 million in 2021 to €2,665 million in 2022, indicating an increase in lease agreements, possibly due to new retail locations or extended lease terms.

However, the decline to €2,247 million in 2023 suggests Adidas reassessed its lease portfolio, potentially exiting less profitable locations or renegotiating leases to cut costs. This reduction aligns with the company's strategy to improve efficiency in responce market challenges.

IAS 2 Compliance

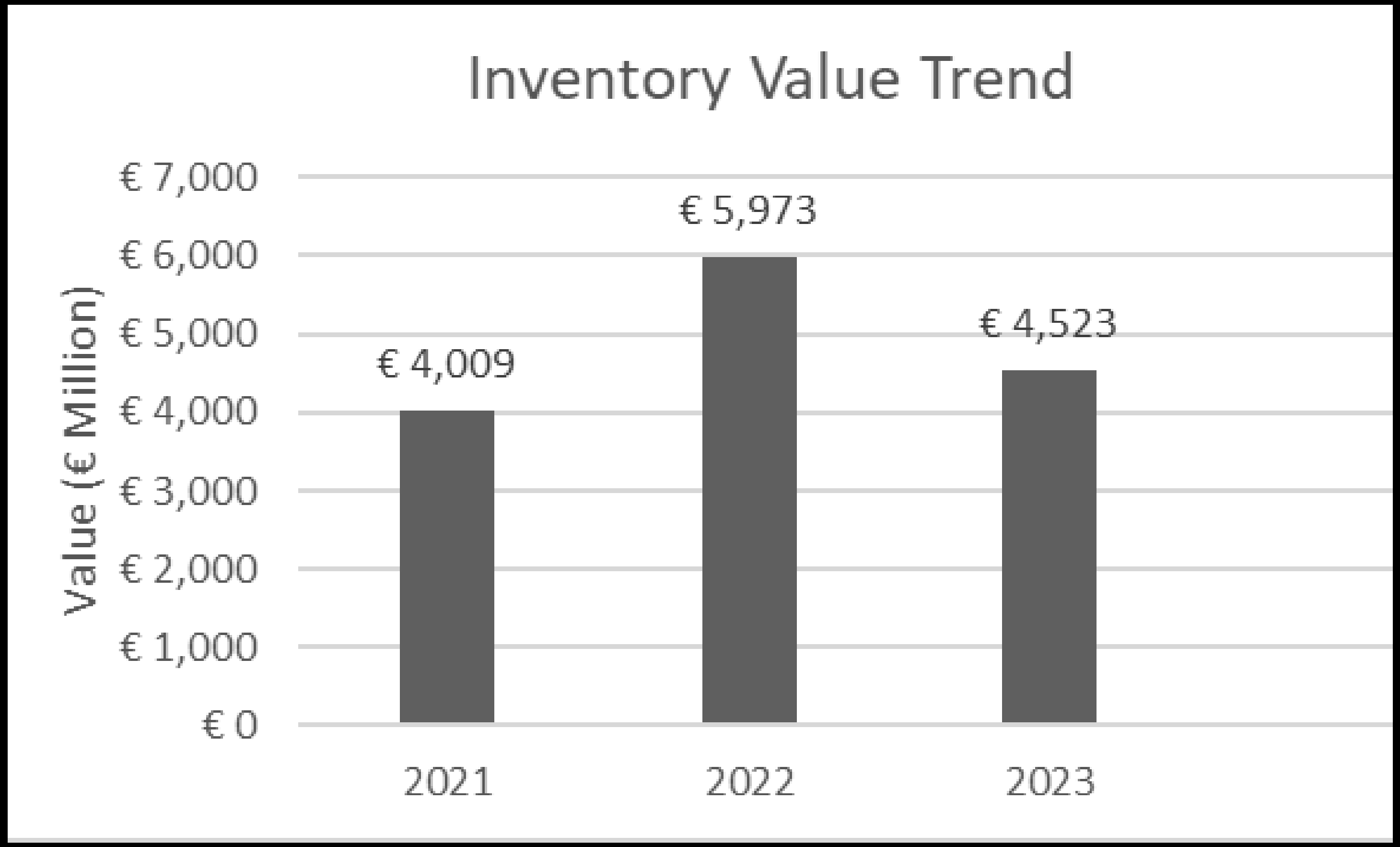
Adidas' inventories primarily include finished goods, raw materials, work-in-progress, and merchandise intended for resale.

Inventories are valued at the lower of cost or net realizable value (NRV), in accordance with IAS 2. The cost is determined using the weighted-average method, which includes direct costs (e.g., purchase price) and indirect costs (e.g., transportation). While, net realizable value represents the estimated selling price less costs of completion and disposal.

Adjustments are made if inventories become obsolete or unsellable, ensuring that valuation aligns with current market conditions and operational realities.

The reduction helped Adidas cut storage costs, improve cash flow, and avoid excess markdowns. It also allowed the company to focus on high-demand products, enhancing operational efficiency and profitability.

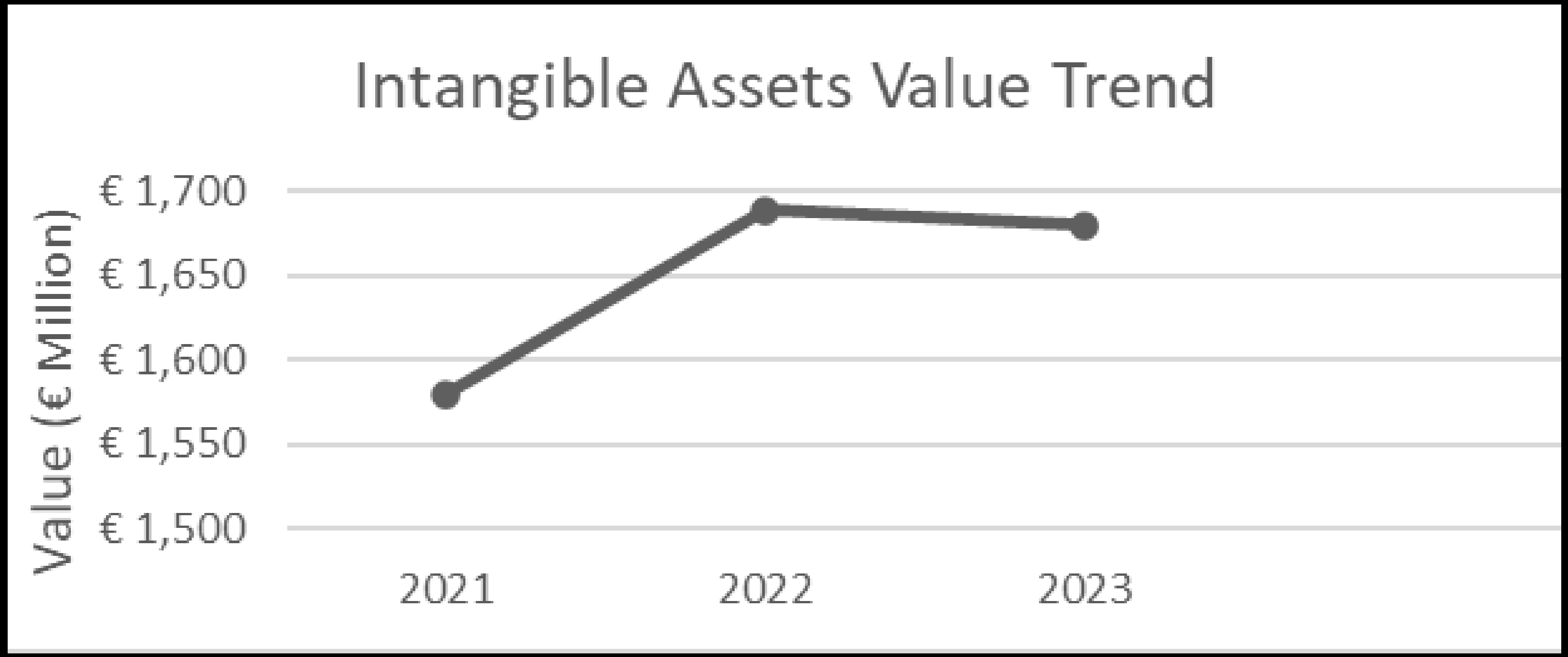
Inventory: Valuation and Disclosure



(*) Own Production

Adidas' inventory disclosures are clear and align with IAS 2, however, further details on how Adidas manages obsolescence and adjusts for slow-moving inventory could enhance transparency, providing stakeholders with a better understanding of the company's inventory management practices.

Adidas’s Intangible Assets 2021-2023



(*) Own Production

The increase in intangible assets in 2022 was driven by Adidas's investments in digital transformation, software, and intellectual property, supporting its shift to more technology-driven services. In line with this, Adidas recognized a €16 million impairment on the Runtastic trademark, reflecting its careful management of intangible assets to ensure their carrying amounts align with recoverable values based on market and operational conditions.

Initial Recognition and Subsequent Measurement of Intangible Assets

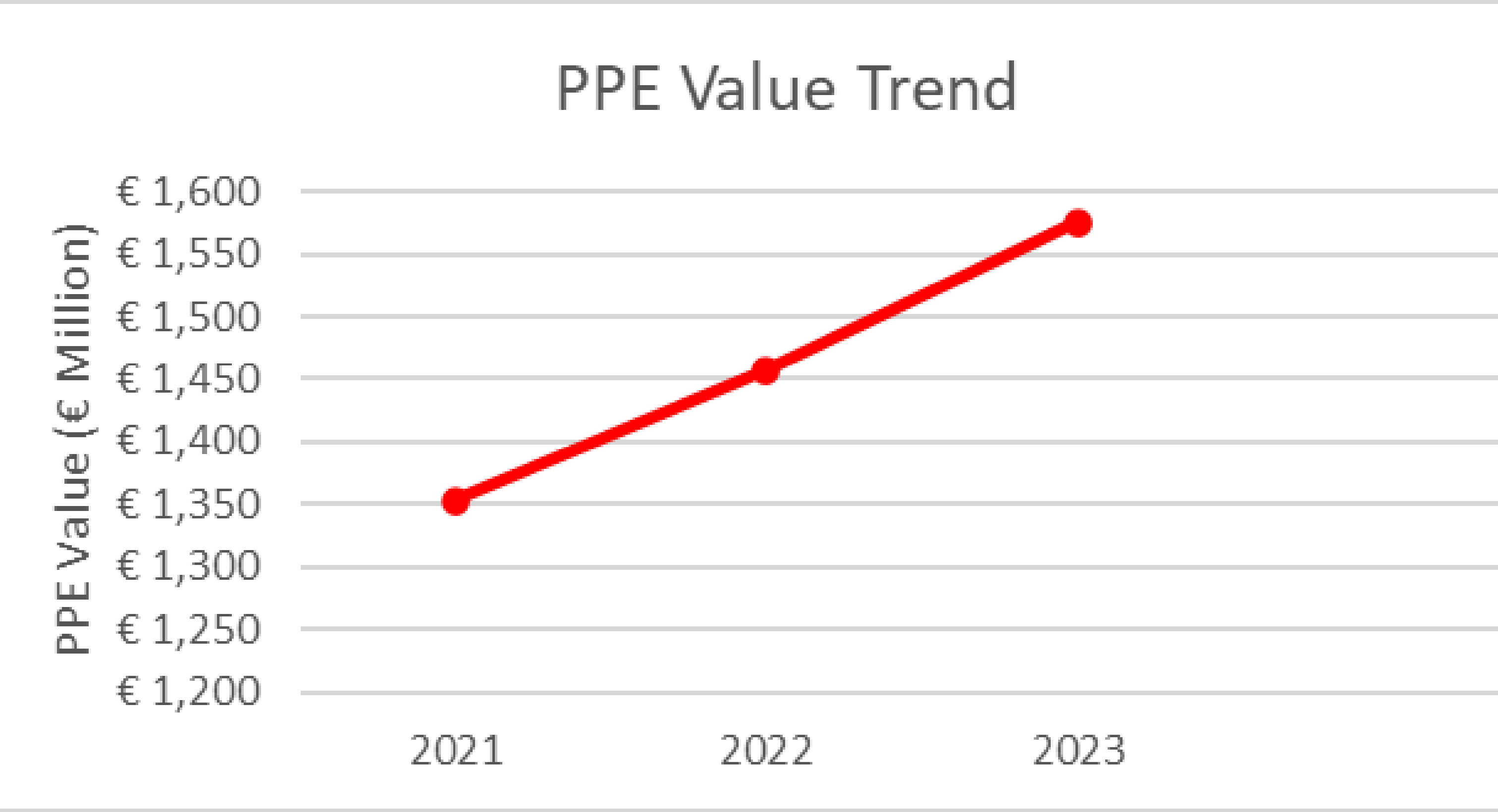
Intangible assets are recognized at cost if they are identifiable, controlled by the company, and expected to generate future benefits, consistently applying IFRS standards from 2021–2023

Adidas applies the cost model for intangible assets, measuring them at cost less accumulated amortization and impairment losses. Goodwill is not amortized but tested annually for impairment.

Amortization is through straight-line method, with no significant changes occurred in methods or rates from 2021–2023.

Adidas’ disclosure of intangible assets aligns with IFRS standards, offering insight into recognition, amortization, and impairment. However, providing more details on the assumptions behind impairment testing and the reasons for the 2023 decrease would give stakeholders a better understanding of Adidas' strategic decisions and asset management.

Ferrari’s Tangible Assets 2021–2023



(*) Own Production

The consistent increase reflects Ferrari's investments in production facilities, including a new BEV facility in 2022, supporting its 2030 carbon neutrality goal. The 2023 growth highlights further manufacturing enhancements, like expanded production lines and sustainability upgrades, including solar power installations.

Ferrari's disclosures provide a clear and consistent approach to the recognition, measurement, and depreciation of tangible assets, in accordance with IFRS standards. Key notes effectively explain the significant increases in PPE; however, limited information is provided on impairments.

Initial Recognition and Subsequent Measurement of Tangible Assets

- Ferrari recognizes tangible assets at historical cost, including purchase price, directly attributable costs, and dismantling/restoration estimates. This consistent policy ensures comparability and reflects Ferrari's focus on precise asset valuation.
- Subsequently, tangible assets are measured using the cost model, recorded at historical cost less accumulated depreciation and impairment losses.
- Depreciation is straight-line, with no significant changes occurred in methods or rates from 2021–2023.
- Ferrari periodically reassesses the useful lives and residual values of assets to align with technological advancements and operational needs, ensuring accurate asset valuation. From 2021–2023, no significant impairments were reported, reflecting strong asset performance, efficient management, and reliable estimates.

Ferrari's Leases 2021–2023

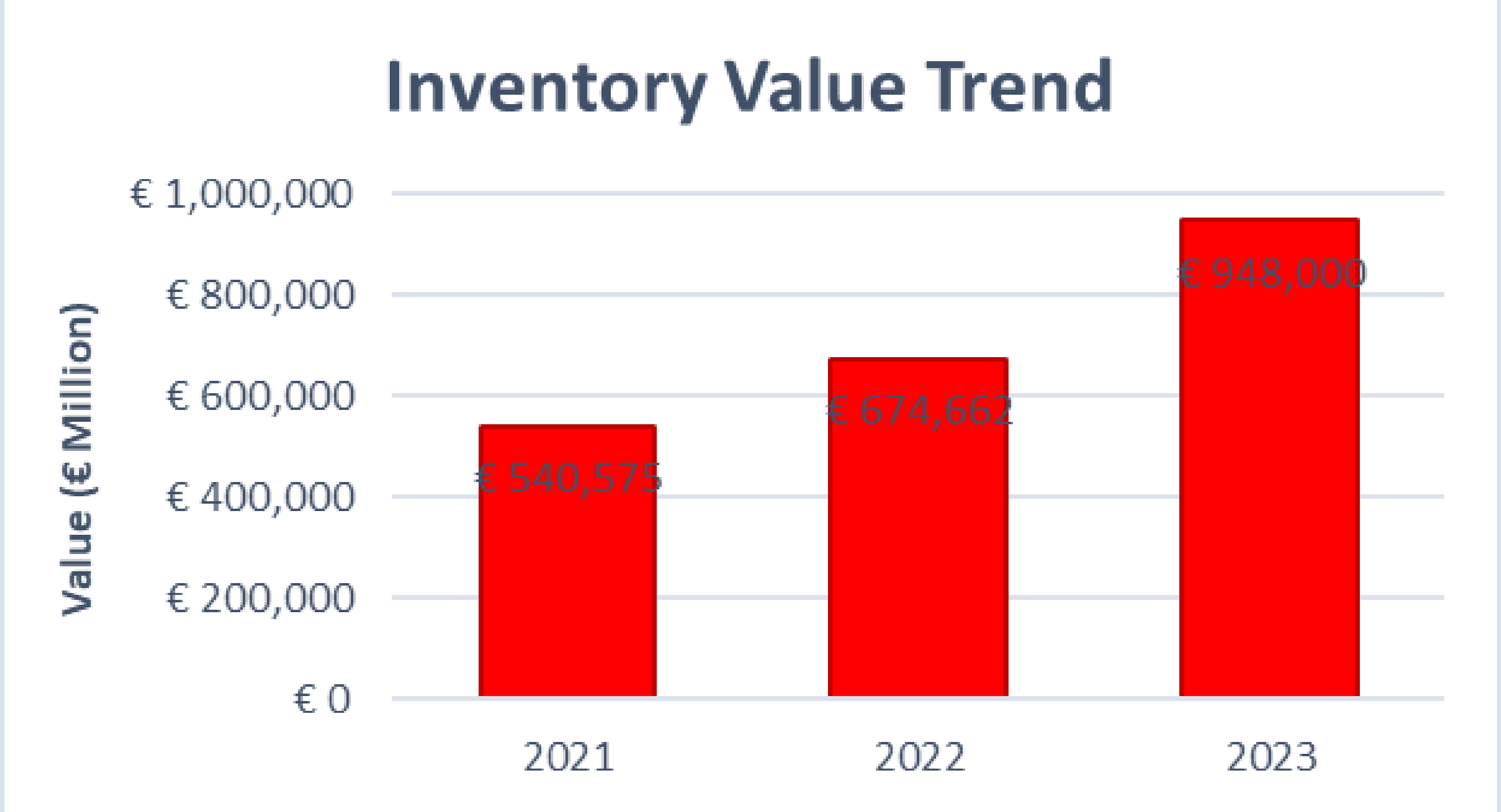
- Group accounted for leases in compliance with IFRS 16, recognizing right-of-use (ROU) assets and corresponding lease liabilities for leased assets. While the treatment remained consistent across the years, leases were not disclosed as a separate line item in the financial statements and were integrated within broader asset and liability categories.

- Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

- Lease payments are split into principal repayment and finance costs, with finance costs amortized using the effective interest rate (EIR) method over the lease term. This approach reflects the time value of money and ensures proper expense recognition over time.

The Group's lease disclosures comply with IFRS 16, clearly explaining the treatment of lease payments and the effective interest rate method. However, the absence of a separate line item for leases reduces transparency, limiting stakeholders' ability to assess their impact. Providing a distinct disclosure for leases would enhance clarity and improve the usefulness of the financial statements.

IAS 2 Disclosures



(*) Own Production

The increase in inventory values reflects Ferrari's ability to scale production and meet growing demand for luxury and electrified vehicles, driven by the introduction of new models and electrification initiatives. High inventory levels may increase storage costs, insurance piemiums, and the risk of value depreciation, especially for niche luxury products.

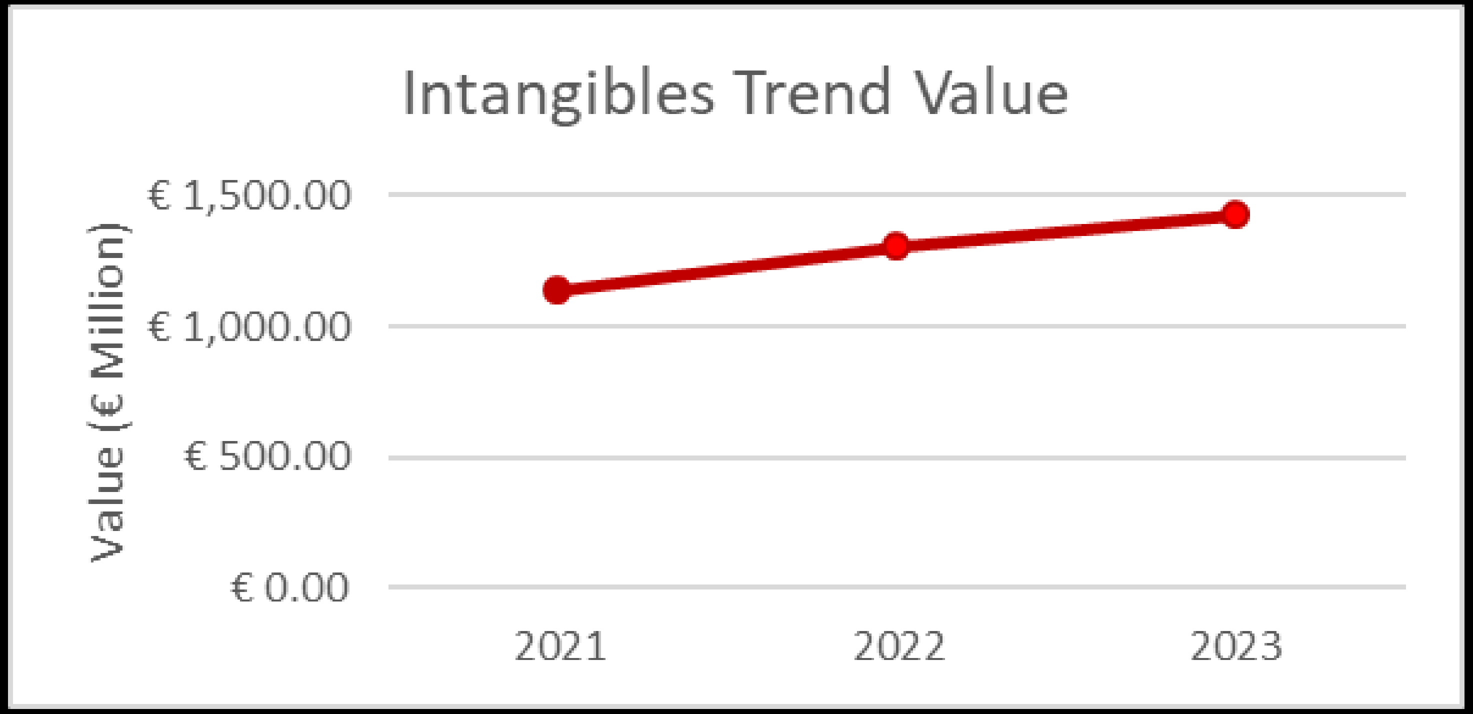
Inventory Valuation and Disclosure

Inventories are valued at the lower of cost and net realizable value, with cost determined using the FIFO method. This approach includes direct materials, labor, and indirect costs, ensuring compliance with IFRS standards for accurate inventory valuation. Provisions are made for obsolete or slow-moving items, reflecting expected future use and realizable value, thereby safeguarding the integrity of reported inventory balances.

The use of FIFO is consistent with IFRS and accurately reflects recent costs, providing a reliable basis for inventory measurement. By incorporating all relevant expenses, this method ensures transparency and alignment with accounting standards, offering stakeholders a clear understanding of inventory valuation practices.

Ferrari's inventory disclosures align with IAS 2 and are presented clearly. However, providing additional details on the management of obsolescence and adjustments for slow-moving inventory would improve transparency and offer stakeholders greater insight into the company’s inventory management practices.

Ferrari's Intangible Assets 2021-2023



(*) Own Production

Ferrari's upward trend in R&D investments reflects its focus on electrification, hybrid technologies, and Formula 1 innovation, strengthening its brand through intellectual property.
The smaller increase in 2023 suggests key projects are transitioning to production or nearing completion, aligning with Ferrari's sustainability goals, including carbon neutrality by 2030.

Ferrari's disclosure of intangible assets aligns with IFRS standards, offering clear insight into recognition, amortization, and impairment. Additionally, the emphasis on R&D investments highlights Ferrari's focus on innovation in electrification, hybrid technologies, and Formula 1, enhancing the transparency and relevance of its financial reporting.

Initial Recognition and Subsequent Measurement of Intangible Assets

- Intangible assets, including goodwill, trademarks, patents, licenses, and software, are recognized at cost if identifiable, controlled, and expected to generate future benefits. Goodwill, arising only from acquisitions, is not amortized but tested annually for impairment and allocated to CGUs. Ferrari has consistently applied these policies from 2021 to 2023.

- Subsequently, Ferrari uses the cost model for intangible assets, measuring them at cost less amortization and impairments, ensuring reliable and simple reporting.

- Amortization is performed through straight-line method.
- Amortization policies have remained consistent across the three years, ensuring comparability.

- Ferrari reviews the useful lives and residual values of intangible assets, adjusting for changes in technology, market conditions, or legal factors.
No major adjustments or impairments occurred from 2021–2023, indicating reliable estimates and strong asset performance.

Comparison between companies

	Heineken	Adidas	Ferrari
Tangible Assets	Increased steadily, driven by acquisitions and sustainability investments. No major impairments.	Fluctuated, reflecting reduced capital expenditures and asset optimization in 2023.	Increased consistently due to investments in BEV facilities and sustainability initiatives. No impairments were reported.
Inventories	Increased steadily, though disclosures lack detail on composition and management efficiency.	Peaked in 2022, then decreased in 2023 due to improved inventory management.	Increased, aligning with production growth for luxury and EV models. FIFO valuation applied.
Leases	ROU assets increased, reflecting expansion and operational adjustments. Strong IFRS 16 compliance.	ROU assets peaked in 2022, declining in 2023 due to cost optimization. Transparent IFRS 16 disclosures.	Managed consistently under IFRS 16, though lease details are integrated with broader categories, reducing clarity.
Intangible Assets	Modest growth with impairment reversals in 2021 and losses in 2023 due to economic pressures.	Increased in 2022 due to digital investments, then slightly decreased in 2023 with amortization.	Growth from R&D investments; no major impairments, reflecting strong performance.

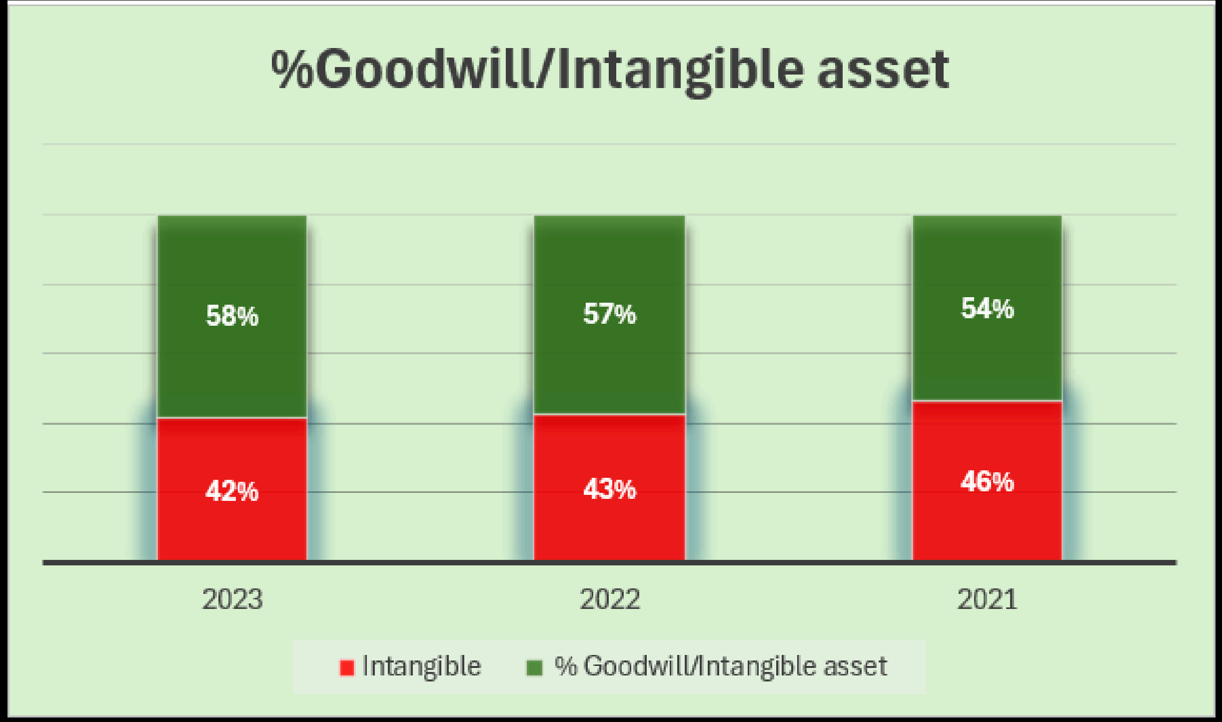
Comparison between companies

	Heineken	Adidas	Ferrari
Strengths	Provides detailed disclosures on tangible assets, leases, and impairment testing, adhering to IFRS. ROU assets are separated, ensuring transparency	Clear disclosures on inventories, intangible assets, and leasing commitments under FRS 16.	Strong focus on tangible and intangible assets, with comprehensive insights into investments and sustainability.
Limitations	Limited details on inventory composition and management efficiency, reducing stakeholder insights.	Less granularity in lease disclosures compared to peers, limiting detailed understanding of adjustments.	Lease disclosures lack separate reporting, integrating them into broader asset categories, reducing clarity.
Best Practices	Regular reviews of tangible asset depreciation and impairment align with industry transparency standards.	Detailed breakdown of inventories and intangible assets helps stakeholders understand their composition.	Clear linkage between sustainability goals and tangible/intangible investments enhances reporting value.
Overall Rating	**Good:** Strong on lease and asset disclosures but limited inventory details.	**Very Good**: Comprehensive and clear disclosures, though leases could be more detailed.	**Good:** High-quality disclosures, but lease reporting could improve.

3. Heineken’s Goodwill 2021-2023

	Goodwill		
In millions of €	2023	2022	2021
Cost			
Balance as at 1 January	**12,718**	**12,278**	**11,149**
Hyperinflation restatement to 1 January	51	108	-
Changes in consolidation	684	109	644
Purchased/internally developed	1	-	-
Transfer (to)/from assets classified as held for sale	(50)	-	-
Hyperinflation adjustment	44	49	-
Effect of movements in exchange rates	(190)	174	485
Balance as at 31 December	**13,258**	**12,718**	**12,278**

(*) Own production



(*) Own production

Note from 2022 this additional degree of risk for the company

Goodwill reflects the embedded **risk** of exchange rate volatility.

high goodwill,
high risk,
high uncertainity

Goodwill account for **MORE** than half of Intangible assets

The company heavily relies on acquisitions, which indicate high expectations for future growth but also increased risk of overvaluation and potential impairment

Hyperinflation

(*) Reference Google Finance

Significant decrease in Ethiopian currency driven by hyperinflationary pressures.

IAS 29 - Financial Reporting in Hyperinflationary Economies

- This standard requires companies to adjust their financial statements when they operate in hyperinflationary economies, particularly when the cumulative inflation rate over three years exceeds 100%. Why? To ensure that the financial reports remain relevant and accurate.
- Due to hyperinflation, Heineken had to adjust its goodwill upwards in certain markets to account for the effects of inflation, particularly the devaluation of local currencies
- Under IAS 29, Heineken made adjustments to its goodwill to reflect the impact of inflation in certain markets. In 2022, goodwill increased by €49 million due to currency devaluation, and in 2023, a smaller adjustment of €44 million was made as inflation pressures eased, particularly in regions like Ethiopia.

Exchange rate

- Large exchange rate movements impacting Heineken's goodwill suggest **significant** exposure to currency risk, as goodwill reflects the value of acquisitions denominated in foreign currencies.

	Goodwill		
In millions of €	2023	2022	2021
Goodwill	13,258	12,718	12,278
Effect of movements in exchange rates	(190)	174	485
% Impact of exchange rates on goodwill	-1.4%	1.4%	4.0%

(*) Own production

- This risk arises because goodwill is revalued based on exchange rate fluctuations, which can distort the company's financial health and create volatility in equity. It indicates the importance of Heineken's diversification strategy and the **embedded uncertainty** in maintaining the value of cross-border investments

IFRS 3

Heineken applied IFRS 3 principles in its acquisitions, determining goodwill as the purchase price paid above the fair value of assets acquired. The increase in goodwill in 2023 reflects Heineken's strategic acquisitions.

IAS 36

Heineken follows IAS 36 for annual goodwill testing. Impairments were recognized in certain regions due to hyperinflation and geopolitical events, but the company maintained strong assumptions for future cash flows.

Heineken's approach to IFRS 3 and IAS 36 seems solid. They're transparent about acquisitions and handle goodwill testing wisely, especially with inflation and global issues. Despite some impairments, their confidence in future growth shows they're focused on the long term.

NCI

2021

NCI rose from €1,000 million in 2020 to **€2,344 million** by the end of 2021, primarily due to Heineken's acquisition of United Breweries Limited (UBL), which increased minority interest while retaining significant non-controlling shareholders. The NCI growth remained steady beyond this acquisition.

2022

NCI increased slightly from €2,344 million to **€2,369 million**, mainly due to Heineken's purchase of additional shares in Grupa Żywiec S.A., raising its stake from 65.16% to 99.28%. The change was modest, reflecting less aggressive acquisition activity compared to 2023.

2023

NCI rose significantly to **€2,733 million** due to Heineken's acquisitions of Namibia Breweries Limited (NBL) and Distell, forming Heineken Beverages. These acquisitions increased non-controlling shareholders, especially in Southern Africa, leading to a higher proportion of NCI in the consolidated financial statements.

	Equity	
In millions of €	**2023**	**2022**
Shareholders' equity	20,056	19,551
Non-Controlling Interest	2,733	2,369
Total Equity	**22,789**	**21,920**

(*) Own production

The NCI trend shows a strong upward trajectory in 2023 due to HEINEKEN's strategic acquisitions and the formation of new entities like Heineken Beverages.
While 2021 and 2022 saw more gradual increases in NCI, 2023 marked a significant growth, reflecting HEINEKEN's broader market presence, particularly in Southern Africa.

Heineken's detailed reporting of Non-Controlling Interests (NCI), especially with acquisitions like Heineken Beverages, offers transparency on its increasing reliance on minority shareholders and ownership structures.

By using the Value in Use (VIU) model for impairment testing, Heineken provides clear insights into asset health, with region-specific disclosures, particularly in Southern Africa, highlighting its responsiveness to economic conditions.

Consolidation and Goodwill Growth

	Goodwill increase to previous year	Key Acquisitions	Strategic Actions
2021	€644 million increase	United Breweries (India) and operational restructuring.	Reorganized operations in Europe, Africa, and Middle East
2022	€109 million increase	Beavertown Brewery (UK).	Focused on targeted acquisitions
2023	€684 million increase	NBL, Distell (Europe)	Strengthened African presence, expanded in Europe

Heineken uses selective and strategic acquisitions to expand its footprint and strengthen its market presence. However, this strategy comes with an **increased risk** of overvaluation, as the company relies on the acquisitions to deliver the expected returns.

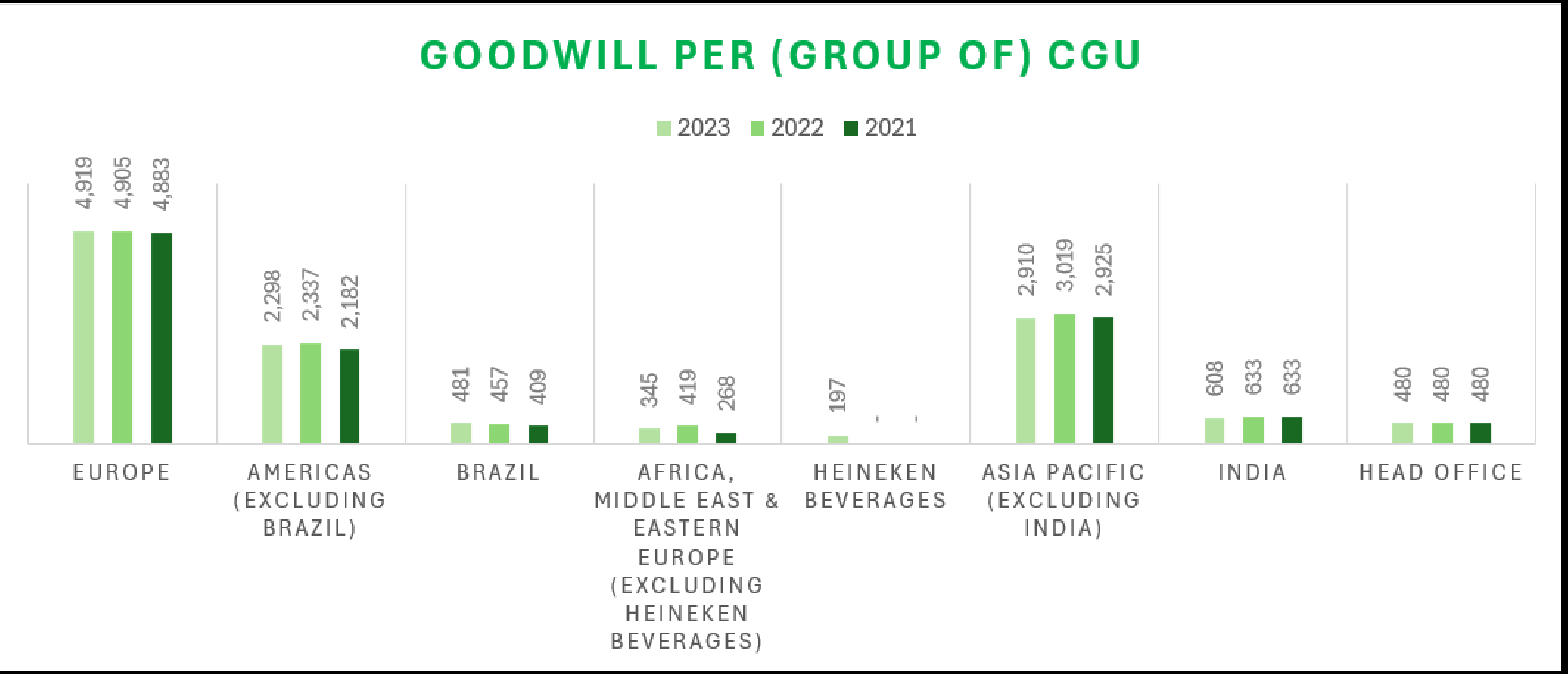
Impairment losses and their causes

	Impairment loss to previous year	Key Cause	Strategic Impact
2021	€207 million	Lagunitas (U.S.), due to COVID-19 uncertainty	Reduced sales forecasts from the pandemic
2022	€323 million	€68M goodwill impairments and €255M from Russia exit	Impacted by geopolitical instability
2023	€68 million	Hyperinflation in Haiti	Highlighted risks in inflation-heavy markets

The impairments highlight the **inherent risk** of goodwill, as they stem from external shocks.
These losses underscore the vulnerability of acquisitions to unforeseen market disruptions.
As an investor viewpoint, these impairments emphasize the importance of Heineken's strategic management

CASH GENERATING UNITS (CGU)

Mainly exposed to Europe



(*) Own production

From 2021 to 2022, HEINEKEN's CGU function was **stable**, focusing on individual regions and subsidiaries, which worked well as the company recovered from COVID. In 2023, the shift to Heineken Beverages as the main CGU highlighted *new challenges* in Southern Africa, like exchange rate issues, leading to a big impairment. It shows that as HEINEKEN expands, its CGU testing needs to adapt to more complex global conditions.

HEINEKEN's CGU testing approach has been pretty stable from 2021 to 2022, with a clear focus on regions and subsidiaries. However, the shift to Heineken Beverages in 2023 highlights the growing complexity of their global markets. The significant impairment in Southern Africa shows they're now dealing with more nuanced risks, like exchange rate fluctuations. It's a sign that HEINEKEN's CGU testing is adapting to an increasingly complicated market landscape.

3. Adidas Goodwill 2021-2023

IAS 36

Adidas performed its annual goodwill impairment test using the "value in use" method in 2021, 2022, and 2023. In 2021 and 2023, goodwill remained supported by future cash flows with no impairments. In 2022, the Russia-Ukraine conflict led to a €126 million impairment due to the impact on Russian operations, but by year-end, Adidas reversed €258 million of this, reflecting a strong recovery.
Overall, goodwill was stable in 2021 and 2023, with a temporary impairment in 2022 that was largely reversed.

Adidas followed IFRS 3 correctly in accounting for goodwill from acquisitions like Reebok, tracking its value and adjusting as needed.
Under IAS 36, Adidas effectively tested for impairment, with the Russia-Ukraine crisis causing a temporary dip in goodwill in 2022, which was later partially reversed, showing the company's ability to adapt and recover.

IFRS 3

Adidas followed IFRS 3 by recording goodwill from its acquisitions, such as Reebok and Runtastic. They applied it well, recognizing the goodwill correctly and testing it each year to ensure it wasn't overstated.
Even with big changes like Reebok's sale in 2021, Adidas handled goodwill allocation without impairments.

Comparison of Goodwill Impairment Testing and Results

Impairment Results:

- 2021 and 2023 both showed no goodwill impairment, with the Reebok disposal and regional CGUs sufficiently supported by projected cash flows.
- 2022 saw a €126 million impairment (mainly related to Russian operations) but also a €258 million reversal, leaving overall goodwill untouched.

Geopolitical Factors:

- In 2022, Russia’s exit and the broader geopolitical situation played a central role in the impairment assessment. The company had to evaluate the Russia business as an asset held for sale and adjust its projections accordingly.
- 2021 and 2023 were less impacted by such external factors, with tests largely driven by internal business restructuring and regional performance expectations.

Key Trends and Observations in impairment losses

2021

- The year primarily focused on reversals of impairments as markets recovered from the pandemic.
- There were no major new impairment losses for retail activities in 2021, and the company saw positive adjustments in EMEA.

2022

- A significant shift occurred in 2022, with €126 million in impairment losses. The major driver was the Russia-Ukraine conflict and its impact on adidas' operations in Russia, leading to €94 million in impairments.
- Retail operations in EMEA, Asia-Pacific, and Greater China also saw significant impairment losses, reflecting geopolitical instability and ongoing market challenges.

2023

- In 2023, the company recorded €86 million in impairment losses, with a substantial portion coming from retail activities in EMEA, North America, and Asia-Pacific.
- A warehouse impairment in EMEA added to the losses, primarily due to lease terminations.
- Despite fewer total losses compared to 2022, retail performance remained weak in key regions, particularly in North America and Asia-Pacific.

Overall, adidas has shown a strong capacity to absorb shifts in market conditions and internal changes, with its goodwill impairment tests generally robust and not requiring impairments in the years reviewed. However, the Russia exit in 2022 is a notable example of how external events can influence goodwill testing and the need for adjustments.

Impairment losses from right-of-use assets saw a notable decline from €126 million in 2022 to €86 million in 2023, reflecting the ongoing challenges in retail operations but also indicating some regional recovery (especially in EMEA).

The major driver for impairment losses in 2023 was retail store performance across several key regions, especially in North America, Asia-Pacific, and EMEA.

CASH-GENERATING UNITS(CGU)

Over the three years, Adidas' Cash Generating Units (CGUs) saw slight changes in goodwill, with a **small decrease** in 2023 (€1,238 million) compared to 2022 (€1,260 million), after **modest growth** in 2021 (€1,228 million). EMEA and Greater China experienced the most significant changes, reflecting adjustments in Adidas' regional outlook. Discount rates rose in 2023, indicating higher perceived risks in certain CGUs, particularly in EMEA and Greater China, while North America remained stable.

The changes in Adidas' CGUs reflect a more cautious outlook for EMEA and Greater China, with **declining goodwill** and rising discount rates in 2023. This suggests challenges in these regions, possibly due to economic or competitive pressures. The stability in North America indicates a more favorable outlook there.
Overall, Adidas is adjusting its strategy to account for regional risks and market conditions.

NCI

The table shows the non-controlling interests for Adidas subsidiaries over three years. For Agron, Inc. (USA), non-controlling interests remain at 0% throughout. adidas Israel Ltd. (Israel) consistently holds 15% non-controlling interest over the three years. Reebok India Company (India) had a non-controlling interest of 6.85% in 2021, which dropped to 0% in 2022 and 2023, indicating Adidas gained full ownership.

Legal entity name	principal place of business	ownership interests held by non-controlling interests		
		Dec 31. 2023	**Dec 31.2022**	**Dec 31. 2021**
Agron,Inc.	USA	100%	100%	100%
adidas Israel Ltd.	Israel	15%	15%	15%
Reebok India Company	India	-	-	6.85%

(*) Own production

Adidas has handled its NCI pretty smartly. The Reebok India buyout in 2022 was a good move to wrap up a long deal. Then, in 2023, shifting focus to Agron, Inc. and controlling it through contracts shows they’re flexible and know how to adjust their strategy without always needing full ownership. It’s a solid, adaptive approach overall.

Ferrari Goodwill 2021-2023

IFRS 3

Ferrari has done this well by recording goodwill from past acquisitions, like research, development, patents, and brand value. They've also followed the standard by keeping track of it every year and testing it for impairment, making sure the value remains accurate.

IAS 36

Ferrari has done its annual impairment test each year (2021-2023).
Even though the cost of capital (WACC) increased, Ferrari's cash flow projections remained strong, so their goodwill didn't need to be adjusted. This shows their confidence in future earnings and the value of their past investments.

Ferrari's adherence to IFRS 3 and IAS 36 shows strong financial discipline. Regular goodwill testing ensures their assets reflect true value, while IFRS 3 helps track acquisitions accurately. It's a smart move for transparency and investor confidence.

UNDERSTANDING FERRARI GOODWILL

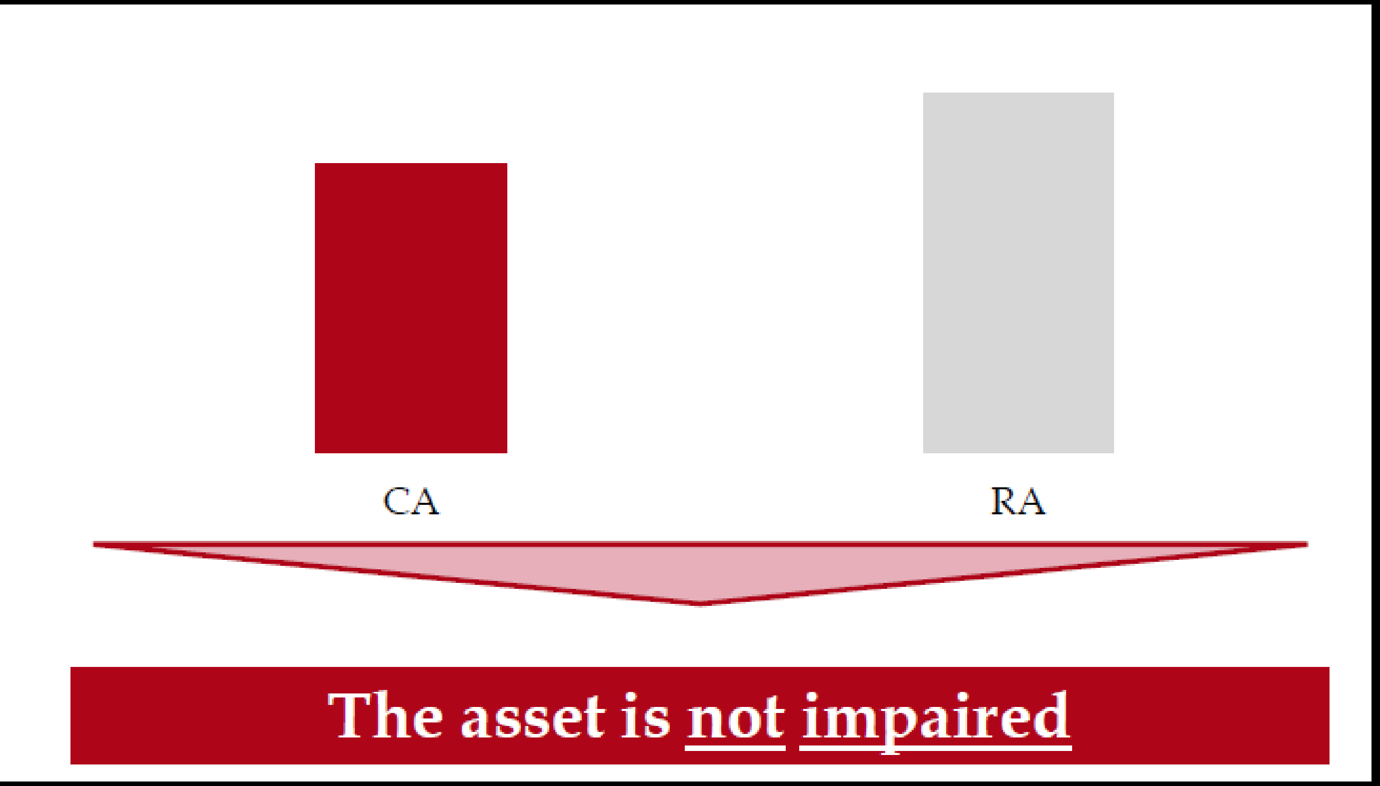
At the end of 2023, Ferrari's goodwill remained constant. Instead the proportion of goodwill over total intangible assets decreased over the years, showing potential stagnation in external growth initiatives such as M&A.
While this conservative approach reduces the risk of overpaying or integrating underperforming assets, it could indicate a reliance on **organic growth** and internal innovation to drive future performance

Year	Goodwill (€ '000)	% of Total Intangibles	WACC
2021	785,182	22.50%	6.84%
2022	785,182	22.00%	8.10%
2023	785,182	19.00%	9.21%

(*) Own production

NO IMPAIRMENT

Each year, Ferrari performs an impairment test to ensure goodwill's value aligns with future income expectations. SInce future revenues exceed the recorded goodwill it stays intact, no impairment required!



(*) Source COREGA Lecture

Ferrari's **robust** financial performance and strategic vision support the stability of its goodwill.

Cash Generating Unit (CGU)

From 2021 to 2023, Ferrari consistently found that the recoverable amount of the CGU was significantly higher than the carrying amount of goodwill, ensuring no impairment was needed. The key change over these years was the gradual increase in the WACC, reflecting rising interest rates, but Ferrari’s strong business fundamentals (exclusivity, profitability, and future prospects) kept the goodwill recoverable throughout the period.

Ferrari's ability to maintain solid goodwill from 2021 to 2023, despite rising interest rates and market challenges, speaks volumes about the strength of its brand and business model.
It shows that their steady profitability and growth prospects are really supporting the company’s value. Even with tougher market conditions, Ferrari’s future earnings potential kept the goodwill intact, which reflects **strong investor confidence** in the brand.

NCI

From 2021 to 2023, Ferrari's recognition of Non-controlling Interests (NCI) remained consistent, using the same method based on fair value or the NCI's share of net assets. Dividends paid to NCI increased each year, rising from €1 million in 2021 to €5 million in 2023, reflecting Ferrari's growing payouts. In 2022, Ferrari introduced a new process for deconsolidating subsidiaries when control is lost, a change not seen in the previous years. By 2023, Ferrari also highlighted the importance of its Shanghai subsidiary, with a significant portion of NCI attributed to it.

Ferrari's NCI approach shows they're in a strong position financially. The steady increase in dividends, especially the jump in 2023, signals growth and stability.
The deconsolidation process introduced in 2022 also shows they're adapting to changes and managing subsidiaries more strategically. Focusing on markets like Shanghai in 2023 indicates they're thinking globally and strengthening their international presence.

	For the years ended December 31,		
	2023	2022	2021
	(€ thousand)		
Net profit attributable to non-controlling interests	5,409	6,680	2,369

(*) Source Ferrari Financials

GOODWILL COMPARISON

KEY STRATEGIC MOVES AND ACQUISITIONS				
Company	**2021**	**2022**	**2023**	**Goodwill Impact 2021 - 2023**
Ferrari	Focused on organic growth. No major acquisitions.	Continued organic growth. No major acquisitions.	Stable strategic approach. No major acquisitions.	No goodwill changes
Adidas	Restructured operations due to Reebok disposal.	Exit from Russia.	Focus internal restructuring.	Impairment in 2022 due to Russia exit. Stable goodwill.
Heineken	Acquired United Breweries (India), restructuring across markets.	Acquired Beavertown Brewery and divested Russian assets.	Acquired Davidov Hram, integrated NBL & Distell.	Increase in goodwill due to major acquisitions and consolidation in key markets. Affected by hyperinflation.

Ferrari focuses on stable, **organic growth**, avoiding risks. Heineken **expands through acquisitions**, taking on higher risk but achieving growth. Adidas, however, struggles to manage challenges like Russia's exit and restructuring, that Heineken have navigated more effectively, limiting its growth.

GOODWILL COMPARISON

NCI&CGUs impact on Goodwill (2021-2023)		
	Non-Controlling Interests	Cash Generating Units (CGUs)
Ferrari	NCI remained stable, increasing dividends, notably in Shanghai.	Stable CGUs, strong brand maintaining goodwill.
Adidas	Stable NCI, full acquisition of Reebok India in 2022.	Focus on regional CGUs, with higher discount rates in EMEA and Greater China in 2023.
Heineken	Significant increase in NCI in 2023, mainly from Heineken Beverages	Shifted focus to Heineken Beverages as the main CGU in 2023.

Ferrari retained **stability** across goodwill, NCI, and CGUs. Adidas faced impairment challenges and regional pressures but stabilized goodwill. Heineken experienced growth in NCI and shifting CGU focus

Heineken's Financial Assets

Heineken classifies Financial Assets according to IFRS 9 as follows:

Financial Assets that are classified at Amortised cost:

- Trade and other receivables
- Cash and other equivalents
- Loans issued (mentioned in notes as "Other investments)

Financial Assets that are classified through Other Comprehensive Income (FVOCI):

- Investments in Equity Instruments (stated as "Equity investments at FVOCI" in the Notes to the CFS)
- Derivatives (just subsequent measurements)

Financial Assets that are classified through Fair Value Through Profit or Loss (FVTPL):

- Derivatives (including hedging instruments)
- Equity Instruments (not classified under FVOCI)

The classification of financial assets is technically accurate, but the disclosure could be improved to better distinguish assets by their measurement F.e, FVOCI includes not only equity investments but also items like **effective portions of cash flow hedges and net investment hedges.**

This could be clearer by explicitly listing these items under a measurement classification (as now data is disaggregated).

Financial Assets that are classified at Amortized Cost

Cash and cash equivalents

- Cash balances
- Short-term deposits
- Highly liquid investments

In Heineken's accounting policy, cash and cash equivalents are initially recognized at **fair value** and subsequently measured at **amortized cost.**

Some amounts may be restricted, such as **balances held in escrow or subject to regulatory limitations.**

Heineken holds its cash and cash equivalents in **multiple currencies**, reflecting its global operations and exposure to exchange rate risks.

Trade and other receivables

Trade and other receivables are held by Heineken to collect the related cash flows.

These receivables are measured at **fair value** and subsequently **at amortised cost minus any impairment losses.**

The details about the expiring of trade and other receivables are not specified.

	2023	2022	2021
In millions	EUR	EUR	EUR
Financial assets	146	213	173
Financial liabilities	(2,373)	(2,730)	(2,186)
Gross balance sheet exposure	(2,227)	(2,517)	(2,013)

(*) Own production

Loans Issued

- Loans to Customers
- Advances to Customers

Loans and advances are initially measured at **fair value.**

Carried at **amortized cost, reduced by any impairment losses.**

These Financial Assets are written off when there is **no reasonable expectation of recovery.**

Impairment

Heineken applies the Expected Credit Loss (ECL) model under IFRS 9 to impair trade receivables, loans, and cash equivalents.

Heineken assesses the credit risk of financial assets and recognizes impairment based on the expected credit losses over the life of the asset.

Financial assets are classified into three stages: Stage 1 (low credit risk), Stage 2 (increased credit risk), and Stage 3 (credit impaired). For assets in Stage 1, Heineken recognizes a 12-month ECL, while for Stage 2 and 3 assets, a lifetime ECL is recognized.

Heineken also incorporates forward-looking information and macroeconomic factors such as inflation, geopolitical risks, and specific factors into its impairment calculations.

Through the use of sensitivity tests, which include these macroeconomic factors, the company is able to manage credit risk more efficiently than the scenario limited to historical data.

Hedge instruments

Derivative instruments for hedging are listed at fair value and categorized as assets ("Derivative financial instruments (assets)" under non-current and current assets) or liabilities ("Derivative financial instruments (liabilities)").

Types of Hedging Instruments:

- Foreign Currency Forward Contracts: Hedge currency risk on forecasted transactions (cash flow hedges) and firm commitments (fair value hedges).
- Interest Rate Swaps: Convert variable-rate borrowings into fixed-rate to manage interest rate risks.
- Commodity Swaps: Hedge price fluctuations in key raw materials like barley and aluminum.

Measurement:
In cash flow hedges, gains/losses on the effective portion are recorded in OCI until the hedged item affects profit or loss, with ineffectiveness in profit or loss. Fair value hedges recognize changes in the fair value of both instruments in profit or loss. Net investment hedges record effective portion gains/losses in OCI, offsetting foreign translation differences.

Heineken provides detailed notes on hedge accounting, including the nature and purpose of the hedge, the fair value of hedge instruments, and the amounts reclassified from OCI to profit or loss.

Adidas' Financial Assets 2021-2023

Amortized Cost:
- Includes financial assets where Adidas intends to collect contractual cash flows (e.g., trade receivables, and cash and cash equivalents).
- Measured using the effective interest method.

Fair Value Through Profit or Loss (FVTPL):
- Financial instruments held for trading or short-term gain (e.g., certain derivatives).
- Changes in fair value directly impact the income statement.

Fair Value Through Other Comprehensive Income (FVOCI):
- Equity investments designated for strategic purposes.
- Unrealized gains or losses recognized in other comprehensive income.

Liquidity Management:
- Cash and equivalents remain a significant component, ensuring operational liquidity, with a strong focus on maintaining adequate liquidity buffers amidst market volatility.
- Adidas regularly evaluates credit risk for trade receivables and employs provisions for doubtful accounts.
- Derivatives with positive fair value are recorded as financial assets, reflecting unrealized gains.

Adidas aligns its financial asset classification effectively with IFRS 9, prioritizing transparency by matching classifications to its business model and risk management strategies.
However, limited disclosure on asset transfer criteria and reclassification frequency may challenge a full understanding of their financial risk management.

Financial Assets that are classified at Amortized Cost

Cash and cash equivalents

- Represent Adidas' most liquid assets (Bank balances, short-term deposits, and cash-on-hand.
- Primarily used to ensure liquidity for daily operations and strategic initiatives.
- Managed to optimize returns while minimizing risk, often placed in secure, interest-bearing accounts.

Trade and other receivables

- Consist of amounts due from customers for goods sold and other receivables arising from operational activities.
- Subject to credit risk management policies, Adidas regularly assesses customers' creditworthiness and applies provisions for doubtful debts based on the Expected Credit Loss (ECL) model under IFRS 9, ensuring smooth operational cash flow.

The significant reduction in cash and cash equivalents is noteworthy, potentially linked to reinvestment strategies, debt repayments, or other strategic uses of liquidity.

Adidas do not Include sensitivity analysis for key assumptions (e.g., useful lives or impairment triggers) to give stakeholders more transparency.

Impairment

Adidas evaluates financial assets for impairment under IFRS 9 to ensure they are not overvalued. This applies to assets measured at amortized cost (e.g., trade receivables, loans) and Fair Value Through OCI (FVOCI).

Adidas applies the Expected Credit Loss (ECL) model, which includes 12-month ECL for assets with no significant credit risk changes and lifetime ECL for assets with increased credit risk. A simplified approach is used for trade receivables and contract assets, assessing lifetime ECL.

Measurement considers historical default rates, current economic conditions, and future credit risk outlook.

The absence of sensitivity analyses in impairment testing is a concern, as these analyses are vital for assessing how changes in key assumptions impact asset valuations, ensuring transparency and robustness in financial reporting.

Hedge instruments

Adidas uses derivatives, such as foreign currency forward contracts, to manage foreign exchange rate risks. The primary goal is to hedge exposure in various currencies, particularly for transactions involving purchases, sales, and balance sheet items in foreign currencies.

Types of Hedging Instruments:

- Net Investment Hedges: Mitigate risks on foreign subsidiary investments using derivatives or borrowings in the subsidiary's functional currency.
- Commodity Derivatives: Manage risks from fluctuations in raw material prices (e.g., rubber, textiles) using futures or options contracts.
- Forward Rate Agreements: Hedge interest rate exposure for short-term transactions by locking in future interest rates.

Measurement:
Derivatives are measured at fair value on the balance sheet date, with changes recognized in profit or loss unless designated as cash flow hedges. Under hedge accounting, derivatives linked to highly probable forecast transactions may qualify for hedge accounting under IFRS 9. The effective portion of cash flow hedge gains or losses is deferred in equity until the hedged transaction occurs.

Adidas appears to be engaging in fewer hedging transactions or holding fewer derivative instruments for managing risks like foreign exchange or raw material costs. This may reflect reduced volatility in underlying risks, or the company might be adopting alternative risk management strategies.

Ferrari's Financial Assets

Ferrari classifies Financial Assets according to IFRS 9 as follows:

Financial Assets that are classified at Amortised cost:

- Trade receivables
- Receivables from financing activities
- Cash and cash equivalents

Financial Assets that are classified through Other Comprehensive Income (FVOCI):

- Equity instruments (e.g., Liberty Media shares)
- Derivative financial instruments

Financial Assets that are classified through Fair Value Through Profit or Loss (FVTPL):

- Certain equity investments (depending on the classification choice by the entity, not commonly used in the Ferrari example)

Ferrari's classification of assets and impairment processes are well-defined, ensuring transparency for stakeholders.
The company's use of the ECL model shows proactive risk management, and the minimal impairments over three years suggest effective financial control.
Overall, Ferrari's disclosures are accurate and provide a reliable picture of its financial position.

Financial Assets that are classified at Amortized Cost

Trade receivables

- Selling on credit through trade receivables does involve consumer risk.
  However, Ferrari's clients typically have high credit profiles due to their affluent nature, which significantly reduces this risk
- Measured at amortized cost using the effective interest rate method.

Receivables from financing activities

- Amounts due from customers for financing arrangements, such as loans or credit sales.
- Measured at amortized cost, as they meet the criteria for holding assets to collect contractual cash flows (principal and interest).

Cash and cash equivalents

- Ferrari hold significant cash exposing the company to inflation risk but on the other hand they prioritize stability for economic uncertainties
- Held at amortized cost, as they are expected to be realized or used in the short term.

	For the years ended December 31,		
	2023	2022	2021
	(€ million)		
Cash and cash equivalents at beginning of the year	**1,389**	**1,344**	**1,362**
Cash flows from operating activities	1,717	1,403	1,283
Cash flows used in investing activities	(867)	(805)	(733)
Cash flows used in financing activities	(1,109)	(554)	(580)
Translation exchange differences	(8)	1	12
Total change in cash and cash equivalents	**(267)**	**45**	**(18)**
Cash and cash equivalents at end of the year	**1,122**	**1,389**	**1,344**

Ferrari's use of amortized cost is aligned with IFRS 9, providing reliable valuations and supporting effective financial management.

Impairment

Ferrari evaluates impairment of its financial assets using the Expected Credit Loss (ECL) model under IFRS 9. For trade receivables and financing receivables, the company applies the simplified approach, estimating lifetime expected credit losses based on historical loss experience, adjusted for future factors.

For other receivables, Ferrari uses a three-stage model to assess credit risk. Despite this proactive approach, Ferrari did not recognize any impairment charges for non-current assets in 2021, 2022, or 2023, as no impairment indicators were identified, suggesting strong credit risk management.

Ferrari's use of the ECL model under IFRS 9 reflects a proactive approach to credit risk management. By applying both the simplified and general impairment models, Ferrari ensures that potential losses are accounted for. The fact that no impairments were recognized in recent years indicates effective risk management and strong controls in place to assess and mitigate credit risks.

Hedge instruments

Ferrari uses derivative financial instruments primarily for economic hedging purposes, focusing mainly on foreign currency risks. These instruments are employed to reduce the exposure to fluctuations in currency exchange rates, particularly between the Euro and U.S. Dollar, which affect their sales and operations in foreign markets.

Types of Hedging Instruments:

- Cash Flow Hedges: Ferrari designates certain derivative financial instruments to hedge future cash flow variability, such as foreign currency transactions. If the hedge is effective, gains or losses on the derivative are initially recognized in Other Comprehensive Income (OCI) and then reclassified into the income statement when the hedged transaction impacts the profit or loss.
- Foreign Currency Hedges: These are mainly related to fluctuations in the Euro/U.S. Dollar exchange rate, covering sales in U.S. Dollars.

All derivatives are measured at fair value, with any ineffective portion recognized immediately in the income statement. Ferrari hedges foreign currency exposures expected to occur within the next 12 months and also uses interest rate caps in securitization agreements.

FINANCIAL ASSETS COMPARISON

Financial Risks and Management

HEINEKEN activities are exposed to market risks such as exchange rate risk (global operations), commodity risks (raw materials like barley and energy), and interest rate fluctuations, with strong hedging strategies.

Its risk management incorporates macroeconomic factors like inflation and geopolitical risks in credit risk assessment.

Morever, Heineken performs a detailed sensitivity analysis on interest rates and exchange rates, and also has a comprehensive approach to hedge accounting.

ADIDAS activities are exposed to exchange rate risks from its global supply chain, interest rate risks from financing, and commodity risks from fluctuations in raw material costs.

For Adidas, there is high focus on maintaining cash reserves and assessing the reliability of customers to pay.

Adidas lack sensitivity analysis which might limit stakeholder understanding of impairment risks, and might be considered the weakest compared to the others.

FERRARI activities are exposed to exchange rate risks from luxury car exports, interest rate risks from financial liabilities, and minimal commodity risks related to precision-engineered parts.

Ferrari on the other hand has a strong credit risk management compared to the others, with minimal impairments highlighting effective financial control.

It is hard to identify weaknesses for Ferrari, as their proactive measures ensure robust financial management, particularly with detailed information on their risk sensitivity analysis.

FINANCIAL ASSETS COMPARISON

Financial Assets and Hedging Instruments

IFRS compliance

HEINEKEN financial assets are classified under Amortized Cost, FVOCI, and FVTPL, per IFRS 9.

There is a lack of detailed breakdowns in the FVOCI category and insufficient information about the expiration of trade and other receivables, which might limit users' understanding of the nature of these assets.

For hedging instruments, Heineken provides detailed notes on hedge accounting, including the nature and purpose of the hedge instrument, the fair value of it, and the amounts reclassified from OCI to profit or loss.

ADIDAS has a similar classification following IFRS 9 with focus on trade receivables, equity investments, and derivatives.

Adidas also has limited disclosure on policies for asset transfers and reclassifications which may hinder a complete understanding of their financial risk management approach.

Adidas has comprehensive disclosures on hedging instruments but holds fewer derivatives for managing risks like foreign exchange or raw material costs, reducing volatility in underlying risks.

FERRARI financial assets also follows IFRS 9 focusing on trade receivables, financing receivables, and cash equivalents.

In contrast, Ferrari excels with clear and transparent financial asset disclosures, showing no limitations compared to the gaps in Adidas and Heineken's reporting.

Ferrari provides high-quality disclosures regarding its hedging instruments, and its cash flow and foreign currency hedges effectively mitigate exposure to fluctuations.

OUR FINAL THOUGHTS

We compared the companies on the following points:

1. ***Completeness:*** Ferrari provides comprehensive disclosures, also on their financial stability. Heineken is rich in risk and market exposure, while Adidas focuses more on operational details, which may lack financial depth.

2. ***Clarity and Transparency:*** Ferrari's disclosures are polished and precise, Heineken explains hedging strategies clearly, while Adidas is straightforward but less detailed.

3. ***Comparability:*** Heineken and Adidas use industry-specific frameworks, making comparisons with Ferrari harder. Ferrari’s luxury-specific details stand out but limit direct benchmarking.

4. ***Compliance:*** All three adhere to IFRS, maintaining consistent regulatory compliance.

5. ***Presentation***: Ferrari excels in polished layouts, Heineken’s risk-focused sections are structured, while Adidas could improve the organization of its financial disclosures.

OUR FINAL THOUGHTS

In our opinion **HEINEKEN** demonstrate the highest overall compliance with IFRS standards; after the analysis of the different sections, we have gathered the following observations:

- regarding subsidiaries and the consolidation methods applied, **HEINEKEN** demonstrates a high level of compliance with the standards, presenting clear distinctions between direct and indirect ownership. As a matter of fact the company provides clear explanations about changes in its subsidiaries, such as the rationale behind its exit from the Russian market.

- provides detailed disclosures on asset recognition, valuation, amortization, inventory valuation, and impairment. Specifically for leases, **HEINEKEN** discloses Right-of-Use (ROU) assets separately within Property, Plant, and Equipment (PPE), and it includes detailed notes on lease liabilities, receivables, and short-term/low-value leases to ensure transparency and compliance with IFRS 16.

- for what concerns financial assets, **HEINEKEN** presents a good disclosure of data and detailed notes on hedge accounting, including the nature and purpose of the hedge, the fair value of hedge instruments and the reclassifications of deltas (OCI/P&L). Moreover, Heineken conducts detailed sensitivity analysis on interest rates and exchange rates to assess financial risks.

We think that **HEINEKEN** is the better choice for decision-useful financial reporting because:

- It combines risk management with growth through acquisition details.
- In the goodwill part we grasped information useful for strategic actions, which are crucial for long-term decision-making.
- Stakeholders are likely to find its financial reports rich in insights about both opportunities and challenges, aiding comprehensive evaluations.

Thank you for your attention!