

## Heineken N.V. reports 2017 half year results

Amsterdam, 31 July 2017 – Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) today announces:

- Organic revenue +5.7% with revenue per hectolitre up +3.4%<sup>1</sup>
- Consolidated beer volume +2.6% with growth in all regions
- Heineken® volume +3.9%
- Operating profit (beia) +11.8% organically and operating margin +34bps<sup>1</sup>
- Net profit (beia) of €1,036 million, up 10.5% organically
- Diluted EPS (beia) of €1.82 (2016: €1.71)
- FY expectations unchanged

### CEO STATEMENT

Jean-François van Boxmeer, CEO, Chairman of the Executive Board, commented: "We delivered strong results in the first half year, with all four regions contributing positively to organic growth in volume, revenue and operating profit. Europe delivered a good performance, momentum remained strong in Americas and Asia Pacific, and results improved in Africa Middle East & Eastern Europe despite continued difficult market conditions. A well-balanced global footprint, sustained investment in our beer and cider brands, market leading innovations and a focus on premiumisation continue to differentiate our strategy and underpin our progress. During the period we also completed the acquisitions of Brasil Kirin and Lagunitas. Whilst economic conditions are likely to remain volatile, our expectations for the full year are unchanged."

### FINANCIAL SUMMARY

<b>Key financials</b> <sup>1,2,3</sup> <i>(in mhl or € million unless otherwise stated)</i>	<b>HY17</b>	<b>HY16</b>	<b>Total growth %</b>	<b>Organic growth %</b>
Revenue	<b>10,475</b>	10,094	3.8	5.7
Revenue/hl (in €)	<b>91</b>	91	-0.8	3.4
Operating profit (beia)	<b>1,805</b>	1,705	5.9	11.8
Operating profit (beia) margin	<b>17.2%</b>	16.9%	34 bps	
Net profit (beia)	<b>1,036</b>	977	6.0	10.5
Net profit <sup>4</sup>	<b>871</b>	586	48.6	
Diluted EPS (beia) (in €)	<b>1.82</b>	1.71	6.0	
Free operating cash flow	<b>746</b>	541	37.9	
Net debt/ EBITDA (beia) <sup>5</sup>	<b>2.5</b>	2.4		

<sup>1</sup> Excluding an accounting adjustment in the UK with no impact on operating profit, HEINEKEN organic revenue growth would have been +5.3%, organic revenue per hl +3.0%, and operating margin (beia) +41 bps. For the impact on Europe please refer to page 12.

<sup>2</sup> Consolidated figures are used throughout this report, unless otherwise stated; please refer to the Glossary section for an explanation of terms used throughout this report.

<sup>3</sup> A reconciliation between non-GAAP measures and IFRS measures is included in note 5 on page 30.

<sup>4</sup> Net profit is after EIA, for details on EIA please refer to page 15.

<sup>5</sup> Includes acquisitions and excludes disposals on a 12 month pro-forma basis.

## FULL YEAR 2017 OUTLOOK STATEMENT

- Economic conditions are expected to remain volatile and we continue to assume a negative impact from currency comparable to 2016.
- We expect further organic revenue and profit growth.
- Excluding major unforeseen macro economic and political developments as well as the impact of Brasil Kirin, Lagunitas and the proposed Punch acquisition, we expect continued margin expansion in 2017 in line with the medium term margin guidance of a year on year improvement in operating profit (beia) margin of around 40bps.
- We expect an average interest rate broadly in line with 2016 (2016: 3.1%), and an effective tax rate (beia) also broadly in line with 2016 (2016: 28.3%).
- Capital expenditure related to property, plant and equipment should be slightly below €2 billion (2016: €1.8 billion).

## OPERATIONAL REVIEW

After a slower first quarter given Easter timing, the earlier Tet Vietnamese New Year and tough comparatives, all regions saw higher organic volume growth in the second quarter. Notably Americas and Africa Middle East & Eastern Europe reported organic volume growth in this period after a decrease in the first quarter. Revenue per hectolitre was up organically for the first half across all regions apart from Asia Pacific due to adverse brand mix.

**Revenue** increased 5.7% organically, with a 2.3% increase in total volume and a 3.4% increase in revenue per hectolitre. The underlying price mix impact for the six months was +3.1%.

**Consolidated beer volume** grew 2.6% organically in the first half. Performance was stronger in the second quarter with volume up 4.2% organically, benefiting from Easter timing, good weather particularly in Europe and easier comparatives than in the first quarter.

<b>Consolidated beer volumes</b> <i>(in mhl)</i>	<b>2Q17</b>	2Q16	Organic growth %	<b>HY17</b>	HY16	Organic growth %
Heineken N.V.	<b>57.4</b>	53.5	4.2	<b>101.3</b>	97.0	2.6
Africa Middle East & Eastern Europe	<b>10.4</b>	10.0	3.2	<b>19.3</b>	19.1	1.5
Americas	<b>16.9</b>	14.6	6.0	<b>30.4</b>	28.1	2.8
Asia Pacific	<b>6.4</b>	5.8	7.1	<b>12.6</b>	11.5	6.3
Europe	<b>23.7</b>	23.1	2.7	<b>39.0</b>	38.3	1.9

**Heineken**<sup>®</sup> volume grew 3.9%, with positive momentum in all regions apart from Asia Pacific where lower volume in China and Vietnam weighed negatively. Europe and the Americas were the main drivers of Heineken<sup>®</sup> growth. The brand grew double digit in Brazil, South Africa, Russia, Italy, Mexico, South Korea, Canada, Romania and Hungary. There was also strong brand growth in France, the Netherlands and in Argentina. Heineken<sup>®</sup> continued to benefit from leveraging global platforms such as UEFA Champions League, the Cities, Music and Product Stories campaigns, and the Global partnership with Formula 1<sup>®</sup> which started last year. **Heineken**<sup>®</sup> **0.0**, launched in the second quarter in 16 markets, already looks promising.

Heineken® volume <sup>1</sup> (in mhl)	2Q17	Organic growth %	HY17	Organic growth %
<b>Heineken® volume</b>	<b>9.6</b>	5.0	<b>17.3</b>	3.9
Africa Middle East & Eastern Europe	<b>1.2</b>	5.9	<b>2.2</b>	4.4
Americas	<b>2.6</b>	8.8	<b>5.0</b>	8.4
Asia Pacific	<b>1.5</b>	-6.3	<b>3.1</b>	-7.1
Europe	<b>4.3</b>	6.9	<b>7.0</b>	5.9

<sup>1</sup> Heineken® volume is now total volume including the Netherlands.

The international brand portfolio, which includes brands complementary to Heineken® and that have high potential to travel across geographies, outperformed. Volume was up double digit for **Affligem**, **Tiger**, **Krušovice**, **Tecate** and **Red Stripe**, and up high single digit for **Desperados**. **Sol Premium** volume was up low single digit. **Amstel** volume declined low single digit due to weaker volume in Nigeria and Greece, however the brand grew strongly in markets such as Brazil.

**Cider** volume increased organically low single digit to reach 2.3 million hectolitres (2016: 2.2 million). Growth was particularly strong in South Africa following the successful Strongbow launch at the end of 2016, as well as in Vietnam, Ireland and in the Netherlands. Excluding the UK, where volume decline was partly due to delisting by a modern trade retailer, cider volume increased double digit.

**Innovation** is firmly embedded in HEINEKEN's company strategy. **Heineken® 0.0** was launched in the second quarter in 16 markets. Overall in Europe, there was double digit growth for low and no alcohol volume, including strong performance in Spain, Netherlands, Poland and Austria. Total low and no alcohol volume was 6.1 million hectolitres slightly down from 6.2 million last year due to weakness in malt products in Nigeria and Egypt. In craft and variety Lagunitas, Mort Subite, Moretti Regionali and Żywiec variants continued to perform particularly well.

**Operating profit (beia)** grew 11.8% organically, reflecting a mix of both higher revenue, premiumisation and cost efficiencies.

## BREWING A BETTER WORLD

In the first half, sustainability highlights included linking 13,000 solar panels on the Massafra Brewery to Italy's national grid, with a total capacity of 3.3MW, that covers about 20% of the brewery energy needs. This is the largest solar photovoltaic project installed on a beer brewery worldwide.

The Heineken® brand expanded its commitment to dedicate 10% of its media spend to encourage responsible alcohol consumption. The Enjoy Heineken Responsibly commitment now includes every market where the Heineken® brand is sold.

The Tiger brand embarked on a global partnership with World Wide Fund for Nature (WWF) starting with a US\$ 1 million donation to support the organisation's tiger conservation efforts.

## NET PROFIT

Net Profit (beia) increased 10.5% organically to €1,036 million (2016: €977 million).

Reported Net Profit was €871 million (2016: €586 million). In the first half of 2016 for reported Net Profit included an asset impairment of €233 million in the Democratic Republic of Congo (DRC).

## INTERIM DIVIDEND

In accordance with its dividend policy, HEINEKEN fixes the interim dividend at 40% of the total dividend of the previous year. As a result, an interim dividend of €0.54 per share will be paid on 10 August 2017. The shares will trade ex-dividend on 2 August 2017.

## TRANSLATIONAL CURRENCY CALCULATED IMPACT

Using spot rates as at 25 July 2017 for the remainder of the year, the calculated negative currency translational impact would be approximately €155 million at operating profit (beia), and €60 million at net profit (beia). Foreign exchange markets remain very volatile.

## ACQUISITION OF BRASIL KIRIN HOLDING S.A.

On 13 February 2017 HEINEKEN announced that it had entered into an agreement with Kirin Holdings Company, Limited (“Kirin”) to acquire Brasil Kirin Holding S.A. (“Brasil Kirin”), one of the largest beer and soft drinks producers in Brazil. The transaction completed on 31 May 2017. On 19 April 2017 HEINEKEN announced that in light of the size and requirements of the proposed future combined portfolio it intended to leverage Kirin's existing route to market with the HEINEKEN portfolio in the future. Since then HEINEKEN Brasil has informed the Coca-Cola bottlers about its decision to terminate the existing distribution, and is currently engaged in discussions.

The acquisition of Brasil Kirin transforms HEINEKEN's business by extending its portfolio and broadening its reach across Brazil. Increased scale and a strengthened brand portfolio will allow the business to accelerate premiumisation particularly with Heineken® and Sol Premium, and enable further growth of the well-established Schin, Bavaria, Kaiser, Amstel and Devassa brands in the mainstream and value segments. The transaction is expected to deliver significant synergies across three main areas: procurement, optimisation of the brewery footprint and logistics, and selling, general and administrative expenses. Consolidated from 1 June, Brasil Kirin is expected to be margin dilutive by c.40bps in 2017. HEINEKEN FY 2017 margin guidance excludes the impact of Brasil Kirin, Lagunitas and the proposed acquisition of Punch. The transaction is expected to cover its cost of capital in Brazil in approximately 5 years.

## PROPOSED ACQUISITION OF PUNCH

On 15 December 2016 HEINEKEN announced that following Vine Acquisitions Limited's announcement of a recommended cash offer for Punch Taverns plc, HEINEKEN through HEINEKEN UK had agreed a back-to-back deal with Vine Acquisitions to acquire Punch Securitisation A ('Punch A'), comprising approximately 1,900 pubs across the UK.

On 10 February 2017 Punch Shareholders voted in favour of the Scheme at the Court Meeting and that the special resolution proposed at the General Meeting was passed.

The acquisition remains subject to the satisfaction or (where capable of being waived) waiver of the other Conditions set out in the Scheme Document, including the Court sanctioning the Scheme at the Court Hearing. On 27 June 2017, following submission of undertakings offered by HEINEKEN UK in response to address points raised by the CMA in the decision dated 13 June 2017, the CMA announced that there are reasonable grounds for believing that these proposals, or a modified version of them, might be acceptable to remedy the competition concerns it has identified. Subject to being approved by the relevant regulatory authorities, the acquisition is expected to complete by the end of August 2017.

## ENQUIRIES

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## INVESTOR CALENDAR HEINEKEN N.V.

Trading Update for Q3 2017

25 October 2017

What's Brewing Seminar, London

11 December 2017

Full Year 2017 Results

12 February 2018

## Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2017 HY results today at 10:00 CET/ 9:00 BST. The call will be audio cast live via the company's website: [www.theheinekencompany.com/investors/webcasts](http://www.theheinekencompany.com/investors/webcasts). 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:

### Netherlands

Local line: +31(0)20 716 8257

National free phone: 0800 020 2576

### United Kingdom

Local line: +44(0)20 3427 1914

National free phone: 0800 279 5736

### United States of America

Local line: +1212 444 0895

National free phone: 1877 280 1254

Participation/ confirmation code for all countries: 7694218

**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 powerful portfolio of more than 250 international, regional, local and speciality 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 and delivers value for all stakeholders. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets. We employ over 80,000 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](http://www.theHEINEKENcompany.com) and follow us on Twitter via @HEINEKENCorp.

**Market Abuse Regulation**

This press release may contain 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, 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

<b>Revenue</b> <i>(in € million)</i>	<b>HY17</b>	HY16	Organic growth %
Heineken N.V.	<b>10,475</b>	10,094	5.7
Africa Middle East & Eastern Europe	<b>1,523</b>	1,646	11.9
Americas	<b>2,801</b>	2,485	6.3
Asia Pacific	<b>1,447</b>	1,345	4.5
Europe	<b>5,028</b>	4,933	3.6
Head Office & Eliminations	<b>-324</b>	-315	n.a.

<b>Operating Profit (beia)</b> <i>(in € million)</i>	<b>HY17</b>	HY16	Organic growth %
Heineken N.V.	<b>1,805</b>	1,705	11.8
Africa Middle East & Eastern Europe	<b>218</b>	267	12.4
Americas	<b>521</b>	458	15.9
Asia Pacific	<b>454</b>	419	8.8
Europe	<b>665</b>	581	16.1
Head Office & Eliminations	<b>-53</b>	-20	n.a.

<b>Developing markets</b> <i>(in mhl or € million unless otherwise stated)</i>	<b>HY17</b>		
	Group beer volume	Group revenue	Group operating profit (beia) <sup>1</sup>
<b>Developing markets in:</b>	<b>71.4</b>	<b>5,863</b>	<b>1,118</b>
Africa Middle East & Eastern Europe	20.0		
Latin America & the Caribbean	25.5		
Asia Pacific	14.1		
Europe	11.8		
<b>% of Group</b>	<b>66</b>	<b>51</b>	<b>56</b>

<sup>1</sup> Excludes Head Office & Eliminations



## Africa Middle East & Eastern Europe

<b>Key Financials</b> <i>(in mhl or € million unless otherwise stated)</i>	<b>HY17</b>	<b>HY16</b>	<b>Total growth %</b>	<b>Organic growth %</b>
Revenue	<b>1,523</b>	1,646	-7.5	11.9
Revenue/ hl (in €)	<b>68</b>	73	-7.5	11.9
Operating profit (beia)	<b>218</b>	267	-18.4	12.4
Operating profit (beia) margin	<b>14.3%</b>	16.2%	-190 bps	
Total volume	<b>22.5</b>	22.5	0.0	0.0
Beer volume	<b>19.3</b>	19.1	1.5	1.5
Licensed & non-beer volume	<b>3.2</b>	3.4	-8.0	-8.0

**Beer volume** increased 1.5% organically with volume decline in Nigeria more than offset by strong growth in Ethiopia and South Africa. Following the opening of a new brewery at the end of 2016, Ivory Coast showed a very promising performance and positively contributed to growth in the first half.

**Revenue** grew 11.9% organically entirely due to revenue per hectolitre growth of 11.9%. Currency negatively impacted revenue by €319 million, mainly driven by the Nigerian Naira and to a lesser extent by currencies in DRC and Egypt.

**Operating profit (beia)** improved by 12.4% organically driven mainly by performance in Nigeria as well as improved results in Ethiopia. Translational currency impact reduced operating profit (beia) by €83 million mainly due to the Nigerian Naira.

In **Nigeria**, underlying trading conditions remain difficult, with the consumer environment still weak given low oil production output, economic recession and high inflationary pressure. Volume decreased mid single digit, a similar level in both quarters, partly as a consequence of the price increases at the end of last year. Value brands continued to outperform the rest of the portfolio. Whilst liquidity improved during the first half, hard currencies remain difficult to secure.

In **Russia**, volume declined low single digit, although premium brands in the portfolio continue to outperform, particularly Heineken®. Volume trends improved in the second quarter following the relisting with a modern trade customer, and despite colder weather in May and June.

In **Ethiopia**, volume increased double digit driven by strong performance across the entire portfolio particularly the Walia brand.

In **South Africa**, volume was up double digit with strong performance of Heineken® as well as the successful launch of Strongbow. Amstel, Sol and Windhoek also saw good growth.

In **Egypt**, volume declined double digit impacted by a tax increase combined with the negative impacts from the devaluation at the end of last year, high inflation and sustained weakness in the tourism segment.

In the **DRC**, Heineken® volume grew double digit and total volume was flat despite the ongoing difficult consumer environment.

## Americas

<b>Key Financials</b> <i>(in mhl or € million unless otherwise stated)</i>	<b>HY17</b>	<b>HY16</b>	<b>Total growth %</b>	<b>Organic growth %</b>
Revenue	<b>2,801</b>	2,485	12.7	6.3
Revenue/ hl (in €)	<b>88</b>	86	1.5	2.9
Operating profit (beia)	<b>521</b>	458	13.9	15.9
Operating profit (beia) margin	<b>18.6%</b>	18.4%	20 bps	
Total volume	<b>31.8</b>	28.8	10.5	2.8
Beer volume	<b>30.4</b>	28.1	8.1	2.8
Licensed & non-beer volume	<b>1.4</b>	0.7	125.0	7.3

**Beer volume** grew 2.8% organically, with continued strong growth in Mexico more than offsetting volume decline in Brazil, Panama and to a lesser extent the US.

**Revenue** grew 6.3% organically driven by both total volume growth of 2.8% and improved revenue per hectolitre of 2.9%. Favourable currency development, mainly the Brazilian Real and US Dollar, impacted revenue by €34 million, with consolidation adding €124 million to revenues from Brasil Kirin and Lagunitas.

**Operating profit (beia)** grew 15.9% organically, mainly driven by Mexico and the US. Operating profit in the US benefited from a favourable transactional currency impact. In Mexico transactional currency impact was negative, but more than offset by mix, pricing and continued efficiencies. Translational currency impact reduced operating profit (beia) by €9 million for the region. Consolidation did not impact operating profit (beia) with the contribution from Brasil Kirin and Lagunitas offsetting one another.

In **Mexico**, in a favourable economic environment, beer volume grew high single digit, supported by strong brand activation and successful innovation as well as effective sales execution in the market. Heineken®, Tecate and Dos Equis all continued to grow double digit.

In **Brazil**, beer volume declined high single digit due to continued macroeconomic weakness and competition in the mainstream and economy segment. Despite this, Heineken®, Amstel, and Sol Premium grew double digit. The Brasil Kirin acquisition, completed on 31 May 2017, should enhance potential for further premiumisation.

In the **US**, volume decreased slightly, with depletions similar to shipments. Heineken® brand volume was up low single digit with brand performance benefitting from the recent Credentials campaign. Dos Equis volume was down slightly, broadly in line with the overall US beer market as was Tecate despite double digit volume growth in Tecate Light. Strongbow volumes were also down but continued to gain share in the category.

**Lagunitas**, which is fully consolidated from May onwards and continues to operate as an independent operating company reporting into the region, delivered high single digit volume growth ahead of the craft market.

## Asia Pacific

<b>Key Financials</b> <i>(in mhl or € million unless otherwise stated)</i>	<b>HY17</b>	<b>HY16</b>	<b>Total growth %</b>	<b>Organic growth %</b>
Revenue	<b>1,447</b>	1,345	7.6	4.5
Revenue/ hl (in €)	<b>112</b>	114	-1.3	-1.2
Operating profit (beia)	<b>454</b>	419	8.2	8.8
Operating profit (beia) margin	<b>31.4%</b>	31.2%	20 bps	
Total volume	<b>12.9</b>	11.8	9.0	5.8
Beer volume	<b>12.6</b>	11.5	9.1	6.3
Licensed & non-beer volume	<b>0.3</b>	0.3	2.9	-15.5

**Beer volume** grew 6.3% organically, with double digit growth in Vietnam and Cambodia, but volume decline in Indonesia and Malaysia. In China performance was disappointing given headwinds and the continued impact of parallel imports.

**Revenue** grew 4.5% organically, with total volume up 5.8% and revenue per hectolitre down 1.2%. Underlying price mix for the region was down 1.7% for the first six months. Favourable currency development added €25 million to revenue and consolidation added €16 million.

**Operating profit (beia)** increased 8.8% organically driven by strong growth in Vietnam, Cambodia, and Singapore. Favourable currency movement across a number of countries almost fully offset the negative impact from consolidation.

In **Vietnam**, after a slower start to the year due to the earlier Tet, volume accelerated in the second quarter resulting in double digit growth in the first half. Tiger brand momentum and the strong focus on sales execution were the drivers of this growth delivered against particularly strong comparatives.

In **Indonesia**, volume declined high single digit as a result of the weaker general consumer environment as well as earlier timing of Ramadan. The focus on growing the Heineken® brand supported double digit volume growth in the first half.

In **Cambodia**, the capacity extension completed last year continued to support strong growth ahead of the market, with volume up double digit, including Heineken®.

## Europe

Key Financials (in mhl or € million unless otherwise stated)	HY17	HY16	Total growth %	Organic growth %
Revenue <sup>1</sup>	<b>5,028</b>	4,933	1.9	3.6
Revenue/ hl (in €) <sup>1</sup>	<b>97</b>	97	0.3	1.9
Operating profit (beia)	<b>665</b>	581	14.5	16.1
Operating profit (beia) margin <sup>1</sup>	<b>13.2%</b>	11.8%	150 bps	
Total volume	<b>48.3</b>	47.3	2.1	2.1
Beer volume	<b>39.0</b>	38.3	1.9	1.9
Licensed & non-beer volume	<b>5.3</b>	5.1	4.2	4.2

<sup>1</sup> Excluding an accounting adjustment in the UK with no impact on operating profit, Europe organic revenue growth would have been +2.7%, organic revenue per hl +0.9%, and operating margin (beia) +156 bps.

**Beer volume** increased by 1.9% driven by France, Italy, Spain and Portugal. This more than offset volume decline in Poland and Greece. Volume growth accelerated in the second quarter with later timing of Easter and warmer weather. Notably this was against tough comparatives in the prior year given the impact of Euro 2016 Football event in some key markets.

**Revenue** increased by 3.6% organically, with revenue per hectolitre up 1.9% benefiting from the continued focus on premiumisation, a strong innovation agenda, and revenue management. Deflationary pressure continues in a number of key markets particularly in off trade. Currency reduced revenue by €62 million mainly due to the British Pound, and consolidation reduced it by €20 million.

**Operating profit (beia)** was up 16.1% organically, thanks to good revenue momentum, premiumisation and disciplined cost management across the region.

In the **UK**, beer volume declined low single digit mainly due to a partial delisting by a large customer. Premium beer and cider volume increased with Heineken® volume up mid single digit. The pubs business continued to perform well, with the proposed Punch transaction expected to complete by the end of August subject to regulatory approval. In 2H16 there was an adjustment in the way the UK accounts for products bought for resale that were previously partly netted in Revenue and Raw materials. This has no impact on operating profit and will have no impact on results from the second half onwards.

In **France**, volume grew high single digit against tough comparatives given the Euro 2016 Football Event last year. Heineken® volume was up mid single digit. The pricing environment continues to be challenging.

In **Spain**, beer volume was up mid single digit supported by continued improvement in the economy and favourable momentum particularly in the off trade.

In the **Netherlands** volume grew low single digit driven by strong growth in the premium portfolio and low & no alcohol products. Heineken® volume grew mid single digit and Heineken® 0.0 was successfully launched in the market.

In **Poland**, where the market remains very competitive, beer volume decreased mid single digit. In **Greece**, volume declined double digit due to demanding comparatives (front loading ahead of a significant excise tax increase in 2016).

**INTERIM FINANCIAL REVIEW**

<b>Key figures</b> <i>(in mhl or € million unless otherwise stated)</i>	<b>HY16</b>	Currency translation	Consolidation impact	Organic growth	<b>HY17</b>	Organic growth %
Revenue (beia)	<b>10,094</b>	-320	121	580	<b>10,475</b>	5.7
Total expenses (beia)	<b>-8,389</b>	228	-131	-378	<b>-8,670</b>	-4.5
Operating profit (beia)	<b>1,705</b>	-92	-10	202	<b>1,805</b>	11.8
Net interest income/(expenses) (beia)	<b>-180</b>	0	-7	12	<b>-176</b>	6.4
Other net finance income/(expenses) (beia)	<b>-73</b>	13	-2	-6	<b>-68</b>	-8.0
Share of net profit of assoc./ JVs (beia)	<b>79</b>	4	0	-7	<b>76</b>	-8.2
Income tax expense (beia)	<b>-419</b>	27	-2	-77	<b>-470</b>	-18.3
Minority interests (beia)	<b>-135</b>	19	5	-21	<b>-132</b>	-15.9
Net profit (beia)	<b>977</b>	-28	-16	103	<b>1,036</b>	10.5
Eia	-391				-165	
Net profit	586				871	

**Main changes in consolidation**

- On 1 February 2016, Grupa Żywiec completed the sale of 80% in Dtribev Sp. z o.o., a local sales and distribution company serving the traditional trade and horeca market, to the Orbico Group.
- On 15 November 2016 closure of an agreement with Asia Brewery Incorporated to create AB HEINEKEN Philippines Inc.
- On 4 May 2017 HEINEKEN acquired all the remaining shares in Lagunitas Brewing Company.
- On 31 May 2017 HEINEKEN completed the acquisition of Brasil Kirin Holding S.A. ('Brasil Kirin') from Kirin Holdings Company Limited.

In the second half of the year the following transactions could impact HEINEKEN reported results through consolidation changes:

- On 15 December 2016 HEINEKEN announced the proposed acquisition of Punch Securitisation A. Additional information can be found in the Proposed Acquisition of Punch section.
- On 9 May 2017 Sligro Food Group NV and HEINEKEN Nederland B.V announced their intention to set up a strategic partnership for Beer & Cider logistics in the Dutch Out of Home (Horeca) market as well as the sale of the non Beer & Cider related activities of the Dutch HEINEKEN Beverages Wholesale business to Sligro Food Group.
- On 21 June 2017 HEINEKEN Belarus announced the decision to strengthen its long-term strategic partnership with Oasis Group and extend it to Belarus. HEINEKEN Belarus business will be transferred to Oasis, who will own and operate the combined business while HEINEKEN will enter license and distribution agreements. Completion is subject to regulatory approvals.
- On 10 July 2017 HEINEKEN Asia Pacific announced that it has entered into agreements to merge its businesses in Mongolia with APU JSC, the country's leading beverages producer of which Shunkhlai Group (SG) is the largest shareholder. Post transaction, HEINEKEN Asia Pacific will hold 25% in APU JSC, with SG retaining majority ownership. The proposed merger is subject to approval by APU JSC's shareholders as well as regulatory agencies.

## Revenue

In the first half, revenue reached €10,475 million, increasing organically by 5.7%, with total consolidated volume growth of 2.3% and a 3.4% increase in revenue per hectolitre. Currency had a negative impact of 3.1% (€320 million), mainly driven by adverse development of the Nigerian Naira, the British Pound, the Mexican Peso, the Congolese Franc in DRC and the Egyptian Pound. Impact of consolidation was positive and €121 million, adding 1.2%.

## Total expenses (beia)

Total expenses (beia) were €8,670 million, up 4.5% organically. On an organic basis input costs increased by 5.8%. On a per hectolitre basis input costs increased 3.3% due to the impact of transactional currency in our key developing countries including Nigeria, Brazil, Egypt and Mexico, as well as in the UK. Marketing and selling (beia) expenses decreased organically by 0.6% to €1,418 million, representing 13.5% of revenues (2016: 14.1%). Personnel expenses increased organically by 6.2% to €1,671 million (2016: €1,583 million).

## Operating profit (beia)

Operating profit (beia) was €1,805 million, up 11.8% organically due to higher revenue, premiumisation and the benefit of realised cost savings. There was a €92 million adverse impact from foreign currency and a €10 million adverse impact from consolidation.

## Net finance expenses (beia)

The average interest rate in the first half of 2017 was 3.2% (2016: 3.1%). Net interest expenses (beia) decreased by €4 million to €176 million. Other net finance expenses (beia) decreased by €5 million to €68 million.

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

Share of net profit of associates and joint ventures (beia) at €76 million was down 8.2% organically, and decreased by €3 million overall after including the impact of both currency and consolidation.

## Income tax expense (beia)

The effective tax rate (beia) in the first half of 2017 was 30.1%, ahead of the first half of last year (2016: 28.9%).

## Net profit (beia) and Net profit

Net profit (beia) was €1,036 million, an organic increase of 10.5%. The impact of currency was unfavourable at €28 million mainly driven by the Nigerian Naira, and consolidation had a negative impact of €16 million.

Reported Net profit for the half year was €871 million.

## Exceptional items & amortisation of acquisition related intangibles (Eia)

The impact of Eia on Net profit amounts to €165 million (2016: €391 million).

On operating profit the impact of Eia amounted to €164 million (2016: €451 million). Amortisation of acquisition related intangibles amounted to €153 million (2016: €155 million). Exceptional items amounted to €11 million (2016: €296 million). This includes restructuring expenses of €26 million (2016: €52 million), net reversal of impairments of €1 million (2016: €222 million expense of which €233 million related to the DRC), acquisition and integration costs of €32 million (2016: €5 million) and other exceptional net benefits of €46 million (2016: €17 million expense).

Please refer to page 31 for more details on exceptional items and amortisation of acquisition related intangibles.

## US dollar hedging

HEINEKEN delays the impact of the US\$ fluctuations versus the Euro by hedging the net cash inflow of US\$ from exports up to 18 months in advance.

The average €/US\$ exchange rate inclusive of hedging was 1.12 in the first half of 2017, versus 1.18 last year in the same period. For the full year 2017, the net dollar inflow is forecasted at US\$510 million, of which 96% has been hedged at €/US\$ 1.13 (2016: 1.16). For 2018, the net dollar inflow is forecasted at approximately US\$503 million of which 64% is hedged at €/US\$ 1.12 as of 25 July 2017.

## Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment amounted to €615 million in the first half year (2016: €698 million).

Free operating cash flow amounted to €746 million (2016: €541 million), mainly driven by stronger cash generation of our operations and lower capital expenditure, and partly offset by a higher level of income tax in the period. The cash flow generated from change in working capital was similar to the prior year.

## Financial structure

Total gross debt amounted to €15,420 million (31 December 2016: €14,570 million). The gross debt includes €1,261 million of overdrafts in the cash pool with legally enforceable rights to offset against cash. Net debt increased to €12,511 million (31 December 2016: €11,293 million) as the cash outflow for dividends and acquisitions exceeded the positive free operating cash flow and positive foreign currency impact on debt.

Including the effect of cross-currency swaps, 62% of net debt is Euro-denominated and 27% is US\$ and US\$ proxy currencies. The pro-forma net debt/EBITDA (beia) ratio was just below 2.5x on 30 June 2017 (2016: 2.4x) in line with the long-term target net debt/EBITDA (beia) ratio of below 2.5x.



### Average number of shares

HEINEKEN had 576,002,613 shares in issue at 30 June 2017. In the calculation of basic EPS, the weighted average number of shares outstanding in the first half of 2017 was 569,953,115. In the calculation of diluted EPS, shares to be delivered under the employee incentive programme are added to the weighted average shares outstanding. The weighted average diluted number of shares outstanding in the first half of 2017 was 570,239,611 (2016: 570,032,764).

### Risk paragraph

The annual report 2016 outlines HEINEKEN's main risks and mitigation activities at the time of closing the 2016 financial year. In the Company's view, the nature and potential impact of these risks have not materially changed in the first half of 2017. Reference is made to pages 21 to 27 of the Annual Report 2016 for a detailed description of HEINEKEN's risks and risk control systems.

In the first half of 2017, intense competition, especially in the premium and craft beer segments, steady pressure from distributors and retailers and foreign exchange volatility represented the key challenges to the execution of HEINEKEN's commercial strategy and profit targets.

In the current context of geopolitical uncertainty, risks related to social unrest, price and availability of raw materials, regulatory changes and especially alcohol-related regulations may also adversely impact HEINEKEN's results and remain high on its risk management agenda.

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. The Company's risk management systems are focused on timely discovery of such risks.



## Interim Consolidated Metrics: Half year 2017

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	HY16	Currency Translation	Consolidation Impact	Organic Growth	HY17	Organic Growth %
<b>Africa, Middle East &amp; Eastern Europe</b>						
Revenue	1,646	-319	—	195	1,523	11.9
Revenue per HI (in €) <sup>1</sup>	73			9	68	11.9
Operating profit (beia)	267	-83	—	33	218	12.4
Operating profit (beia) margin	16.2%				14.3%	
Total volume	22.5		—	—	22.5	—
Beer volume	19.1		—	0.3	19.3	1.5
Licensed & non-beer volume	3.4		—	-0.3	3.2	-8.0
Third party products volume	—		—	—	—	-9.4
<i>Group beer volume</i>	<i>19.8</i>				<i>20.0</i>	
<b>Americas</b>						
Revenue	2,485	34	124	157	2,801	6.3
Revenue per HI (in €) <sup>1</sup>	86			3	88	2.9
Operating profit (beia)	458	-9	—	73	521	15.9
Operating profit (beia) margin	18.4%				18.6%	
Total volume	28.8		2.2	0.8	31.8	2.8
Beer volume	28.1		1.5	0.8	30.4	2.8
Licensed & non-beer volume	0.7		0.7	—	1.4	7.3
Third party products volume	—		—	—	—	-13.8
<i>Group beer volume</i>	<i>30.4</i>				<i>32.7</i>	
<b>Asia Pacific</b>						
Revenue	1,345	25	16	61	1,447	4.5
Revenue per HI (in €) <sup>1</sup>	114			-1	112	-1.2
Operating profit (beia)	419	7	-9	37	454	8.8
Operating profit (beia) margin	31.2%				31.4%	
Total volume	11.8		0.4	0.7	12.9	5.8
Beer volume	11.5		0.3	0.7	12.6	6.3
Licensed & non-beer volume	0.3		0.1	—	0.3	-15.5
Third party products volume	—		—	—	—	-5.9
<i>Group beer volume</i>	<i>14.9</i>				<i>16.0</i>	
<b>Europe</b>						
Revenue <sup>2</sup>	4,933	-62	-20	177	5,028	3.6
Revenue per HI (in €) <sup>1,2</sup>	97			2	97	1.9
Operating profit (beia)	581	-7	-2	94	665	16.1
Operating profit (beia) margin <sup>2</sup>	11.8%				13.2%	
Total volume	47.3		—	1.0	48.3	2.1
Beer volume	38.3		—	0.7	39.0	1.9
Licensed & non-beer volume	5.1		—	0.2	5.3	4.2
Third party products volume	3.9		—	0.1	4.0	1.5
<i>Group beer volume</i>	<i>39.7</i>				<i>40.4</i>	
<b>Head Office &amp; Eliminations</b>						
Revenue	-315	2	1	-11	-324	n.a.
Operating profit (beia)	-20	—	1	-34	-53	n.a.
<b>Heineken N.V.</b>						
Revenue <sup>2</sup>	10,094	-320	121	580	10,475	5.7
Revenue per HI (in €) <sup>1,2</sup>	91			3	91	3.4
Total expenses (beia)	-8,389	228	-131	-378	-8,670	-4.5
Operating profit (beia)	1,705	-92	-10	202	1,805	11.8
Operating profit (beia) margin <sup>2</sup>	16.9%				17.2%	
Share of net profit of associates / JVs (beia)	79	4	0	-7	76	-8.2
Net Interest income / (expenses) (beia)	-180	0	-7	12	-176	6.4
Other net finance income / (expenses) (beia)	-73	13	-2	-6	-68	-8.0
Income tax expense (beia)	-419	27	-2	-77	-470	-18.3
Minority Interests	-135	19	5	-21	-132	-15.9
Net profit (beia)	977	-28	-16	103	1,036	10.5
Total volume	110.4		2.6	2.5	115.4	2.3
Beer volume	97.0		1.8	2.5	101.3	2.6
Licensed & non-beer volume	9.4		0.8	—	10.0	-0.5
Third party products volume	4.0		—	—	4.1	1.2
<i>Group beer volume</i>	<i>104.9</i>				<i>109.1</i>	

<sup>1</sup> Revenue per HI calculation excludes interregional revenue

<sup>2</sup> Refer to page 1 for additional detail on UK accounting adjustment impact on HEINEKEN and on Europe, please go to page 12.

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

## First Quarter 2017 Metrics

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	1Q16	Consolidation Impact	Organic Growth	1Q17	Organic Growth %
<b>Africa, Middle East &amp; Eastern Europe</b>					
Total volume	10.6	—	-0.2	10.4	-1.9
Beer volume	9.0	—	—	9.0	-0.4
Licensed & non-beer volume	1.6	—	-0.2	1.4	-9.9
Third party products volume	—	—	—	—	—
<i>Group beer volume</i>	9.4			9.3	
<b>Americas</b>					
Total volume	13.9	—	-0.1	13.8	-0.5
Beer volume	13.6	—	-0.1	13.5	-0.7
Licensed & non-beer volume	0.3	—	—	0.3	9.5
Third party products volume	—	—	—	—	—
<i>Group beer volume</i>	14.9			14.9	
<b>Asia Pacific</b>					
Total volume	5.9	0.2	0.3	6.4	5.0
Beer volume	5.8	0.2	0.3	6.2	5.4
Licensed & non-beer volume	0.1	—	—	0.2	-11.1
Third party products volume	—	—	—	—	—
<i>Group beer volume</i>	7.1			7.6	
<b>Europe</b>					
Total volume	19.0	—	0.2	19.1	0.8
Beer volume	15.2	—	0.1	15.3	0.5
Licensed & non-beer volume	2.1	—	0.1	2.1	2.5
Third party products volume	1.7	—	—	1.7	1.0
<i>Group beer volume</i>	15.8			15.9	
<b>Heineken N.V.</b>					
Total volume	49.4	0.2	0.2	49.8	0.4
Beer volume	43.5	0.2	0.3	44.0	0.6
Licensed & non-beer volume	4.1	—	-0.1	4.0	-2.2
Third party products volume	1.8	—	—	1.8	0.4
<i>Group beer volume</i>	47.2			47.7	

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

## Second Quarter 2017 Metrics

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	2Q16	Consolidation Impact	Organic Growth	2Q17	Organic Growth %
<b>Africa, Middle East &amp; Eastern Europe</b>					
Total volume	11.9	—	0.2	12.1	1.8
Beer volume	10.0	—	0.3	10.4	3.2
Licensed & non-beer volume	1.9	—	-0.1	1.7	-6.3
Third party products volume	—	—	—	—	—
<i>Group beer volume</i>	<i>10.4</i>			<i>10.7</i>	
<b>Americas</b>					
Total volume	14.9	2.1	0.9	17.9	6.0
Beer volume	14.6	1.5	0.9	16.9	6.0
Licensed & non-beer volume	0.3	0.6	—	1.0	5.2
Third party products volume	—	—	—	—	—
<i>Group beer volume</i>	<i>15.5</i>			<i>17.8</i>	
<b>Asia Pacific</b>					
Total volume	5.9	0.2	0.4	6.5	6.5
Beer volume	5.8	0.2	0.4	6.4	7.1
Licensed & non-beer volume	0.1	—	—	0.1	-19.6
Third party products volume	—	—	—	—	—
<i>Group beer volume</i>	<i>7.8</i>			<i>8.4</i>	
<b>Europe</b>					
Total volume	28.3	—	0.8	29.2	3.0
Beer volume	23.1	—	0.6	23.7	2.7
Licensed & non-beer volume	3.0	—	0.2	3.3	5.4
Third party products volume	2.2	—	—	2.2	1.9
<i>Group beer volume</i>	<i>23.9</i>			<i>24.5</i>	
<b>Heineken N.V.</b>					
Total volume	61.0	2.4	2.3	65.6	3.8
Beer volume	53.5	1.6	2.2	57.4	4.2
Licensed & non-beer volume	5.3	0.8	0.1	5.9	0.8
Third party products volume	2.2	—	—	2.3	1.8
<i>Group beer volume</i>	<i>57.7</i>			<i>61.5</i>	

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

Condensed consolidated interim financial statements  
for the six-month period ended 30 June 2017

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**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

For the six-month period ended 30 June  
In millions of €

	Note	2017	2016
<b>Revenue</b>	5	<b>10,475</b>	<b>10,094</b>
<b>Other income</b>	5	<b>6</b>	<b>23</b>
Raw materials, consumables and services		(6,405)	(6,270)
Personnel expenses		(1,699)	(1,613)
Amortisation, depreciation and impairments		(736)	(980)
<b>Total expenses</b>		<b>(8,840)</b>	<b>(8,863)</b>
<b>Operating profit</b>	5	<b>1,641</b>	<b>1,254</b>
Interest income		33	27
Interest expenses		(220)	(207)
Other net finance income/ (expenses)		(71)	(92)
<b>Net finance expenses</b>		<b>(258)</b>	<b>(272)</b>
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	5	19	74
<b>Profit before income tax</b>		<b>1,402</b>	<b>1,056</b>
Income tax expenses		(422)	(363)
<b>Profit</b>		<b>980</b>	<b>693</b>
Attributable to:			
Equity holders of the Company (net profit)		871	586
Non-controlling interests		109	107
<b>Profit</b>		<b>980</b>	<b>693</b>
Weighted average number of shares – basic	8	569,953,115	569,739,977
Weighted average number of shares – diluted	8	570,239,611	570,032,764
Basic earnings per share (EUR)		1.53	1.03
Diluted earnings per share (EUR)		1.53	1.03

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*For the six-month period ended 30 June*

*In millions of €*

	Note	2017	2016
<b>Profit</b>		<b>980</b>	<b>693</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gains and losses		59	(238)
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Currency translation differences		(630)	(792)
Effective portion of net investment hedges		(12)	32
Effective portion of changes in fair value of cash flow hedges		23	19
Effective portion of cash flow hedges transferred to profit or loss		2	14
Net change in fair value available-for-sale investments		7	(8)
Share of other comprehensive income of associates/joint ventures		(1)	—
<b>Other comprehensive income, net of tax</b>		<b>(552)</b>	<b>(973)</b>
<b>Total comprehensive income</b>		<b>428</b>	<b>(280)</b>
Attributable to:			
Equity holders of the Company		391	(333)
Non-controlling interests		37	53
<b>Total comprehensive income</b>		<b>428</b>	<b>(280)</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

<i>As at</i>			<b>31 December</b>
<i>In millions of €</i>	<b>Note</b>	<b>30 June 2017</b>	<b>2016</b>
<b>Assets</b>			
Property, plant and equipment		9,691	9,232
Intangible assets		18,303	17,424
Investments in associates and joint ventures		1,720	2,166
Other investments and receivables		1,201	1,077
Advances to customers		302	274
Deferred tax assets		1,092	1,011
<b>Total non-current assets</b>		<b>32,309</b>	<b>31,184</b>
Inventories		2,007	1,618
Trade and other receivables		3,702	3,052
Prepayments		451	328
Income tax receivables		38	47
Cash and cash equivalents		2,774	3,035
Assets classified as held for sale		76	57
<b>Total current assets</b>		<b>9,048</b>	<b>8,137</b>
<b>Total assets</b>		<b>41,357</b>	<b>39,321</b>
<b>Equity</b>			
Share capital		922	922
Share premium		2,701	2,701
Reserves		(1,659)	(1,173)
Retained earnings		11,184	10,788
<b>Equity attributable to equity holders of the Company</b>	<b>8</b>	<b>13,148</b>	<b>13,238</b>
Non-controlling interests		1,178	1,335
<b>Total equity</b>		<b>14,326</b>	<b>14,573</b>
<b>Liabilities</b>			
Loans and borrowings	9	12,875	10,954
Tax liabilities		3	3
Employee benefits		1,338	1,420
Provisions		857	302
Deferred tax liabilities		1,957	1,672
<b>Total non-current liabilities</b>		<b>17,030</b>	<b>14,351</b>
Bank overdrafts and commercial papers	9	1,457	1,669
Loans and borrowings	9	1,185	1,981
Trade and other payables		6,803	6,224
Tax liabilities		373	352
Provisions		161	154
Liabilities classified as held for sale		22	17
<b>Total current liabilities</b>		<b>10,001</b>	<b>10,397</b>
<b>Total liabilities</b>		<b>27,031</b>	<b>24,748</b>
<b>Total equity and liabilities</b>		<b>41,357</b>	<b>39,321</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**
*For the six-month period ended 30 June*
*In millions of €*

	Note	2017	2016
<b>Operating activities</b>			
Profit		980	693
Adjustments for:			
Amortisation, depreciation and impairments		736	980
Net interest expenses		187	180
Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates		(6)	(23)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on available-for-sale and held-for-trading investments		(28)	(82)
Income tax expenses		422	363
Other non-cash items		147	194
<b>Cash flow from operations before changes in working capital and provisions</b>		<b>2,438</b>	<b>2,305</b>
Change in inventories		(272)	(182)
Change in trade and other receivables		(628)	(745)
Change in trade and other payables		377	425
<b>Total change in working capital</b>		<b>(523)</b>	<b>(502)</b>
Change in provisions and employee benefits		(13)	(47)
<b>Cash flow from operations</b>		<b>1,902</b>	<b>1,756</b>
Interest paid		(206)	(196)
Interest received		42	41
Dividends received		65	54
Income taxes paid		(362)	(320)
<b>Cash flow related to interest, dividend and income tax</b>		<b>(461)</b>	<b>(421)</b>
<b>Cash flow from operating activities</b>		<b>1,441</b>	<b>1,335</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		22	46
Purchase of property, plant and equipment		(615)	(698)
Purchase of intangible assets		(42)	(42)
Loans issued to customers and other investments		(92)	(104)
Repayment on loans to customers		32	4
<b>Cash flow (used in)/from operational investing activities</b>		<b>(695)</b>	<b>(794)</b>
<b>Free operating cash flow</b>		<b>746</b>	<b>541</b>



For the six-month period ended 30 June

In millions of €

	Note	2017	2016
Acquisition of subsidiaries, net of cash acquired		(750)	—
Acquisition of/additions to associates, joint ventures and other investments		(134)	(47)
Disposal of subsidiaries, net of cash disposed of		—	16
Disposal of associates, joint ventures and other investments		—	(2)
<b>Cash flow (used in)/from acquisitions and disposals</b>		<b>(884)</b>	<b>(33)</b>
<b>Cash flow (used in)/from investing activities</b>		<b>(1,579)</b>	<b>(827)</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings		2,368	994
Repayment of loans and borrowings		(1,545)	(98)
Dividends paid		(650)	(676)
Purchase own shares and shares issued		—	(17)
Acquisition of non-controlling interests		(11)	(268)
Other		—	7
<b>Cash flow (used in)/from financing activities</b>		<b>162</b>	<b>(58)</b>
<b>Net cash flow</b>			
		<b>24</b>	<b>450</b>
Cash and cash equivalents and bank overdrafts as at 1 January		1,366	282
Effect of movements in exchange rates		(73)	67
<b>Cash and cash equivalents and bank overdrafts as at 30 June</b>		<b>1,317</b>	<b>799</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*In millions of €*

	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
<b>Balance as at 1 January 2017</b>	<b>922</b>	<b>2,701</b>	<b>(1,829)</b>	<b>(1)</b>	<b>262</b>	<b>838</b>	<b>(443)</b>	<b>10,788</b>	<b>13,238</b>	<b>1,335</b>	<b>14,573</b>
Profit	—	—	—	—	—	75	—	796	871	109	980
Other comprehensive income	—	—	(630)	25	7	59	—	59	(480)	(72)	(552)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(630)</b>	<b>25</b>	<b>7</b>	<b>134</b>	<b>—</b>	<b>855</b>	<b>391</b>	<b>37</b>	<b>428</b>
Transfer to retained earnings	—	—	—	—	—	(55)	—	55	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(467)	(467)	(197)	(664)
Purchase/ reissuance own/ non-controlling shares	—	—	—	—	—	—	—	—	—	—	—
Own shares delivered	—	—	—	—	—	—	33	(33)	—	—	—
Share-based payments	—	—	—	—	—	—	—	1	1	—	1
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	(15)	(15)	3	(12)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	—
<b>Balance as at 30 June 2017</b>	<b>922</b>	<b>2,701</b>	<b>(2,459)</b>	<b>24</b>	<b>269</b>	<b>917</b>	<b>(410)</b>	<b>11,184</b>	<b>13,148</b>	<b>1,178</b>	<b>14,326</b>

*In millions of €*

	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
<b>Balance as at 1 January 2016</b>	<b>922</b>	<b>2,701</b>	<b>(1,017)</b>	<b>(47)</b>	<b>122</b>	<b>719</b>	<b>(432)</b>	<b>10,567</b>	<b>13,535</b>	<b>1,535</b>	<b>15,070</b>
Profit	—	—	—	—	—	77	—	509	586	107	693
Other comprehensive income	—	—	(706)	31	(7)	—	—	(237)	(919)	(54)	(973)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(706)</b>	<b>31</b>	<b>(7)</b>	<b>77</b>	<b>—</b>	<b>272</b>	<b>(333)</b>	<b>53</b>	<b>(280)</b>
Transfer to retained earnings	—	—	—	—	—	23	—	(23)	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(490)	(490)	(209)	(699)
Purchase/ reissuance own/ non-controlling shares	—	—	—	—	—	—	(30)	—	(30)	13	(17)
Own shares delivered	—	—	—	—	—	—	28	(28)	—	—	—
Share-based payments	—	—	—	—	—	—	—	(15)	(15)	—	(15)
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	(126)	(126)	(149)	(275)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	—
<b>Balance as at 30 June 2016</b>	<b>922</b>	<b>2,701</b>	<b>(1,723)</b>	<b>(16)</b>	<b>115</b>	<b>819</b>	<b>(434)</b>	<b>10,157</b>	<b>12,541</b>	<b>1,243</b>	<b>13,784</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

Heineken N.V. (the 'Company') is a 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 2017 comprise the Company and its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interest in jointly controlled entities and associates.

The consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2016 are available at [www.theheinekencompany.com](http://www.theheinekencompany.com).

## 2. BASIS OF PREPARATION

**(a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2016.

These condensed consolidated interim financial statements were approved by the Executive Board of the Company on 28 July 2017. Deloitte Accountants B.V. has reviewed the condensed consolidated interim financial statements. Their report is included on page 39.

**(b) Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest million unless stated otherwise.

**(c) Use of estimates and judgements**

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying HEINEKEN's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

## 3. 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 2016.

**(b) Income tax**

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

**(c) Update on new relevant standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017, which HEINEKEN has not applied in preparing these consolidated interim financial statements. In the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2016 the (potential) impact of these new standards and amendments were mentioned. No updates on these new standards and amendments are to be reported in these condensed consolidated interim financial statements, except for the standards mentioned below.

IFRS 15 'Revenue from Contracts with Customers', published in May 2014, establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance and will be implemented by HEINEKEN per 1 January 2018. HEINEKEN concluded that IFRS 15 impacts the presentation in profit or loss of 'payments to customers for services received', such as payments to customers for marketing support. Most of these marketing support payments are currently classified as marketing expenses, but will be considered a reduction of revenue under IFRS 15 if the marketing support cannot be separated as a distinct service. With regard to the 'payments to customers for services received' it is expected that the implementation of IFRS 15 will reduce both revenue and marketing expenses by less than 2% of revenue, with no impact on net profit. Furthermore, IFRS 15 requires to assess the accounting for excise taxes on a country by country basis. This could implicate that for certain countries excise taxes will be reported on a gross basis instead of on a net basis within revenue, HEINEKEN's current accounting policy. HEINEKEN is in the process of performing this analysis. If a gross approach will be applicable, this will have no impact on net profit.

IFRS 16 'Leases', published in January 2016, establishes a revised framework for determining whether a lease is recognised on the (Consolidated) Statement of Financial Position. It replaces existing guidance on leases, including IAS 17. HEINEKEN will implement IFRS 16 per 1 January 2019. In the first six months of 2017, HEINEKEN has nearly completed the extraction of relevant datapoints from lease contracts. These will be used for the impact analysis during second half-year 2017/first half-year 2018. The operating leases that will be recorded on HEINEKEN's balance sheet as a result of IFRS 16 will mainly be for offices, warehouses, pubs, stores, cars and (forklift) trucks.

**4. SEASONALITY**

The performance of HEINEKEN is subject to seasonal fluctuations 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 to August and December). The impact from this seasonality is also noticeable in several working capital related items such as inventory, trade receivables and payables.

## 5. OPERATING SEGMENTS

**For the six-month period ended 30 June 2017 and 30 June 2016**

<i>In millions of €</i>	Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Head Office & Other/ Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenue</b>												
Third party revenue	4,688	4,581	2,786	2,483	1,522	1,644	1,446	1,343	33	43	10,475	10,094
Interregional revenue	340	352	15	2	1	2	1	2	(357)	(358)	—	—
<b>Total revenue</b>	<b>5,028</b>	<b>4,933</b>	<b>2,801</b>	<b>2,485</b>	<b>1,523</b>	<b>1,646</b>	<b>1,447</b>	<b>1,345</b>	<b>(324)</b>	<b>(315)</b>	<b>10,475</b>	<b>10,094</b>
Other income	6	19	—	3	—	1	—	—	—	—	6	23
<b>Operating profit</b>	<b>649</b>	<b>538</b>	<b>465</b>	<b>406</b>	<b>212</b>	<b>24</b>	<b>377</b>	<b>332</b>	<b>(62)</b>	<b>(46)</b>	<b>1,641</b>	<b>1,254</b>
Net finance expenses											(258)	(272)
Share of profit of associates and joint ventures and impairments thereof	4	4	(17)	33	20	23	12	14	—	—	19	74
Income tax expenses											(422)	(363)
<b>Profit</b>											<b>980</b>	<b>693</b>
<b>Operating profit reconciliation</b>												
Operating profit <sup>1</sup>	649	538	465	406	212	24	377	332	(62)	(46)	1,641	1,254
Eia <sup>1</sup>	16	43	56	52	6	243	77	87	9	26	164	451
<b>Operating profit (beia)<sup>1</sup></b>	<b>665</b>	<b>581</b>	<b>521</b>	<b>458</b>	<b>218</b>	<b>267</b>	<b>454</b>	<b>419</b>	<b>(53)</b>	<b>(20)</b>	<b>1,805</b>	<b>1,705</b>
<b>As at 30 June 2017 and 31 December 2016</b>												
<b>Total segment assets</b>	<b>13,773</b>	<b>13,107</b>	<b>11,323</b>	<b>9,060</b>	<b>3,851</b>	<b>4,144</b>	<b>9,227</b>	<b>10,370</b>	<b>2,092</b>	<b>1,628</b>	<b>40,266</b>	<b>38,309</b>
Unallocated assets											1,091	1,012
<b>Total assets</b>											<b>41,357</b>	<b>39,321</b>

<sup>1</sup> Comparatives have been restated to reflect HEINEKEN's revised internal reporting measure. Note that these are non-GAAP measures.

## Reconciliation of segment profit or loss

In the internal management reports, HEINEKEN measures its performance primarily based on operating profit and operating profit beia (before exceptional items and amortisation of acquisition-related intangible assets). Operating profit beia has replaced EBIT beia as key measure of profitability as of 1 January 2017. Operating profit better reflects the profitability that is under the direct control of HEINEKEN, as HEINEKEN does not have full control over Joint Ventures and Associates. Furthermore, operating profit measures profitability in a more consistent manner as it does not include any interest or tax performance.

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 (beia) to profit before income tax for the six-month period ended 30 June:

<i>In millions of €</i>	2017	2016
<b>Operating profit (beia)</b>	<b>1,805</b>	<b>1,705</b>
Exceptional items and amortisation of acquisition-related intangible assets included in operating profit	(164)	(451)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	19	74
Net finance expenses	(258)	(272)
<b>Profit before income tax</b>	<b>1,402</b>	<b>1,056</b>

## Exceptional items and amortisation of acquisition-related intangibles (Eia) in net profit

The table below provides an overview of the exceptional items and amortisation of acquisition-related intangibles in HEINEKEN's net profit for the six-month period ended 30 June:

<i>In millions of €</i>	2017	2016
<b>Profit attributable to equity holders of the Company (net profit)</b>	<b>871</b>	<b>586</b>
Amortisation of acquisition-related intangible assets included in operating profit	153	155
Exceptional items included in operating profit	11	296
Exceptional items included in net finance expenses/(income)	13	18
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	58	5
Exceptional items included in income tax expense	(47)	(55)
Exceptional items included in non-controlling interest	(23)	(28)
<b>Net profit (beia)</b>	<b>1,036</b>	<b>977</b>

The exceptional items and amortisation of acquisition-related intangibles on net profit for the six-month period ended 30 June 2017 amounts to €165 million (six-month period ended 30 June 2016: €391 million). This amount consists of:

- €153 million of amortisation of acquisition-related intangibles recorded in operating profit (six-month period ended 30 June 2016: €155 million).
- €11 million (six-month period ended 30 June 2016: €296 million) of exceptional items recorded in operating profit. This includes restructuring expenses of €26 million (six-month period ended 30 June 2016: €52 million), net reversal of impairments of €1 million (six-month period ended 30 June 2016: €222 million of which €233 million relates to The Democratic Republic of Congo (DRC)), acquisition and integration costs of €32 million (six-month period ended 30 June 2016: €5 million) and other exceptional net benefits of €46 million (six-month period ended 30 June 2016: €17 million expense).

- €13 million of exceptional items in net finance expenses, mainly related to the interest expenses of the pre-financing of acquisitions (six-month period ended 30 June 2016: €18 million, related to the currency impact on dividend receivables from Nigeria).
- €58 million of exceptional items and amortisation of acquisition-related intangibles included in share of profit of associates and joint ventures, which includes loss on previously-held equity interests and the recycling of foreign exchange from equity to profit and loss (six-month period ended 30 June 2016: €5 million).
- €47 million in income tax expense, mainly related to the tax impact of exceptional items in operating profit (six-month period ended 30 June 2016: €55 million).
- Total amount of Eia allocated to non-controlling interest amounts to €23 million (six-month period ended 30 June 2016: €28 million).

## 6. ACQUISITIONS OF SUBSIDIARIES

### Accounting for the acquisition of Brasil Kirin

On 13 February 2017, HEINEKEN announced that it had entered into an agreement with Kirin Holdings Company, Limited ("Kirin") to acquire Brasil Kirin Holding S.A. ("Brasil Kirin"), one of the largest beer and soft drinks producers in Brazil, through its wholly owned subsidiary Bavaria S.A. The transaction will transform HEINEKEN's existing business across the country by extending its footprint, increasing scale and further strengthening its brand portfolio. The transaction was completed on 31 May 2017 as from which date Brasil Kirin is consolidated within HEINEKEN.

The total net cash consideration payable by HEINEKEN to Kirin for all the shares was €594 million.

The following table summarises the major classes of consideration transferred and the recognised provisional amounts of assets acquired and liabilities assumed at the acquisition date:

<i>In millions of €</i>	Brasil Kirin
Property, plant and equipment	561
Intangible assets	374
Inventories	137
Cash and cash equivalents	148
Other assets	339
<b>Assets acquired</b>	<b>1,559</b>
Short term liabilities	734
Long term liabilities	775
<b>Liabilities assumed</b>	<b>1,509</b>
<b>Total net identifiable assets</b>	<b>50</b>
<i>In millions of €</i>	
Consideration transferred	594
Net identifiable assets acquired	50
<b>Goodwill on acquisition (provisional)</b>	<b>544</b>

Acquisition-related costs of €18 million have been recognised in the income statement for the six-month period ended 30 June 2017.



The goodwill is attributable to earnings beyond the period over which intangible assets are amortised, workforce, expected synergies and future customers. The goodwill could potentially be tax deductible in the future.

In accordance with IFRS 3, the amounts recorded for the transactions are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The amounts are provisional mainly because of the timing of this acquisition in the end of the second quarter of 2017.

The amount of revenue and loss for Brasil Kirin after obtaining control amounts to €77 million and €15 million respectively. Would the acquisition have taken place on 1 January 2017, revenue and profit for HEINEKEN would have been €10.9 billion and €0.9 billion respectively for the six-months period ended 30 June 2017.

## 7. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### **Financial risk management**

The aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

### **Fair value**

For bank loans and finance lease liabilities the carrying amount is a reasonable approximation of fair value. The fair value of the unsecured bond issued as at 30 June 2017 was €11,968 million (31 December 2016: €11,292 million) and the carrying amount was €11,351 million (31 December 2016: €10,683 million). The fair value of the other interest bearing liabilities as at 30 June 2017 was €1,998 million (31 December 2016: €1,662 million) and the carrying amount was €1,958 million (31 December 2016: €1,597 million).

### **Fair value hierarchy**

The tables below present the financial instruments accounted for or disclosed at fair value by level of the following fair value measurement hierarchy:

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

*As at 30 June 2017*

<i>In millions of €</i>	Level 1	Level 2	Level 3
Available-for-sale investments	331	—	82
Non-current derivative assets	—	186	—
Current derivative assets	—	59	—
	<b>331</b>	<b>245</b>	<b>82</b>

Non-current derivative liabilities	—	(24)	—
Loans and borrowings	(11,968)	(1,998)	—
Current derivative liabilities	—	(69)	—
	<b>(11,968)</b>	<b>(2,091)</b>	—

*As at 31 December 2016*

<i>In millions of €</i>	Level 1	Level 2	Level 3
Available-for-sale investments	342	—	85
Non-current derivative assets	—	254	—
Current derivative assets	—	48	—
	<b>342</b>	<b>302</b>	<b>85</b>

Non-current derivative liabilities	—	(10)	—
Loans and borrowings	(11,292)	(1,662)	—
Current derivative liabilities	—	(75)	—
	<b>(11,292)</b>	<b>(1,747)</b>	—

There were no transfers between level 1 and level 2 of the fair value hierarchy during the six-month period ended 30 June 2017.

## Level 2

HEINEKEN determines level 2 fair values for over-the-counter securities based on broker quotes. The fair values of simple over-the-counter derivative financial instruments are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available.

The fair value of derivatives is calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of HEINEKEN and counterparty when appropriate.

## Level 3

Details of the determination of level 3 fair value measurements are set out below.

<i>As at</i>	30 June 2017	31 December 2016
<b>Available-for-sale-investments based on level 3</b>		
<b>Balance as at 1 January</b>	<b>85</b>	<b>84</b>
Fair value adjustments recognised in other comprehensive income	(4)	(2)
Acquisitions	1	—
Transfers	—	3
<b>Balance as at end of period</b>	<b>82</b>	<b>85</b>

The fair values for the level 3 available-for-sale investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

## 8. EQUITY

### 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.

### Weighted average number of shares

For the six-month period ended 30 June

In shares	2017	2016
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	6,049,498	6,262,636
<b>Weighted average number of basic shares</b>	<b>569,953,115</b>	<b>569,739,977</b>
Dilutive effect of share based payment plan obligations	286,496	292,787
<b>Weighted average number of diluted shares</b>	<b>570,239,611</b>	<b>570,032,764</b>

### Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of €	2017	2016
Prior year final dividend declared and paid in 2017 €0.82 (2016: €0.86)	467	490

After the balance sheet date the Executive Board announced the following interim dividend that has not been provided for:

In millions of €	2017	2016
€0.54 per qualifying ordinary share (2016: €0.52)	308	296

## 9. NET INTEREST-BEARING DEBT POSITION

In millions of €	30 June 2017	31 December 2016
Non-current interest-bearing liabilities	12,778	10,920
Current portion of non-current interest-bearing liabilities	531	1,359
Deposits from third parties (mainly employee loans)	655	622
	<b>13,964</b>	<b>12,901</b>
Bank overdrafts and commercial papers	1,457	1,669
Market value of cross-currency interest rate swaps	(135)	(242)
	<b>15,286</b>	<b>14,328</b>
Cash, cash equivalents and current other investments	(2,775)	(3,035)
<b>Net interest-bearing debt position</b>	<b>12,511</b>	<b>11,293</b>

**New financing**

During the six-months period ended 30 June 2017 the following notes were privately placed under HEINEKEN's Euro Medium Term Note Programme:

- SGD150 million 5-year Notes with a floating rate coupon (February 2017)
- EUR500 million 15-year Notes with a coupon of 2.02% (May 2017)

On 20 March 2017, HEINEKEN extended and amended its €2.5 billion revolving credit facility maturing in May 2021. The facility has been increased to €3.5 billion and is now set to mature in May 2022. The facility is committed by a group of 19 banks and has two further one-year extension options.

On 29 March 2017, HEINEKEN placed USD 1.1 billion of long 10 year 144A/RegS US Notes with a coupon of 3.50%, and USD 650 million of 30 year 144A/RegS US Notes with a coupon of 4.35%.

**Financing headroom**

The committed financing headroom at Group level was approximately €4.2 billion as at 30 June 2017 and consisted of the undrawn revolving credit facility and centrally available cash.

**Incurrence covenant**

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt by EBITDA (beia) (both based on proportional consolidation of joint ventures and including acquisitions and excluding disposals on a 12-month pro-forma basis). As at 30 June 2017 this ratio was 2.4 (as at 30 June 2016: 2.4). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt financed acquisitions.

**10. CONTINGENCIES**

Upon completion of the acquisition of Brasil Kirin €1,301 million of contingent liabilities relating to civil, labor and tax have been acquired, whereby the likelihood of a cash outflow is considered to be possible (between 5%-50%). For the majority of these matters the timing of resolution will exceed one year.

Contingent liabilities for an amount of €375 million have been recognised for these contingencies based on fair value as per acquisition date of 31 May 2017.

**11. SUBSEQUENT EVENTS**

No subsequent events occurred that are material to HEINEKEN.

**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 2017, 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 of Heineken N.V. and the undertakings included in the consolidation as a whole;
2. The management report of the Executive Board for the six-month period ended 30 June 2017 (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**

Jean-François van Boxmeer (Chairman/CEO)

Laurence Debroux (CFO)

Amsterdam, 28 July 2017

## 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 as at 30 June 2017 of Heineken N.V., Amsterdam, which comprise the condensed consolidated interim statement of financial position as at 30 June 2017, the condensed consolidated interim income statement and the condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the period of six months ended 30 June 2017, and the notes (the “interim financial statements”). Management is responsible for the preparation and presentation of these 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.

### **Scope**

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”. 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 interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

Amsterdam, 28 July 2017

Deloitte Accountants B.V.

J. Dalhuisen

## 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.

### **Depletions**

Sales by distributors to the retail trade.

### **Dividend payout**

Proposed dividend as percentage of net profit (beia).

### **Earnings per share**

#### **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 and impairments thereof (net of income tax).

### **Eia**

Exceptional items and amortisation of acquisition-related intangible assets.

### **Free operating cash flow**

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



**Net debt**

Non-current and current interest bearing loans and borrowings, bank overdrafts and commercial papers and market value of cross-currency interest rate swaps less investments held for trading and cash.

**Net profit**

Profit after deduction of non-controlling interests (profit attributable to equity holders of the Company).

**Group operating profit (beia)**

Results from operating activities (beia) plus attributable share of operating profit (beia) from joint ventures and associates.

**Organic growth**

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

**Organic volume growth**

Growth in volume, excluding the effect of consolidation changes.

**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.

**Group revenue**

Consolidated revenue plus attributable share of revenue from joint ventures and associates.

**Volume****(Consolidated) beer volume**

100 per cent of beer volume produced and sold by consolidated companies.

**Group beer volume**

Consolidated beer volume plus attributable share of beer volume from joint ventures and associates.

**Heineken® volume in premium segment**

Heineken® volume excluding Heineken® volume in the Netherlands.

**Licensed & non-beer volume**

HEINEKEN's brands produced and sold under licence by third parties as well as cider, soft drinks and other non-beer volume sold in consolidated companies.

**Third party products volume**

Volume of third party products sold through consolidated companies.

**Total volume**

100 per cent of volume produced and sold by consolidated companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of HEINEKEN's brands produced and sold under licence by third parties.

**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 ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares as a result of HEINEKEN's share based payment plans.