HEINEKEN HOLDING NV

MEDIA RELEASE

# Heineken Holding N.V. reports 2018 half year results

Amsterdam, 30 July 2018 – Heineken Holding N.V. (EURONEXT: HEIO; OTCQX: HKHHY) today announces:

- The net result of Heineken Holding N.V.'s participating interest in Heineken N.V. for the first half year of 2018 amounts to €480 million
- Organic revenue +5.6% with revenue per hectolitre +1.1%
- Consolidated beer volume +4.5%
- Heineken® volume +7.5%
- Operating profit (beia) +1.3% organically and operating profit (beia) margin -118 bps (-76 bps excluding Brasil Kirin)
- Net profit (beia) of €1,076 million, +8.9% organically
- Full year expectations updated

## FINANCIAL SUMMARY

| **Key financials**[1,2] *(in mhl or € million unless otherwise stated)* | **HY18** | HY17 restated[4] | Total growth % | Organic growth % |
|---|---|---|---|---|
| Net revenue | **10,777** | 10,342 | 4.2 | 5.6 |
| Net revenue/hl (in €) | **82** | 90 | (8.2) | 1.1 |
| Operating profit (beia) | **1,754** | 1,805 | (2.9) | 1.3 |
| Operating profit (beia) margin | **16.3%** | 17.5% | -118 bps | |
| Net profit (beia) | **1,076** | 1,036 | 3.8 | 8.9 |
| Net profit of Heineken Holding N.V. | 480 | **440** | 9.1 | |
| EPS (in €) | **1.67** | 1.53 | 9.1 | |
| Free operating cash flow | **909** | 746 | 21.8 | |
| Net debt/ EBITDA (beia)[3] | **2.5** | 2.5 | | |

[1] 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. A reconciliation between non-GAAP measures and IFRS measures is included in note 5 on page 20.
[2] Organic growth is calculated using the last year figures as baseline. Margin expansion is calculated using the last year restated margin as baseline.
[3] Includes acquisitions and excludes disposals on a 12 month pro-forma basis.
[4] Half year results 2017 have been restated to reflect the impact of adopting IFRS 15. Please refer to page 16 for more details.

Heineken Holding N.V. engages in no activities other than its participating interest in Heineken N.V. and the management or supervision of and provision of services to that company.

## FULL YEAR 2018 OUTLOOK STATEMENT

- Economic conditions are expected to remain volatile and HEINEKEN assumes a negative currency impact comparable to 2017 on revenue and operating profit.
- Revenue growth is expected to continue and operating profit growth to accelerate in the second half on an organic basis.
- HEINEKEN is updating its operating profit margin guidance for the full year to a decrease of approximately 20 bps mainly due to the following :
  - A strong performance in Brazil with two effects: In the first five months, the dilutive impact of the consolidation of Brasil Kirin was higher than expected, and for the remainder of the year, the marked acceleration of HEINEKEN's combined operations with an operating margin still below group average plays negatively on the mix.
  - A higher than anticipated negative translational mix impact from currencies, as it concentrates more in operating companies with operating profit margins above the group average.
- Heineken expects an average interest rate (beia) broadly in line with 2017 (2017: 3.0%), and an effective tax rate (beia) of around 28% (2017: 27.6%).
- Capital expenditure related to property, plant and equipment should be slightly above €2 billion (2017: €1.7 billion).

## INTERIM DIVIDEND

According to the Articles of Association of Heineken Holding N.V. both Heineken Holding N.V. and Heineken N.V. pay an identical dividend per share.
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 €0.59 per share (2017: €0.54 per ordinary share of €1.60 nominal value) will be paid on 9 August 2018. Both the Heineken Holding N.V. shares and the Heineken N.V. shares will trade ex-dividend on 1 August 2018.

## ENQUIRIES

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Investors
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Director of Investor Relations
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INVESTOR CALENDAR HEINEKEN N.V.

*(events also accessible for Heineken Holding N.V. shareholders)*

| | |
|---|---|
| Trading Update for Q3 2018 | 24 October 2018 |
| Full Year 2018 Results | 13 February 2019 |

# Conference call details

Heineken N.V. will host an analyst and investor conference call in relation to its 2018 HY results today at 10:00 CET/ 9:00 BST. This call will also be accessible for Heineken Holding N.V. shareholders. The call will be audio cast live via the website: 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)20 703 8261
National free phone: 0800 265 9169

United Kingdom
Local line: +44(0)330 336 9411
National free phone: 0800 279 7204

United States of America
Local line: +1 323 794 2588
National free phone: 888 394 8218

Participation/ confirmation code for all countries: 2371691

Editorial information:
HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and speciality beers and ciders. HEINEKEN is 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. HEINEKEN employs over 80,000 employees and operates 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 the website: www.theHEINEKENcompany.com and follow HEINEKEN via @HEINEKENCorp.
Heineken Holding N.V. engages in no activities other than its participating interest in Heineken N.V. and the management or supervision of and provision of services to that company.

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.

# INTRODUCTION

This report contains the interim financial report of Heineken Holding N.V., headquartered in Amsterdam, the Netherlands.

The interim financial report for the six months ending 30 June 2018 consists of the report of the Board of Directors, the statement of the Board and the condensed consolidated interim financial statements.

## REPORT OF THE BOARD OF DIRECTORS

Heineken Holding N.V. has a 50.005% interest in the issued share capital (being 50.516% of the outstanding share capital) of Heineken N.V. Standing at the head of the HEINEKEN group, Heineken Holding N.V. is not an ordinary holding company. Since its formation in 1952, Heineken Holding N.V.'s object pursuant to its Articles of Association has been to manage or supervise the management of the HEINEKEN group and to provide services for Heineken N.V. Within the HEINEKEN group, the primary duties of Heineken N.V.'s Executive Board are to initiate and implement corporate strategy and to manage Heineken N.V. and its related enterprise. It is supervised in the performance of its duties by Heineken N.V.'s Supervisory Board. Because Heineken N.V. manages the HEINEKEN group companies, Heineken Holding N.V., unlike Heineken N.V., does not have an internal risk management and control system. Heineken Holding N.V. does not engage in any operational activities and employs no staff.

Further information regarding the developments during the financial half year 2018 of Heineken N.V. and its related companies, and the material risks Heineken N.V. is facing is given in Heineken N.V.'s half year report.

Pursuant to Article 5:25d Paragraph 4 Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht") we mention that Heineken Holding N.V.'s half year report has not been audited nor reviewed.

STATEMENT OF THE BOARD OF DIRECTORS

Statement ex Article 5:25d Paragraph 2 sub c Dutch 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 2018, 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 Holding N.V. and the undertakings included in the consolidation as a whole;
2. The report of the Board of Directors for the six-month period ended 30 June 2018 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”).

Board of Directors

M. Das (non-executive chairman)
C.L. de Carvalho-Heineken (executive member)
M.R. de Carvalho (executive member)
J.A. Fernández Carbajal (non-executive member)
C.M. Kwist (non-executive member)
A.A.C. de Carvalho (non-executive member)
A.M. Fentener van Vlissingen (non-executive member)
L.L.H. Brassey (non-executive member)

Amsterdam, 27 July 2018

# Condensed consolidated interim financial statements for the six-month period ended 30 June 2018

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# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

| *For the six-month period ended 30 June*<br>*In millions of €* | Note | 2018 | 2017* |
|---|---|---|---|
| **Revenue** | 5 | **12,834** | **12,409** |
| Excise tax expense | 5 | (2,057) | (2,067) |
| **Net Revenue** | 5 | **10,777** | **10,342** |
| **Other income** | 5 | **27** | **6** |
| Raw materials, consumables and services | | (6,720) | (6,272) |
| Personnel expenses | | (1,857) | (1,699) |
| Amortisation, depreciation and impairments | | (763) | (736) |
| **Total expenses** | | **(9,340)** | **(8,707)** |
| **Operating profit** | 5 | **1,464** | **1,641** |
| Interest income | | 30 | 33 |
| Interest expenses | | (254) | (220) |
| Other net finance income/ (expenses) | | (42) | (71) |
| **Net finance expenses** | | **(266)** | **(258)** |
| Share of profit of associates and joint ventures and impairments thereof (net of income tax) | 5 | 145 | 19 |
| **Profit before income tax** | | **1,343** | **1,402** |
| Income tax expenses | | (310) | (422) |
| **Profit** | | **1,033** | **980** |
| Attributable to: | | | |
| Equity holders of Heineken Holding N.V. (net profit) | | 480 | 440 |
| Non-controlling interests in Heineken N.V. | | 470 | 431 |
| Non-controlling interests in Heineken N.V. group companies | | 83 | 109 |
| **Profit** | | **1,033** | **980** |
| Weighted average number of shares[1] - basic | 8 | 288,030,168 | 288,030,168 |
| Weighted average number of shares[1] - diluted | 8 | 288,030,168 | 288,030,168 |
| Basic earnings per share[1] (€) | | 1.67 | 1.53 |
| Diluted earnings per share[1] (€) | | 1.67 | 1.53 |

*Restated to reflect the change in accounting policy on Revenue from Contracts with Customers (IFRS 15). Refer to note 3 'Significant accounting policies' for further details.
[1]In 2017 this applied to ordinary shares.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| *For the six-month period ended 30 June*<br>*In millions of €* | Note | 2018 | 2017 |
|---|---|---|---|
| **Profit** | | **1,033** | **980** |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Actuarial gains and losses | | 180 | 59 |
| Net change in fair value through OCI investments | | (32) | — |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Currency translation differences | | (184) | (630) |
| Effective portion of net investment hedges | | 12 | (12) |
| Effective portion of changes in fair value of cash flow hedges | | (5) | 23 |
| Effective portion of cash flow hedges transferred to profit or loss | | (26) | 2 |
| Net change in fair value through OCI investments | | — | 7 |
| Share of other comprehensive income of associates/joint ventures | | 1 | (1) |
| **Other comprehensive income, net of tax** | | **(54)** | **(552)** |
| **Total comprehensive income** | | **979** | **428** |
| | | | |
| Attributable to: | | | |
| Equity holders of Heineken Holding N.V. | | 450 | 199 |
| Non-controlling interests in Heineken N.V. | | 440 | 192 |
| Non-controlling interests in Heineken N.V. group companies | | 89 | 37 |
| **Total comprehensive income** | | **979** | **428** |

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

| *As at*<br>*In millions of €* | Note | 30 June 2018 | 31 December 2017 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | 11,161 | 11,117 |
| Intangible assets | | 17,579 | 17,670 |
| Investments in associates and joint ventures | | 2,041 | 1,841 |
| Other investments and receivables | | 1,076 | 1,113 |
| Advances to customers | | 286 | 277 |
| Deferred tax assets | | 769 | 768 |
| **Total non-current assets** | | **32,912** | **32,786** |
| Inventories | | 2,025 | 1,814 |
| Trade and other receivables | | 4,028 | 3,496 |
| Prepayments | | 409 | 399 |
| Current tax assets | | 53 | 64 |
| Cash and cash equivalents | | 2,051 | 2,442 |
| Assets classified as held for sale | | 18 | 33 |
| **Total current assets** | | **8,584** | **8,248** |
| **Total assets** | | **41,496** | **41,034** |
| **Equity** | | | |
| Share capital | | 461 | 461 |
| Share premium | | 1,257 | 1,257 |
| Reserves | | (920) | (867) |
| Retained earnings | | 6,002 | 5,782 |
| Equity attributable to equity holders of Heineken Holding N.V. | 8 | **6,800** | **6,633** |
| Non-controlling interests in Heineken N.V. | | 6,848 | 6,688 |
| Non-controlling interests in Heineken N.V. group companies | | 1,117 | 1,200 |
| **Total equity** | | **14,765** | **14,521** |
| **Liabilities** | | | |
| Loans and borrowings | 9 | 11,545 | 12,301 |
| Tax liabilities | | 17 | — |
| Employee benefits | | 1,045 | 1,289 |
| Provisions | | 956 | 970 |
| Deferred tax liabilities | | 1,468 | 1,495 |
| **Total non-current liabilities** | | **15,031** | **16,055** |
| Bank overdrafts and commercial papers | 9 | 1,033 | 1,265 |
| Loans and borrowings | 9 | 2,689 | 1,947 |
| Trade and other payables | | 7,562 | 6,756 |
| Current tax liabilities | | 266 | 310 |
| Provisions | | 150 | 178 |
| Liabilities associated with assets classified as held for sale | | — | 2 |
| **Total current liabilities** | | **11,700** | **10,458** |
| **Total liabilities** | | **26,731** | **26,513** |
| **Total equity and liabilities** | | **41,496** | **41,034** |

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

| *For the six-month period ended 30 June*<br>*In millions of €* | Note | 2018 | 2017* |
|---|---|---|---|
| **Operating activities** | | | |
| Profit | | 1,033 | 980 |
| Adjustments for: | | | |
| Amortisation, depreciation and impairments | | 763 | 736 |
| Net interest expenses | | 224 | 187 |
| Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates | | (27) | (6) |
| Investment income and share of profit and impairments of associates and joint ventures and dividend income on fair value through OCI investments | | (155) | (28) |
| Income tax expenses | | 310 | 422 |
| Other non-cash items | | 82 | 147 |
| **Cash flow from operations before changes in working capital and provisions** | | **2,230** | **2,438** |
| Change in inventories | | (231) | (272) |
| Change in trade and other receivables | | (628) | (628) |
| Change in trade and other payables | | 1,191 | 630 |
| **Total change in working capital** | | **332** | (270) |
| Change in provisions and employee benefits | | 42 | (13) |
| **Cash flow from operations** | | **2,604** | **2,155** |
| Interest paid | | (259) | (206) |
| Interest received | | 51 | 42 |
| Dividends received | | 56 | 65 |
| Income taxes paid | | (408) | (362) |
| **Cash flow related to interest, dividend and income tax** | | **(560)** | **(461)** |
| **Cash flow from operating activities** | | **2,044** | **1,694** |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | | 31 | 22 |
| Purchase of property, plant and equipment | | (1,003) | (868) |
| Purchase of intangible assets | | (66) | (42) |
| Loans issued to customers and other investments | | (119) | (92) |
| Repayment on loans to customers | | 22 | 32 |
| **Cash flow (used in)/from operational investing activities** | | **(1,135)** | **(948)** |
| **Free operating cash flow** | | **909** | **746** |

| *For the six-month period ended 30 June*<br>*In millions of €* | Note | 2018 | 2017* |
|---|---|---|---|
| Acquisition of subsidiaries, net of cash acquired | | (53) | (750) |
| Acquisition of/additions to associates, joint ventures and other investments | | (169) | (134) |
| Disposal of subsidiaries, net of cash disposed of | | 14 | — |
| **Cash flow (used in)/from acquisitions and disposals** | | **(208)** | **(884)** |
| **Cash flow (used in)/from investing activities** | | **(1,343)** | **(1,832)** |
| | | | |
| **Financing activities** | | | |
| Proceeds from loans and borrowings | | 157 | 2,368 |
| Repayment of loans and borrowings | | (257) | (1,545) |
| Dividends paid | | (709) | (650) |
| Purchase own shares and share issuance by Heineken N.V. | | (32) | — |
| Acquisition of non-controlling interests | | (2) | (11) |
| **Cash flow (used in)/from financing activities** | | **(843)** | **162** |
| | | | |
| **Net cash flow** | | **(142)** | **24** |
| | | | |
| Cash and cash equivalents and bank overdrafts as at 1 January | | 1,177 | 1,366 |
| Effect of movements in exchange rates | | (17) | (73) |
| **Cash and cash equivalents and bank overdrafts as at 30 June** | | **1,018** | **1,317** |

*restated to adjust the working capital movement for PP&E payables to purchase of PP&E. Refer to chapter 3(d) for a detailed explanation.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

| *In millions of €* | Share capital | Share Premium | Translation reserve | Cost of hedging reserve | Hedging reserve | Fair value reserve | Other legal reserves | Retained Earnings | Equity[1] | Non-controlling interests in Heineken N.V. | Non-controlling interests in Heineken N.V. group companies | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2017** | **461** | **1,257** | **(1,574)** | **—** | **58** | **167** | **482** | **5,782** | **6,633** | **6,688** | **1,200** | **14,521** |
| Changes in accounting policy (IFRS 9) | — | — | (1) | 2 | — | — | — | (5) | (4) | (4) | — | (8) |
| **Balance as at 1 January 2018** | **461** | **1,257** | **(1,575)** | **2** | **58** | **167** | **482** | **5,777** | **6,629** | **6,684** | **1,200** | **14,513** |
| Profit | — | — | — | | — | — | — | 480 | 480 | 470 | 83 | 1,033 |
| Other comprehensive income | — | — | (89) | 1 | (17) | (16) | — | 91 | (30) | (30) | 6 | (54) |
| **Total comprehensive income** | **—** | **—** | **(89)** | **1** | **(17)** | **(16)** | **—** | **571** | **450** | **440** | **89** | **979** |
| Transfer to retained earnings | — | — | — | — | — | — | 67 | (67) | — | — | — | — |
| Dividends to shareholders | — | — | — | — | — | — | — | (268) | (268) | (262) | (187) | (717) |
| Purchase/reissuance own shares by Heineken N.V. | — | — | — | — | — | — | — | (19) | (19) | (19) | 8 | (30) |
| Dilution | — | — | — | — | — | — | — | 1 | 1 | (1) | — | — |
| Share-based payments by Heineken N.V. | — | — | — | — | — | — | — | 8 | 8 | 7 | — | 15 |
| Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control | — | — | — | — | — | — | — | (1) | (1) | (1) | — | (2) |
| Changes in consolidation | — | — | — | — | — | — | — | — | — | — | 7 | 7 |
| **Balance as at 30 June 2018** | **461** | **1,257** | **(1,664)** | **3** | **41** | **151** | **549** | **6,002** | **6,800** | **6,848** | **1,117** | **14,765** |

[1] Equity attributable to equity holders of Heineken Holding N.V.

| *In millions of €* | Share capital | Share Premium | Translation reserve | Hedging reserve | Fair value reserve | Other legal reserves | Retained Earnings | Equity[1] | Non-controlling interests in Heineken N.V. | Non-controlling interests in Heineken N.V. group companies | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2017** | **461** | **1,257** | **(920)** | **—** | **132** | **420** | **5,248** | **6,598** | **6,640** | **1,335** | **14,573** |
| Profit | — | — | — | — | — | 38 | 402 | 440 | 431 | 109 | 980 |
| Other comprehensive income | — | — | (318) | 13 | 4 | 30 | 30 | (241) | (239) | (72) | (552) |
| **Total comprehensive income** | **—** | **—** | **(318)** | **13** | **4** | **68** | **432** | **199** | **192** | **37** | **428** |
| Transfer to retained earnings | — | — | — | — | — | (28) | 28 | — | — | — | — |
| Dividends to shareholders | — | — | — | — | — | — | (236) | (236) | (231) | (197) | (664) |
| Purchase/reissuance own shares by Heineken N.V. | — | — | — | — | — | — | — | — | — | — | — |
| Negative dilution | — | — | — | — | — | — | (6) | (6) | 6 | — | — |
| Share-based payments by Heineken N.V. | — | — | — | — | — | — | 1 | 1 | — | — | 1 |
| Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control | — | — | — | — | — | — | (8) | (8) | (7) | 3 | (12) |
| Changes in consolidation | — | — | — | — | — | — | — | — | — | — | — |
| **Balance as at 30 June 2017** | **461** | **1,257** | **(1,238)** | **13** | **136** | **460** | **5,459** | **6,548** | **6,600** | **1,178** | **14,326** |

[1] Equity attributable to equity holders of Heineken Holding N.V.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

Heineken Holding 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 2018 comprise Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interest in joint ventures and associates.

The consolidated financial statements of Heineken Holding N.V. as at and for the year ended 31 December 2017 are available at www.heinekenholding.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 Holding N.V. as at and for the year ended 31 December 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on 27 July 2018.

**(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 2017, except for the estimates and judgements described in the accounting policy on Revenue from Contracts with Customers (refer to chapter 3 significant accounting policies).

## 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 2017, except for the accounting for Financial instruments (IFRS 9) and Revenue from Contracts with Customers (IFRS 15) as explained below.

**IFRS 9 Financial Instruments**

HEINEKEN has implemented IFRS 9 per 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative financial information is not restated. The impact of IFRS 9 has been recorded in equity and is not material.

For an overview of the changes in accounting policies for IFRS 9, please refer to chapter 3(x) of the consolidated financial statements 2017.

**IFRS 15 Revenue from Contracts with Customers**

Impact of adoption IFRS 15
HEINEKEN adopted IFRS 15 'Revenue from Contracts with Customers' as per 1 January 2018. For implementation the full retrospective method is applied, meaning that the 2017 comparative financial information has been restated. HEINEKEN concluded that IFRS 15 did not impact the timing of revenue recognition. However, the amount of recognised revenue is impacted by payments to customers and excise taxes as explained in the changes in accounting policy below. HEINEKEN has evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on HEINEKEN's revenue recognition. The practical expedients have therefore not been applied.

The IFRS 15 changes have no impact on operating profit, net profit and EPS. The following table shows the adjustments on the 2017 half-year comparatives per individual line item:

| *For the six-month period ended 30 June*<br>*In millions of €* | **2017 reported** | **Impact IFRS 15** | **2017 restated** |
|---|---|---|---|
| **Revenue** | **10,475** | **1,934** | **12,409** |
| Excise taxes | | **(2,067)** | **(2,067)** |
| **Net revenue** | | **(133)** | **10,342** |
| **Other income** | **6** | | **6** |
| Raw materials, consumables and services | (6,405) | **133** | (6,272) |
| Personnel expenses | (1,699) | | (1,699) |
| Amortisation, depreciation and impairments | (736) | | (736) |
| **Total expenses** | **(8,840)** | **133** | **(8,707)** |
| **Operating profit** | **1,641** | | **1,641** |
| **Profit before income tax** | **1,402** | | **1,402** |
| Income tax expense | (422) | | (422) |
| **Profit** | **980** | | **980** |
| Attributable to: | | | |
| Equity holders of Heineken Holding N.V. (net profit) | 440 | | 440 |
| Non-controlling interests in Heineken N.V. | 431 | | 431 |
| Non-controlling interests in Heineken N.V. group companies | 109 | | 109 |

Changes in accounting policy (IFRS 15)
The adoption of IFRS 15 has changed the accounting for certain payments to customers, such as listing fees and marketing support expenses. Most of these payments were recorded as operating expenses, but are now considered to be a reduction of revenue. Only when these payments relate to a distinct service the amounts continue to be recorded as operating expenses.

IFRS 15 has also changed the accounting for excise tax. Based on IAS 18 different policies were applied by peers in HEINEKEN's industry. Some companies included all excises in revenue, some recorded excise only for specific countries and some, like HEINEKEN, excluded all excise from revenue. The clarifications to IFRS 15 describe that an ‘all or nothing’ approach is no longer possible and an assessment of the excise tax needs to be performed on a country by country basis.

Excise taxes are very common in the beverage industry, but levied differently amongst the countries HEINEKEN operates in. HEINEKEN performed a country by country analysis to assess whether the excise taxes are sales-related or effectively a production tax. In most countries excise taxes are effectively a production tax as excise becomes payable when goods are moved from bonded warehouses and are not based on the sales value. In these countries, increases in excise tax are not always (fully) passed on to customers and HEINEKEN cannot, or can only partly, reclaim the excise tax in the case products are eventually not sold to customers. Excise tax is borne by HEINEKEN for these countries and included in revenue. Only for those countries where excise is levied at the moment of the sales transaction and excise is based on the sales value, the excise taxes are collected on behalf of a tax authority and consequently excluded from revenue.

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

To provide full transparency on the impact of the accounting for excise, HEINEKEN presents the excise tax expense on a separate line below revenue in the consolidated income statement. A new subtotal called 'Net revenue' is added. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise taxes for those countries where the excise is borne by HEINEKEN.

**(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 few other new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019, which HEINEKEN has not yet applied in preparing these consolidated interim financial statements. In the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2017 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 Leases (IFRS 16) as mentioned below.

**IFRS 16 Leases**

IFRS 16 'Leases' was published in January 2016 and subsequently endorsed by the European Union on 9 November 2017. The standard replaces existing guidance on leases, including IAS 17. HEINEKEN will implement IFRS 16 per 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers in the 2019 financial statements will not be restated for the impact of IFRS 16.

HEINEKEN is currently performing the impact assessment of IFRS 16 on a detailed basis. HEINEKEN is still focussing on getting all contracts in the lease accounting tool. HEINEKEN plans to finalize the data collection in the second half of 2018 and perform an impact assessment on a contract by contract basis to prepare for the transition at 1 January 2019.

For an overview of the practical expedients selected and other details of IFRS 16, refer to chapter 3(x) of the consolidated financial statements 2017.

**(d) Restatement of Cash Flow**

Historically HEINEKEN presented the cash flow in relation to purchase of PP&E based on the additions to PP&E in the balance sheet. As from now on, HEINEKEN will present the actual cash outflow for purchased PP&E. A relatively significant part of PP&E additions is recorded in Q4 and paid in the first half of the following year. Therefore, phasing of the cash outflow for purchase of PP&E from the second half of the year to the first half of the year is the main impact. There is no impact on capex guidance and free operating cash flow. The 2017 consolidated cash flow statement for the six-month period ended 30 June 2017 has been restated with an addition of €253 million to the line 'changes in trade and other payables' and an opposite adjustment in the line 'purchase of property, plant and equipment'. The impact on a full year basis is immaterial and therefore the consolidated cash flow statement over 2017 will not be restated.

## 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 2018 and 30 June 2017

| | Europe | | Americas | | Africa, Middle East & Eastern Europe | | Asia Pacific | | Heineken N.V. Head Office & Other/ Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of €* | 2018 | 2017* | 2018 | 2017* | 2018 | 2017* | 2018 | 2017* | 2018 | 2017* | 2018 | 2017* |
| Third party revenue | 5,972 | 5,853 | 3,328 | 2,913 | 1,764 | 1,814 | 1,723 | 1,787 | 47 | 42 | 12,834 | 12,409 |
| Interregional revenue | 352 | 340 | 16 | 15 | — | 1 | 2 | 1 | (370) | (357) | — | — |
| **Revenue** | **6,324** | **6,193** | **3,344** | **2,928** | **1,764** | **1,815** | **1,725** | **1,788** | **(323)** | **(315)** | **12,834** | **12,409** |
| Excise tax expense | (1,308) | (1,279) | (85) | (104) | (313) | (307) | (350) | (377) | (1) | — | (2,057) | (2,067) |
| **Net Revenue** | **5,016** | **4,914** | **3,259** | **2,824** | **1,451** | **1,508** | **1,375** | **1,411** | **(324)** | **(315)** | **10,777** | **10,342** |
| Other income | 11 | 6 | 14 | — | — | — | 2 | — | — | — | 27 | 6 |
| **Operating profit** | **479** | **649** | **481** | **465** | **185** | **212** | **345** | **377** | **(26)** | **(62)** | **1,464** | **1,641** |
| Net finance expenses | | | | | | | | | | | (266) | (258) |
| Share of profit of associates and joint ventures and impairments thereof | 7 | 4 | 105 | (17) | 15 | 20 | 19 | 12 | (1) | — | 145 | 19 |
| Income tax expenses | | | | | | | | | | | (310) | (422) |
| **Profit** | | | | | | | | | | | **1,033** | **980** |
| **Operating profit reconciliation** | | | | | | | | | | | | |
| Operating profit | 479 | 649 | 481 | 465 | 185 | 212 | 345 | 377 | (26) | (62) | 1,464 | 1,641 |
| Eia[1] | 167 | 16 | 61 | 56 | 10 | 6 | 77 | 77 | (25) | 9 | 290 | 164 |
| **Operating profit (beia)**[1] | **646** | **665** | **542** | **521** | **195** | **218** | **422** | **454** | **(51)** | **(53)** | **1,754** | **1,805** |
| **As at 30 June 2018 and 31 December 2017** | | | | | | | | | | | | |
| **Total segment assets** | **15,180** | **13,773** | **10,941** | **11,323** | **3,759** | **3,851** | **9,228** | **9,227** | **1,617** | **2,092** | **40,725** | **40,266** |
| Unallocated assets | | | | | | | | | | | 771 | 1,091 |
| **Total assets** | | | | | | | | | | | **41,496** | **41,357** |

*Restated to reflect the change in accounting policy on Revenue from Contracts with Customers (IFRS 15). Refer to note 3 'Significant accounting policies' for further details.

[1] Note that these are non-GAAP measures.

**Reconciliation of segment profit or loss**

In the internal management reports, HEINEKEN measures its segmental performance primarily based on operating profit and operating profit beia (before exceptional items and amortisation of acquisition-related intangible assets). 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 of Heineken N.V. for the six-month period ended 30 June:

| *In millions of €* | 2018 | 2017 |
|---|---|---|
| **Operating profit (beia)** | **1,754** | **1,805** |
| Amortisation of acquisition-related intangible assets included in operating profit | (156) | (153) |
| Exceptional items in operating profit | (134) | (11) |
| Share of profit of associates and joint ventures and impairments thereof (net of income tax) | 145 | 19 |
| Net finance expenses | (266) | (258) |
| **Profit before income tax** | **1,343** | **1,402** |

The exceptional items and amortisation of acquisition-related intangibles in operating profit for the six-month period ended 30 June 2018 amounts to €290 million (six-month period ended 30 June 2017: €164 million). This amount consists of:

- €156 million of amortisation of acquisition-related intangibles recorded in operating profit (six-month period ended 30 June 2017: €153 million).
- €134 million (six-month period ended 30 June 2017: €11 million) of exceptional items recorded in operating profit. This includes restructuring expenses of €75 million (six-month period ended 30 June 2017: €26 million), impairments of €6 million (six-month period ended 30 June 2017: €1 million net reversal of impairments), acquisition and integration costs of €15 million (six-month period ended 30 June 2017: €32 million) and other exceptional expenses of €38 million (six-month period ended 30 June 2017: €46 million other net benefits).

## 6. ACQUISITIONS OF SUBSIDIARIES

**Completion provisional accounting Brasil Kirin**

The provisional accounting for the acquisition of Brasil Kirin has been completed with immaterial adjustments to the assets and liabilities disclosed in the 2017 consolidated financial statements.

## 7. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

**Financial risk management**

The aspects of HEINEKEN'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 2017.

**Fair value**

For bank loans the carrying amount is a reasonable approximation of fair value. The fair value of the unsecured bond issued as at 30 June 2018 was €12,354 million (31 December 2017: €12,660 million) and the carrying amount measured at amortised cost was €11,890 million (31 December 2017: €11,948 million). The fair value of the other interest bearing liabilities as at 30 June 2018 was €1,556 million (31 December 2017: €1,535 million) and the carrying amount measured at amortised cost was €1,552 million (31 December 2017: €1,515 million).

**Fair value hierarchy**

During the six-month period ended 30 June 2018 there has been no significant changes with regard to the fair value hierarchy.

8. EQUITY

**Reserves**

The reserves consist of translation reserve, hedging reserve, fair value reserve and other legal reserves. 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*<br>*In shares* | 2018 | 2017 |
|---|---|---|
| Total number of shares issued (2017: ordinary shares) | 288,030,482 | 288,030,168 |
| Effect of own shares held (2017: ordinary shares) | 314 | — |
| **Weighted average number of shares (2017: ordinary shares) – basic** | **288,030,168** | **288,030,168** |
| **Weighted average number of shares (2017: ordinary shares) – diluted** | **288,030,168** | **288,030,168** |

### Dividends

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

| *In millions of €* | 2018 | 2017 |
|---|---|---|
| Prior year final dividend declared and paid in 2018 €0.93 (2017: €0.82) | 268 | 236 |

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

| *In millions of €* | 2018 | 2017 |
|---|---|---|
| €0.59 per qualifying share (2017: €0.54 per ordinary share) | 170 | 156 |

## 9. NET INTEREST-BEARING DEBT POSITION

| *In millions of €* | 30 June 2018 | 31 December 2017 |
|---|---|---|
| Non-current interest-bearing liabilities | 11,439 | 12,166 |
| Current portion of non-current interest-bearing liabilities | 2,004 | 1,298 |
| Deposits from third parties (mainly employee loans) | 685 | 649 |
| **Total current and non-current loans and borrowings** | **14,128** | **14,113** |
| Bank overdrafts and commercial papers | 1,033 | 1,265 |
| **Gross debt** | **15,161** | **15,378** |
| Market value of cross-currency interest rate swaps | (113) | (57) |
| Cash, cash equivalents and current other investments | (2,052) | (2,442) |
| **Net interest-bearing debt position** | **12,996** | **12,879** |

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. Per 30 June 2018, Bank overdrafts and Cash and cash equivalents both include an amount of €692 million with legally enforceable rights to offset.

**New financing**

On 9 March 2018, HEINEKEN utilized its first one-year extension option under the €3.5 billion revolving credit facility by extending the maturity to May 2023. The facility is committed by a group of 19 banks and has another one-year extension option in 2019.

On 9 March 2018, European Commercial Paper (ECP) Programme has been updated and increased to €2 billion from €1 billion.

**Financing headroom**

The committed financing headroom at Group level was approximately €3.9 billion as at 30 June 2018 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 2018 this ratio was 2.5 (as at 30 June 2017: 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. SUBSEQUENT EVENTS

No subsequent events occurred that are material to HEINEKEN.

Board of Directors

M. Das (non-executive chairman)
C.L. de Carvalho-Heineken (executive member)
M.R. de Carvalho (executive member)
J.A. Fernández Carbajal (non-executive member)
C.M. Kwist (non-executive member)
A.A.C. de Carvalho (non-executive member)
A.M. Fentener van Vlissingen (non-executive member)
L.L.H. Brassey (non-executive member)

Amsterdam, 27 July 2018

# 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 flow (used in)/from operational investing activities**
This represents the total of cash flow from sale and purchase of property, plant and equipment and intangible assets, proceeds and receipts of loans to customers and other investments.

**Consolidation changes**
Changes as a result of business combinations or disposals.

**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, other 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.

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

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

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

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

**HEINEKEN or "the Group"**
Heineken Holding N.V., Heineken N.V., its subsidiaries and interest in joint ventures and associates.

**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 cash, cash equivalents and current other investments.

**Net profit**
Profit after deduction of non-controlling interests (profit attributable to equity holders of Heineken Holding N.V.).

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

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

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

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

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

**Volume**
(Consolidated) beer volume
100 % 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.
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 % 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