Heineken N.V. reports 2019 half year results

Amsterdam, 29 July 2019 – Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) announces:

- Net revenue (beia) organic growth +5.6%; net revenue (beia) per hectolitre +3.0%
- Consolidated beer volume +3.1%
- Heineken® volume +6.9%
- Operating profit (beia) organic growth +0.3%, full year expectation unchanged
- Operating profit (beia) margin 15.6% (-47 bps)[1]
- Net profit (beia) €1,054 million, -1.2% organically
- Diluted EPS (beia) €1.84 (2018 restated: €1.86)[1].

CEO STATEMENT

Jean-François van Boxmeer, Chairman of the Executive Board / CEO, commented:

"Top-line performance was again strong in the first half of 2019, with organic net revenue growth across all regions and double digit growth in Asia Pacific as well as Africa, Middle East and Eastern Europe. Revenue per hectolitre increased 3%, while volume growth in the second quarter was negatively impacted by weather in Europe and World Cup comparables from last year. The Heineken® brand grew by 6.9%, with Heineken® 0.0 now available in 51 markets.

Operating profit (beia) was stable as the impact of strong top-line performance was largely offset by input cost inflation, whilst we increased our investment in e-commerce and technology upgrades. For the full year, we continue to anticipate our operating profit (beia) to grow by mid-single digit on an organic basis.

Our partnership with CRE became effective at the end of April and we are pleased to have now joined forces to win in the fast-growing Chinese premium beer market.

Our strategic focus continues to be growth oriented with an ever-increasing emphasis on the sustainability of this growth, both socially and environmentally. We invest in innovation and operational excellence so our consumers enjoy our brands and we exceed our customers' expectations, whilst seeking productivity improvements and constantly reassessing our spending behaviour."

FINANCIAL SUMMARY[2]

BEIA Measures	€ million	Organic growth[3]	**IFRS Measures**	€ million	Total growth
Revenue (beia)	13,597	5.3 %	Revenue	13,597	5.9 %
Net revenue (beia)	11,446	5.6 %	Net revenue	11,443	6.0 %
Operating profit (beia)	1,781	0.3 %	Operating profit	1,648	13.1 %
Operating profit (beia) margin[1]	15.6 %				
Net profit (beia)	1,054	-1.2 %	Net profit	936	-1.4 %
Diluted EPS (beia) (in €)	1.84	-0.8 %	Diluted EPS (in €)	1.64	-1.2 %
Free operating cash flow	578				
Net debt / EBITDA (beia)[4]	2.9x				

[1] Last year restated for IAS 37. Please refer to page 25 for more details.
[2] Consolidated figures are used throughout this report, unless otherwise stated; please refer to the Glossary for an explanation of non-GAAP measures and other terms used throughout this report.
[3] Organic growth shown, except for Diluted EPS (beia) which is total growth. The impact from IFRS 16 is reflected on all metrics, but is excluded from the organic growth calculation.
[4] Includes acquisitions, excludes disposals and includes first time impact of IFRS 16 on a 12 month pro-forma basis.

FULL YEAR 2019 OUTLOOK STATEMENT

For 2019, we expect the following:

- Continued volatility in economic conditions
- Superior top-line growth driven by volume, price and premiumisation
- Mid-single digit increase of input and logistic costs per hectolitre
- Continued cost management initiatives and productivity improvements, together with investment in e-commerce and technology upgrades.

Given this, we expect operating profit (beia) to grow by mid-single digit on an organic basis, excluding any major unforeseen macro economic and political developments.

We now also anticipate:

- An average interest rate (beia) slightly below last year (2018: 3.2%)
- An effective tax rate (beia) around 28% (2018 restated: 26.3%)
- Capital expenditure related to property, plant and equipment slightly above €2 billion (2018: €1.9 billion).

OPERATIONAL REVIEW

Top-line performance was strong in the first six months of 2019, well balanced between price mix and volume growth. Net revenue per hectolitre (beia) grew in all regions, driven by premiumisation and pricing.

Net revenue (beia) grew 5.6% organically over the first six months of 2019, supported by a 3.0% increase in net revenue (beia) per hectolitre and a 2.5% increase in total consolidated volumes. The underlying price mix on a constant geographic basis was +3.5%.

Consolidated beer volume grew 3.1% organically in the first half. In the second quarter it was up 2.1%, with Asia Pacific accelerating to double digit growth. In Europe the quarter was off to a good start in April given the timing of Easter, but was later dampened by bad weather and a challenging comparable.

Consolidated beer volume *(in mhl)*	**2Q19**	2Q18	Organic growth	**HY19**	HY18	Organic growth
Heineken N.V.	**63.4**	62.2	2.1 %	**116.1**	112.7	3.1 %
Africa Middle East & Eastern Europe	**11.4**	10.7	6.5 %	**21.6**	20.1	7.1 %
Americas	**20.9**	20.4	2.7 %	**40.7**	39.6	2.9 %
Asia Pacific	**7.7**	7.2	12.5 %	**15.1**	14.1	10.4 %
Europe	**23.4**	23.9	-3.4 %	**38.7**	38.9	-1.5 %

Heineken® volume increased 6.9% organically over the first half, with growth in all regions. The brand grew double digit in Brazil, Mexico, South Africa, Russia, Nigeria, UK, Portugal, Germany and Romania among others. **Heineken® 0.0**, now available in 51 markets, continues to gain traction.

Heineken® volume *(in mhl)*	**2Q19**	Organic growth	**HY19**	Organic growth
Heineken® volume	**10.4**	5.7 %	**19.4**	6.9 %
Africa Middle East & Eastern Europe	**1.8**	14.8 %	**3.3**	15.1 %
Americas	**3.2**	14.4 %	**6.2**	12.6 %
Asia Pacific	**1.2**	-1.4 %	**2.7**	0.8 %
Europe	**4.3**	-0.6 %	**7.2**	1.7 %

The **international brand portfolio** grew high-single digit, driven by the double digit growth of Tiger and Amstel. Tiger performed strongly in Vietnam and more than doubled its volume in Cambodia, whilst Amstel grew strongly in Brazil, South Africa, Russia and the UK and benefited from the national roll-out of Amstel Ultra in Mexico.

Cider volume rose 2.1% organically to 2.6 million hectolitres. Volume increased double digit outside the UK, with strong growth in South Africa, Russia, Vietnam and Spain. In the UK, volume declined high-single digit still outperforming the market. Cider is now locally produced in 14 markets, including Vietnam and Mexico.

Low & No-Alcohol (LONO) volume increased high-single digit, delivering 6.9 million hectolitres (2018: 6.3 million). Heineken® 0.0 was a key driver of this growth. 48 of our brands now have non-alcoholic line extensions. The Zero Zone, which provides dedicated shelf-space in the off-trade for our non-alcoholic portfolio, is deployed in 20 markets across Europe and Russia. Malt volumes in Nigeria grew high-single digit.

Craft & Variety volume grew low-single digit driven by our local craft propositions. Affligem grew double digit driven by France and the Netherlands. Lagunitas is now available in more than 25 markets with an encouraging performance.

In addition to developing new products and categories, **innovation** at HEINEKEN further includes draught systems technology and new ways to engage with our customers and consumers. A few examples:

- The Blade, our counter-top draught system for small outlets introduced in late 2017, is now available in 22 markets with a range of 26 brands.
- Digital business-to-business platforms are being deployed faster and wider, and at the end of June were operational in 12 markets.
- Several business-to-consumer platforms are being tested and deployed. Beerwulf, our on-line beer store in Europe, and Drinkies, our home delivery beer service, have been deployed in 11 and five markets respectively.

We continue to deploy our BASE programme in Asia Pacific, Africa and the Caribbean, standardising core business processes supported by Enterprise Resource Planning (ERP) systems and making HEINEKEN more agile and efficient. To date 11 operations are live.

We have also launched a business transformation programme in Europe, with the objective to meet the evolving needs of our customers and win with them in a more digitally connected world. The transformation involves an upgrade of our financial systems and will deliver a new transactional backbone for Europe.

Operating profit (beia) grew 0.3% organically, as the benefit of the strong top-line growth was largely offset by input cost inflation, higher investments in e-commerce and technology upgrades and the phasing of expenses.

BREWING A BETTER WORLD

We continue to make steady progress against our Brewing a Better World targets. In March 2019 we launched our 2030 'Every Drop' water vision and our breweries operating in water-stressed areas are now developing a roadmap towards healthier watersheds. We introduced new projects to increase local sourcing in Burundi, the Democratic Republic of Congo (DRC), Rwanda and Sierra Leone. In Ethiopia and South Africa we are working with suppliers to expand malting capacity to process local barley. We now have 12 biomass facilities operational after successfully completing projects at the Itu brewery in Brazil and the Schladming brewery in Austria.

NET PROFIT

Net profit (beia) decreased 1.2% organically to €1,054 million (2018 restated: €1,059 million), as operating profit (beia) growth was more than offset by higher income taxes.

The impact of exceptional items and amortization of acquisition-related intangibles (eia) on net profit was €118 million (2018 restated: €110 million).

Net profit after exceptional items and amortization of acquisition-related intangibles was €936 million (2018 restated: €949 million).

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 €0.64 per share (2018: €0.59) will be paid on 8 August 2019. The shares will trade ex-dividend on 31 July 2019.

TRANSLATIONAL CURRENCY CALCULATED IMPACT

Using spot rates as of 24 July 2019 for the remainder of this year, the calculated positive currency translational impact would be approximately €100 million at operating profit (beia), and €60 million at net profit (beia).

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

Trading Update for Q3 2019	23 October 2019
Full Year 2019 Results	12 February 2020

Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2019 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. 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:

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Editorial information:
HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and specialty beers and ciders. We are committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets.
We employ over 85,000 employees and operate breweries, malteries, cider plants and other production facilities in more than 70 countries. Heineken N.V. and Heineken Holding N.V. shares trade on the Euronext in Amsterdam. Prices for the ordinary shares may be accessed on

Bloomberg under the symbols HEIA NA and HEIO NA and on Reuters under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY). Most recent information is available on HEINEKEN's website: www.theHEINEKENcompany.com and follow us on Twitter via @HEINEKENCorp.

Market Abuse Regulation

This press release 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.

Attachment

- Please click here to read the full media release.