Heineken N.V. reports 2018 full year results

Amsterdam, 13 February 2019 - Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) announces:

- Net revenue (beia) organic growth +6.1% with +2.0% per hectolitre
- Consolidated beer volume +4.2% with growth in all regions
- Heineken® volume +7.7%, best performance in over a decade
- Operating profit (beia) organic growth +6.4%
- Operating profit margin (beia) 17.2% (-17 bps[1])
- Net profit (beia) €2,424 million, +12.5% organically
- Diluted EPS (beia) +7.9% to €4.25
- Proposed 2018 total dividend +8.8% at €1.60 per share.

CEO STATEMENT

Jean-François van Boxmeer, Chairman of the Executive Board / CEO, commented:
"In 2018 we delivered another year of superior top-line growth. The Heineken® brand grew 7.7%, its best performance in over a decade, with Heineken® 0.0 now available in 38 countries. Our premium portfolio grew double digit, led by our international brands, craft & variety and cider portfolios. All regions grew and Brazil recorded a strong performance following the successful integration of our two businesses. Our operating profit margin (beia) decreased by 17 bps due to the first time consolidation of Brazil, rising input costs and adverse currency developments. A key milestone in 2018 was the announcement of the strategic partnership with CRE to join forces in China, a big opportunity for both companies, which is pending regulatory approval.

Our strategic priorities are growth oriented with an ever-increasing emphasis on the sustainability of this growth, both socially and environmentally. We focus on 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. Going into 2019, we expect the environment to remain uncertain and volatile. Overall, we anticipate our operating profit (beia) to grow by mid-single digit on an organic basis."

FINANCIAL SUMMARY[2]

BEIA Measures	€ million	Organic growth (%)	**IFRS Measures**	€ million	Total growth (%)
Revenue (beia)	26,811	5.9	Revenue	26,811	3.7
Net Revenue (beia)	22,471	6.1	Net Revenue	22,471	4.0
Operating profit (beia)	3,868	6.4	Operating profit	3,137	-6.4
Operating profit (beia) margin	17.2%		Net profit	1,903	-1.6
Net profit (beia)	2,424	12.5	Diluted EPS (in €)	3.34	-1.5
Diluted EPS (beia) (in €)	4.25	7.9			
Free operating cash flow	2,246		Operating profit and net profit include €183 million of impairments, mainly in the DRC		
Net debt / EBITDA (beia)[3]	2.3 x				

[1] Margin expansion is calculated using the last year restated margin as baseline to exclude any benefit from the first application of IFRS 15. Please refer to page 17 and 25 for more details.
[2] Consolidated figures are used throughout this report, unless otherwise stated; please refer to the Glossary section for an explanation of non-GAAP measures and other terms used throughout this report.
[3] Includes acquisitions and excludes disposals on a 12 month pro-forma basis.

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Office address - Tweede Weteringplantsoen 21 - 1017 ZD Amsterdam
Heineken N.V. - Registered Office at Amsterdam - Trade Register Amsterdam No. 33011433

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 on an organic basis
- Continued cost management and productivity initiatives

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 also anticipate:
- An average interest rate (beia) broadly in line with 2018 (2018: 3.2%)
- An effective tax rate (beia) between 27% and 28% (2018: 26.4%)
- Capital expenditures related to property, plant and equipment around €2 billion (2018: €1.9 billion).

OPERATIONAL REVIEW

Top-line performance in 2018 was strong with robust volume growth throughout the year, and net revenue accelerating in the second half driven by price mix. Operating profit (beia) increased 6.4% organically, at a faster rate in the second half of the year (2H18: 11.1%) than in the first (1H18: 1.3%) driven by higher revenue growth and overall slower growth of expenses despite continued pressure from higher input and logistics costs.

HEINEKEN continued to invest in key developing markets with the expansion of production capacity in Mexico, Vietnam, Ethiopia, Brazil, Cambodia, Haiti and South Africa, and the construction of a new brewery in Mozambique.

Net revenue (beia) increased 6.1% organically, with a 4.0% increase in total consolidated volume and a 2.0% increase in revenue (beia) per hectolitre. The underlying price mix impact was 2.9%. In the second half of the year net revenue (beia) increased 6.5% (1H18: 5.6%), with total consolidated volume growth of 3.7% (1H18: 4.4%), net revenue (beia) per hectolitre up 2.8% (1H18: 1.1%) and underlying price mix impact of 2.9% in line with the full year. Reported net revenue (beia) per hectolitre declined 3.9% mainly due to the translational currency impact and from the dilutive effect of the acquisition in Brazil.

Consolidated beer volume *(in mhl)*	**4Q18**	Organic growth %	**FY18**	Organic growth %
Heineken N.V.	**58.6**	3.3	**233.8**	4.2
Africa, Middle East & Eastern Europe	**11.2**	5.9	**41.7**	5.0
Americas	**22.2**	1.8	**83.3**	5.4
Asia Pacific	**7.8**	3.3	**29.0**	8.2
Europe	**17.4**	3.5	**79.8**	1.3

Consolidated beer volume grew 4.2% organically in 2018, with 4.5% growth in the first half and 4.0% growth in the second half. Beer volume in the fourth quarter was up 3.3%, against a challenging comparable base (Q4 2017: 4.6%).

Heineken® volume *(in mhl)*	**4Q18**	Organic growth %	**FY18**	Organic growth %
Heineken® volume	**9.9**	6.7	**38.7**	7.7
Africa, Middle East & Eastern Europe	**2.0**	24.5	**6.5**	25.5
Americas	**3.0**	0.3	**11.5**	7.8
Asia Pacific	**1.6**	-0.7	**6.2**	-1.3
Europe	**3.3**	7.7	**14.5**	5.1

Heineken® volume grew 7.7%, its strongest performance in more than a decade. Ten markets now sell more than 1 million hectolitres of Heineken®. Volume grew double digit in Brazil, South Africa, Russia, the UK, Nigeria, Mexico, Poland and Germany, and China returned to growth. The Heineken® brand also saw healthy growth across European markets from both Heineken® Original as well as the ongoing success of Heineken® 0.0. These results more than offset weaker volumes in Vietnam and the US. Heineken® 0.0 is available in 38 markets (2017: 16) and further roll-out is planned for 2019.

The **international brand portfolio** grew double digit. Volume was up double digit for Tiger, Desperados, Birra Moretti and Krušovice. Amstel grew high single digit driven by strong growth in Brazil. Tecate grew mid-single digit as robust performance in Mexico more than offset a decline in the US.

Cider volume increased double digit to 5.6 million hectolitres (2017: 4.9 million). In the UK volume grew mid-single digit and outside of the UK volume reached more than 2 million hectolitres. Strongbow and its flavour variants continue to gain share in South Africa. Performance of our recently introduced Ladrón de Manzanas in Spain and Strongbow in Vietnam is promising.

Low & No-Alcohol (LNA) volumes increased mid-single digit, delivering 13.1 million hectolitres in 2018 (2017: 12.5 million). In Europe volumes grew high-single digit due to the continued success of Heineken® 0.0 and Radler. In Ethiopia, Sofi Malt and its new coffee variant Sofi Buna boosted the growth of the LNA portfolio. Volumes in Nigeria were adversely impacted by the weak macro-economic environment and SKU rationalisation.

Our **Craft & Variety** volume grew double digit. Affligem launched a lower alcohol variant driving double digit growth. Lagunitas continues to expand outside the US and is now also brewed in the craft brewery in Wijlre in the Netherlands. Mort Subite grew double digit. Craft line extensions such as Brand IPA in the Netherlands and Birra Moretti Regionale in Italy also grew double digit.

Among the key **innovations** rolled-out in 2018 was The Blade, a counter-top draught system for small outlets introduced in late 2017. Sales of The Sub, an at home draught device, accelerated. HEINEKEN continues to develop and roll out e-commerce Business-to-Business and Business-to-Consumer platforms across the group.

Operating profit (beia) grew 6.4% organically, as a result of higher revenues and cost efficiencies which more than offset higher input and logistic costs. Including consolidation, currency, and exceptional items, most notably an impairment in the Democratic Republic of Congo (DRC) in 2018 and exceptional gains and benefits in 2017 (due to the sale of non-beer and cider wholesale operations in the Netherlands), **Operating profit** declined -6.4%.

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BREWING A BETTER WORLD

HEINEKEN surpassed its 2020 commitment for CO_2 at the end of 2017. In 2018 emissions were further reduced to 5.5 kg of CO_2 equivalent per hectolitre, a 47% decrease since 2008. Last February HEINEKEN announced Drop the C, its new 2030 ambition for CO_2 reduction. The ambition is to have 70% of all electric and thermal energy needs in production covered with renewable energy. Since then, the company has embarked on 13 renewable energy projects, some of which will be featured in our annual report. At the end of 2018, 15% of electric and thermal energy used in production came from renewable sources.

HEINEKEN reached its 2020 water efficiency ambition at the end of 2018. The average water consumption of its breweries was at 3.5 hectolitres of water per hectolitre of beer, a reduction of 30% compared to 2008. The company also surpassed its 2020 target for average water consumption of its breweries in water-stressed areas, reaching 3.2 hectolitres of water per hectolitre of beer. Aware of the pressing water issue globally, HEINEKEN is developing a new 2030 ambition which will be announced in the first quarter of 2019.

In 2018, 69 markets dedicated at least 10% of Heineken® media spend to Responsible Drinking campaigns. In addition, the 'When You Drive, Never Drink' campaigns received significant exposure through the Formula 1® partnership.

HEINEKEN regularly reviews its codes and policies and in 2018 it refreshed the Code of Business Conduct, including the Human Rights Policy and the Responsible Marketing Code. The new Code and underlying policies were rolled-out in all operating companies and in 36 languages. Since 2016, HEINEKEN has worked with the centre of expertise Shift to identify, address and report human rights-related risks in our operations in line with the UN Guiding Principles on Business and Human Rights. In 2018, with the suggestions and advice of NGOs and brand promoters themselves, the company renewed its Brand Promoter Policy and implemented it between June and December.

NET PROFIT

Net profit (beia) increased 12.5% organically to €2,424 million (2017: €2,247 million).

The impact of exceptional items and amortization of acquisition-related intangibles (eia) on net profit was €521 million (2017: €312 million). These items included impairments of €183 million, mainly in the Democratic Republic of Congo (DRC) in the second half of the year.

Net profit after exceptional items and amortization of acquisition-related intangibles was €1,903 million (2017: €1,935 million).

TOTAL DIVIDEND FOR 2018

The Heineken N.V. dividend policy is to pay out a ratio of 30% to 40% of full year net profit (beia). For 2018, payment of a total cash dividend of €1.60 per share (2017: €1.47) will be proposed to the Annual General Meeting of Shareholders on 25 April 2019 ("2019 AGM"). This represents an increase of 8.8% versus 2017, translating into a 37.6% payout. If approved, a final dividend of €1.01 per share will be paid on 8 May 2019, as an interim dividend of €0.59 per share was paid on 9 August 2018. The payment will be subject to a 15% Dutch withholding tax. The ex-final dividend date for Heineken N.V. shares will be 29 April 2019.

TRANSLATIONAL CURRENCY CALCULATED IMPACT FOR 2019

Using spot rates as of 8 February 2019 for the remainder of this year, the calculated positive currency translational impact would be approximately €60 million at operating profit (beia), and €40 million at net profit (beia).

EXECUTIVE BOARD COMPOSITION

Mrs. Laurence Debroux will have completed her four-year appointment term upon conclusion of the 2019 AGM. A proposal for Mrs. Debroux's reappointment as member of the Executive Board of Heineken N.V. for a period of four years shall be submitted to the AGM. Subject to Mrs. Debroux's re-appointment by the AGM, the Supervisory Board has re-appointed Mrs. Debroux as Chief Financial Officer.

SUPERVISORY BOARD COMPOSITION

As announced on 18 December 2018, Mr. Hans Wijers, Chairman of the Supervisory Board, will resign from his positions of Chairman and member of the Supervisory Board of Heineken N.V. upon conclusion of the 2019 AGM.

The Supervisory Board and the Executive Board wish to express their gratitude and appreciation to Mr. Wijers for his valuable contribution to the company. Mr. Wijers has been a member of the Supervisory Board for seven years, six of which as Chairman. He has been actively involved in the continued growth and success of the company over these years. Mr. Wijers' dedication, significant business experience and wise counsel have been of great importance to the company.

The Supervisory Board has resolved to appoint Mr. Jean-Marc Huët, member of the Supervisory Board since 2014 and Chairman of the Audit Committee until 31 December 2018, as Chairman of the Supervisory Board, effective upon conclusion of the 2019 AGM.

Mrs. Marion Helmes has become the Chair of the Audit Committee per 1 January 2019.

Ms. Yonca Dervişoğlu will resign from the Supervisory Board upon the conclusion of the 2019 AGM. The Supervisory Board is grateful for Ms. Dervişoğlu's commitment and contribution to the Supervisory Board and its Remuneration Committee over the past three years.

Also on 18 December 2018, Heineken N.V. announced that it will propose to the 2019 AGM that Mrs. Rosemary L. Ripley be appointed as member of the Supervisory Board of Heineken N.V. upon the conclusion of the 2019 AGM.

On 9 January 2019, Heineken N.V. announced that it will propose to the 2019 AGM that Mrs. Ingrid-Helen Arnold be appointed as member of the Supervisory Board of Heineken N.V. upon the conclusion of the 2019 AGM.

Mr. Michel de Carvalho will have completed his four-year appointment term upon conclusion of the 2019 AGM. A proposal for Mr. de Carvalho's reappointment as member of the Supervisory Board of Heineken N.V. for a period of four years shall be submitted to the AGM.

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

Combined financial and sustainability annual report	20 February 2019
Trading Update for Q1 2019	24 April 2019
Annual General Meeting of Shareholders	25 April 2019
Half Year 2019 Results	29 July 2019
Trading Update for Q3 2019	23 October 2019

Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2018 FY results today at 10:00 CET/ 9:00 GMT. 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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Local line: +31(0)20 794 8426
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Participation password for all countries: Heineken FYR

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 inside 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

Net Revenue (beia) *(in € million)*	**FY18**	FY17 Restated	Organic growth %
Heineken N.V.	**22,471**	21,629	6.1
Africa, Middle East & Eastern Europe	**3,051**	3,028	11.1
Americas	**6,781**	6,312	8.3
Asia Pacific	**2,919**	2,922	5.8
Europe	**10,348**	9,990	3.0
Head Office & Eliminations	**-628**	-623	n.a.

Operating Profit (beia) *(in € million)*	**FY18**	FY17 Restated	Organic growth %
Heineken N.V.	**3,868**	3,759	6.4
Africa, Middle East & Eastern Europe	**411**	388	16.2
Americas	**1,178**	1,188	4.6
Asia Pacific	**943**	962	3.4
Europe	**1,451**	1,371	4.2
Head Office & Eliminations	**-116**	-150	n.a.

Developing markets	Group beer volume	Group net revenue (beia)[1]	Group operating profit (beia)[1]
(in mhl or € million unless otherwise stated)	**FY18**	**FY18**	**FY18**
Developing markets in:	**160.3**	**12,265**	**2,399**
Africa, Middle East & Eastern Europe	42.4		
Latin America & the Caribbean	77.1		
Asia Pacific	32.9		
Europe	7.9		
% of Group	64	49	56

[1] Excludes Head Office & Eliminations

Africa, Middle East & Eastern Europe

Key Financials *(in mhl or € million unless otherwise stated)*	**FY18**	FY17 Restated [1]	Total growth %	Organic growth %
Net Revenue (beia)	**3,051**	3,028	0.8	11.1
Net Revenue (beia) per hl (in €)	**62**	64	-3.8	5.2
Operating profit (beia)	**411**	388	5.9	16.2
Operating profit (beia) margin	**13.5%**	12.8%	65 bps	
Total volume	**49.2**	47.0	4.6	5.6
Beer volume	**41.7**	40.1	4.0	5.0
Licensed & non-beer volume	**7.5**	6.9	8.0	8.9

[1] Restated to reflect the impact of adopting IFRS 15

Beer volume grew 5.0% organically, with strong growth in South Africa, Russia, Ethiopia, Rwanda and Egypt more than offsetting weaker volume in Nigeria, DRC and Ivory Coast.

Net Revenue (beia) grew 11.1% organically driven by total volume growth of 5.6% and positive net revenue per hectolitre growth of 5.2%. Currency negatively impacted revenue by €298 million, mainly due to the Nigerian Naira, the Ethiopian Birr and the DRC Congolese Franc.

Operating profit (beia) improved by 16.2% organically driven by South Africa, Ethiopia, Egypt, Russia and the DRC. Translational currency impact reduced the operating profit (beia) by €38 million.

In **Nigeria**, consumer discretionary spend remained under pressure and competitive conditions continued to be challenging. Beer volume decreased mid-single digit for the full year, with improved trends in the last quarter as volumes were in line with the previous year.

In **Russia**, beer volume was up high single digit, driven by growth in the total market and the momentum of our economy brands and Heineken®, with a marked success of Heineken® 0.0.

In **South Africa**, total volume was up strong double digit driven by Heineken®. Soweto Gold and Strongbow also saw good growth.

In **Ethiopia**, beer volume increased double digit driven by the Walia brand. The market continued to grow strongly driven by population growth, urbanization and the growth of the economy.

In **Egypt**, total volume was up double digit helped by increased tourism and an improved economy.

In the **DRC**, challenging market conditions continued impacting the underlying consumer environment and beer market. Beer volume declined high-single digit. An asset impairment charge has been taken as an exceptional item, reflecting the latest market forecasts implications for our long term cash flows.

In **Ivory Coast**, the greenfield operation entered its third year and results are according to plan, despite the intensified competition with aggressive price promotions. Beer volume declined mid-single digit, however the Heineken® brand and Desperados continue to grow double digit.

Americas

Key Financials *(in mhl or € million unless otherwise stated)*	**FY18**	FY17 Restated [1]	Total growth %	Organic growth %
Net Revenue (beia)	**6,781**	6,312	7.4	8.3
Net Revenue (beia) per hl (in €)	**72**	80	-9.4	3.2
Operating profit (beia)	**1,178**	1,188	-0.8	4.6
Operating profit (beia) margin	**17.4%**	18.8%	-144 bps	
Total volume	**93.7**	79.0	18.6	5.0
Beer volume	**83.3**	72.1	15.5	5.4
Licensed & non-beer volume	**10.0**	6.5	54.6	2.4

[1] Restated to reflect the impact of adopting IFRS 15

Beer volume grew 5.4% organically, driven by strong growth in Mexico and Brazil which more than offset weaker volume in the US and Panama. **Total volume** grew to 94 million hectolitres driven by the consolidation in Brazil.

Net revenue (beia) grew 8.3% organically driven by total volume growth of 5.0% and higher net revenue per hectolitre of 3.2%. Revenue management initiatives and positive brand mix both contributed to top line growth. Net revenue (beia) was adversely impacted by currency movements of €544 million and positively impacted by €493 million of consolidation changes mainly from Brazil.

Operating profit (beia) grew 4.6% organically mainly driven by Brazil more than offsetting the decline in the US.

In **Mexico**, beer volume grew mid-single digit for the full year, driven by strong market growth. Promotional activity subsided in the last quarter. The Heineken® brand continued to deliver strong double digit growth.

In **Brazil**, beer volume grew double digit, with the premium and mainstream portfolios outperforming and delivering strong double digit growth, led by the Heineken® brand which grew by more than 1 million hectolitres. The last quarter saw low-single digit beer volume growth, as supply chain constraints and a back-office systems migration impacted our operation.

In the **US**, HEINEKEN USA's beer volume declined high-single digit in a declining beer market. Lagunitas volumes declined low-single digit in the US, still outperforming the overall craft category.

Asia Pacific

Key Financials *(in mhl or € million unless otherwise stated)*	**FY18**	FY17 Restated [1]	Total growth %	Organic growth %
Net Revenue (beia)	**2,919**	2,922	-0.1	5.8
Net Revenue (beia) per hl (in €)	**98**	105	-7.5	-2.5
Operating profit (beia)	**943**	962	-2.0	3.4
Operating profit (beia) margin	**32.3%**	32.9%	-63 bps	
Total volume	**29.9**	27.7	8.1	8.6
Beer volume	**29.0**	27.0	7.3	8.2
Licensed & non-beer volume	**0.8**	0.5	60.7	33.2

[1] Restated to reflect the impact of adopting IFRS 15

Beer volume grew 8.2% organically, with double digit growth in Vietnam, Cambodia, Myanmar and Korea.

Net Revenue (beia) grew 5.8% organically, with total volume up 8.6% and net revenue (beia) per hectolitre down -2.5%, as a result of country and brand mix.

Operating profit (beia) increased 3.4% organically driven by Vietnam, China and Indonesia.

In **Vietnam**, beer volume grew double digit, led by Tiger and Larue which grew strong double digit. Strongbow continues to show encouraging growth, shaping the cider category.

In **Indonesia**, beer volume saw high-single digit growth for the second half of the year due to an increase in tourism and stronger consumer sentiment despite a number of natural disasters, resulting in low-single digit growth for the full year. Heineken® volume continued to grow double digit.

In **Cambodia**, beer volume returned to growth in the fourth quarter, growing double digit for the full year, led by Tiger and Heineken®.

In **China**, the Heineken® brand was back to growth. On November 5th 2018, HEINEKEN announced a strategic partnership with China Resources Enterprise (CRE) to join forces in China (Mainland China, Hong Kong and Macau), which is subject to regulatory approval. The elements of the partnership are:

- CRE and HEINEKEN will form a 60/40 partnership resulting in an effective 20.67% economic interest in China Resources Beer (CR Beer) for HEINEKEN
- CRE will acquire 0.9% of Heineken N.V. shares, currently held in Treasury
- HEINEKEN will contribute its operating entities in China to CR Beer
- HEINEKEN and CR Beer will enter into a Trademark License Agreement for the Heineken® brand in China and a Framework Agreement to allow CR Beer to leverage HEINEKEN's global distribution channels for the Snow® brand and CR Beer's other Chinese brands, as well as to govern the use of other premium brands owned by HEINEKEN which may be licensed to CR Beer in China.

Europe

Key Financials *(in mhl or € million unless otherwise stated)*	**FY18**	FY17 Restated [1]	Total growth %	Organic growth %
Net Revenue (beia)	**10,348**	9,990	3.6	3.0
Net Revenue (beia) per hl (in €)	**97**	95	2.2	1.8
Operating profit (beia)	**1,451**	1,371	5.9	4.2
Operating profit (beia) margin	**14.0%**	13.7%	31 bps	
Total volume	**99.3**	97.9	1.4	1.2
Beer volume	**79.8**	78.8	1.3	1.3
Licensed & non-beer volume	**11.4**	11.0	3.8	3.5

[1] Restated to reflect the impact of adopting IFRS 15

Beer volume increased by 1.3% driven by positive performance in Italy, France, the Netherlands and Czech Republic more than offsetting weaker volume in Spain and Romania. The premium portfolio led by Heineken® outperformed with double digit growth.

Net Revenue (beia) increased by 3.0% organically, with total volume up 1.2% and net revenue per hectolitre up 1.8%, benefiting from a positive mix effect supported by premium brands and innovations, including low and no-alcohol and craft & variety. Pricing in the retail market continues to be challenging.

Operating profit (beia) was up 4.2% organically due to the continued focus on premiumisation and innovation driving revenue growth and disciplined cost management.

In the **UK**, total volume was up low-single digit with the Heineken® brand growing strong double digit. The Pub estate successfully completed the integration of Punch and is delivering strong results in line with expectations. The off-trade performance was positive on the back of a re-listing at a large retailer.

In **France**, beer volume grew mid-single digit led by Heineken®, Desperados and Affligem. Pressure in the modern retail environment remained high.

In **Italy**, beer volume grew high-single digit driven by the strong growth in the premium portfolio led by Heineken® and Ichnusa.

In the **Netherlands**, beer volume was up low-single digit on the back of the growth of the low and no-alcohol and craft & variety portfolios and a good summer.

In **Poland**, beer volume was slightly up driven by the premium and low and no-alcohol portfolios which showed strong double digit growth.

In **Spain**, beer volume decreased low-single digit driven by adverse weather in the first half of the year and disappointing tourism in key regional markets.

FINANCIAL REVIEW

Key figures *(in mhl or € million unless otherwise stated)*	**FY17 Restated**	Currency translation	Consolidation impact	Organic growth	**FY18**	Organic growth %
Revenue	**25,843**				**26,811**	
Eia	**20**				**0**	
Revenue (beia)	**25,863**	-1,131	500	1,579	**26,811**	5.9
Excise tax expense	**-4,234**	123	14	-242	**-4,340**	-4.8
Net Revenue (beia)	**21,629**	-1,008	514	1,337	**22,471**	6.1
Total other expenses (beia)	**-17,869**	832	-470	-1,096	**-18,603**	-6.0
Operating profit (beia)	**3,759**	-176	43	241	**3,868**	6.4
Net interest income/(expenses) (beia)	**-374**	9	-42	2	**-405**	0.4
Other net finance income/(expenses) (beia)	**-136**	3	-5	82	**-57**	59.9
Share of net profit of assoc./ JVs (beia)	**153**	-9	5	13	**161**	8.2
Income tax expense (beia)	**-897**	43	8	-54	**-900**	-6.0
Non-controlling interests (beia)	**-258**	14	4	-3	**-244**	-1.2
Net profit (beia)	**2,247**	-116	14	280	**2,424**	12.5
Eia	-312				-521	
Net profit	**1,935**				**1,903**	

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

Main changes in consolidation

- 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. from Kirin Holdings Company Limited.
- On 29 August 2017 HEINEKEN completed, through HEINEKEN UK, a back-to-back deal to acquire Punch Securitisation A ('Punch').
- On 1 September 2017 HEINEKEN transferred HEINEKEN Belarus to Oasis Group who now owns and operates the business and has entered into license and distribution agreements with HEINEKEN.
- On 30 November 2017 HEINEKEN completed, through HEINEKEN Asia Pacific, the merger of its business in Mongolia with APU JSC. HEINEKEN retains 25% of the merged business.
- On 1 December 2017 HEINEKEN Nederland B.V. entered into a strategic partnership for its Beer & Cider logistics in the Dutch Out-of-Home market with Sligro Food Group N.V. Simultaneously, HEINEKEN Nederland B.V. divested its wholesale operations for the other (non-Beer & Cider) product categories to Sligro Food Group N.V.

Revenue and Revenue (beia)

Revenue (beia) increased organically 5.9% to €26,811 million (2017: €25,863 million). Reported revenue was €26,811 million (2017: €25,843 million).

Net revenue (beia)

Net revenue (beia) increased by 6.1% organically to €22,471 million, with total consolidated volume growth of 4.0% and a 2.0% increase in net revenue (beia) per hectolitre. Currency developments had a negative translational impact of €1,008 million, mainly driven by the adverse development versus the Euro of the Brazilian Real, the Mexican Peso, the Nigerian Naira and the Vietnamese Dong. The positive impact of consolidation changes was €514 million mainly related to Brazil.

Total other expenses (beia)

Total other expenses (beia) were €18,603 million, up by 6.0% on an organic basis. Input costs increased organically by 8.1% and by 3.6% on a per hectolitre basis, mainly in packaging materials (commodities inflation and adverse transactional currency impact). Marketing and selling (beia) expenses increased organically by 1.5% to €2,494 million, representing 11.1% of net revenues (2017 restated: 11.6%).

Operating profit (beia)

Operating profit (beia) was €3,868 million, up 6.4% organically, excluding €176 million negative translational currency impact and €43 million increase from consolidation changes. Growth was driven by higher revenue and cost efficiencies which more than offset higher input and logistics costs.

Share of profit of associates and joint ventures (beia)

Share of profit of associates and joint ventures (beia) increased €13 million organically to €161 million, reflecting higher net profit from joint venture operations in India, Germany and Chile.

Net finance expenses (beia)

Net interest expenses (beia) increased by €31 million to €405 million. The average interest rate (beia) in 2018 was 3.2% (2017: 3.0%). Other net finance expenses (beia), which includes the impact of currency revaluation on outstanding payables in foreign currencies, the interest expense on the net pension liability and financing expenses related to discounted provisions, decreased by €79 million to €57 million.

Income tax expense (beia)

The effective tax rate (beia) was 26.4%, lower than last year (2017: 27.6%) including some one-off tax benefits.

Net profit and net profit (beia)

Net profit (beia) grew by €280 million organically to €2,424 million, an organic increase of 12.5%. The impact of currency was negative by €116 million and consolidation changes had a positive impact of €14 million. Reported net profit for 2018 was €1,903 million (2017: €1,935 million).

Exceptional items & amortisation of acquisition related intangibles (eia)

The impact of eia on net profit amounted to €521 million (2017: €312 million). On operating profit the impact of eia amounted to €731 million (2017: €407 million).

Amortisation of acquisition related intangibles in operating profit amounted to €311 million (2017: €302 million). Exceptional items in operating profit amounted to €420 million (2017: €105 million), of which:

- Nil in revenue (2017: €20 million)
- €122 million of restructuring expenses (2017: €93 million)
- €183 million of impairments mainly in the DRC (2017: €19 million gain from reversal of impairments)
- €24 million of acquisition and integration costs (2017: €72 million)
- €4 million net gain on disposals (2017: €71 million net gain mainly from the sale of non-beer and cider wholesale operations in the Netherlands)
- €95 million of other exceptional expenses (2017: €10 million which included exceptional benefits of €58 million).

Please refer to page 24 for a more detailed description of the exceptional items and amortisation of acquisition related intangibles.

Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment amounted to €1,888 million in 2018 (2017: €1,696 million) representing 8.4% of net revenues. The investments include additional capacity in Mexico, Vietnam, Ethiopia, Brazil, Cambodia, Haiti and South Africa, and the construction of a new brewery in Mozambique.

Free operating cash flow amounted to €2,246 million (2017: €2,031 million), increasing by €215 million or 10.6%, driven by improvements in working capital related to payables.

Financial structure

Total gross debt amounts to €14,986 million (2017: €15,378 million). Net debt decreased to €12,081 million (2017: €12,879 million) as the positive free operating cash flow exceeded the cash outflow for acquisitions, dividends and the negative foreign currency impact on debt.

Including the effect of cross-currency swaps, 52% of net debt is Euro-denominated and 26% is US dollar and US dollar proxy currencies. The pro forma net debt/EBITDA (beia) ratio was 2.3x on 31 December 2018 (2017: 2.5x) in line with the long-term target ratio of below 2.5x net debt/EBITDA (beia).

In September 2018 the following notes were issued under HEINEKEN's Euro Medium Term Note Programme:

- €600 million of 8.5-year Notes with a coupon of 1.25%
- €650 million of 12.5-year Notes with a coupon of 1.75%

The Notes have been issued under the Company's Euro Medium Term Note Programme and are listed on the Luxembourg Stock Exchange. The proceeds from the Notes issuance are to be used for general corporate purposes, which may include repayment of debt and/or acquisitions.

In 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.

In March 2018, the European Commercial Paper Programme has been updated and increased to €2 billion from €1 billion.

Average number of shares

HEINEKEN has 576,002,613 shares in issue. For the calculation of 2018 basic EPS, the weighted impact of the treasury shares including shares purchased for the employee incentive programme reduced the number of weighted average shares outstanding to 570,146,069 (570,074,335 in 2017).

For the calculation of 2018 diluted EPS, the number of weighted average outstanding shares is adjusted for the amount of shares to be delivered under the employee incentive programme, resulting in a weighted average diluted number of shares of 570,663,632 (570,652,111 in 2017).

Implementation of IFRS 16 in 2019

IFRS 16 'Leases' replaces existing guidance on leases, including IAS 17. HEINEKEN will implement IFRS 16 as 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. Under the new standard, all substantial lease contracts will be recognised on the balance sheet. Lease expenses currently recorded in the income statement will be replaced by depreciation and interest expenses for all lease contracts in scope of the standard. A more detailed explanation of the changes can be found on page 26. These changes will be excluded of organic growth calculations in 2019.

Full Year 2018 Metrics

In mhl or € million unless otherwise stated & consolidated figures unless otherwise stated	FY17	Impact of IFRS15	FY17 restated	Currency Translation	Consolidation Impact	Organic Growth	FY18	Organic Growth %[2]
Africa, Middle East & Eastern Europe								
Net Revenue (beia)	3,059	-31	3,028	-298	-19	340	3,051	11.1
Net Revenue (beia) per hl (in €)[1]	65		64			3	62	5.2
Operating profit (beia)	388		388	-38	-2	63	411	16.2
Operating profit (beia) margin	12.7%		12.8%				13.5%	
Total volume	47.0		47.0		-0.5	2.6	49.2	5.6
Beer volume	40.1		40.1		-0.4	2.0	41.7	5.0
Licensed & non-beer volume	6.9		6.9		-0.1	0.6	7.5	8.9
Third party products volume	0.1		0.1		—	—	0.1	7.6
Group beer volume	*41.5*		*41.5*				*43.0*	
Americas								
Net Revenue (beia)	6,258	54	6,312	-544	493	521	6,781	8.3
Net Revenue (beia) per hl (in €)[1]	79		80			3	72	3.2
Operating profit (beia)	1,188		1,188	-87	23	55	1,178	4.6
Operating profit (beia) margin	19.0%		18.8%				17.4%	
Total volume	79.0		79.0		10.7	4.0	93.7	5.0
Beer volume	72.1		72.1		7.3	3.9	83.3	5.4
Licensed & non-beer volume	6.5		6.5		3.4	0.2	10.0	2.4
Third party products volume	0.4		0.4		—	-0.1	0.4	-17.4
Group beer volume	*76.8*		*76.8*				*88.4*	
Asia Pacific								
Net Revenue (beia)	2,996	-74	2,922	-141	-36	174	2,919	5.8
Net Revenue (beia) per hl (in €)[1]	108		105			-3	98	-2.5
Operating profit (beia)	962		962	-43	-9	33	943	3.4
Operating profit (beia) margin	32.1%		32.9%				32.3%	
Total volume	27.7		27.7		-0.1	2.4	29.9	8.6
Beer volume	27.0		27.0		-0.3	2.2	29.0	8.2
Licensed & non-beer volume	0.5		0.5		0.1	0.2	0.8	33.2
Third party products volume	0.1		0.1		—	—	0.1	-30.5
Group beer volume	*33.5*		*33.5*				*36.3*	
Europe								
Net Revenue (beia)	10,237	-247	9,990	-28	78	308	10,348	3.0
Net Revenue (beia) per hl (in €)[1]	98		95			2	97	1.8
Operating profit (beia)	1,371		1,371	-3	27	57	1,452	4.2
Operating profit (beia) margin	13.4%		13.7%				14.0%	
Total volume	97.9		97.9		0.2	1.2	99.3	1.2
Beer volume	78.8		78.8		—	1.0	79.8	1.3
Licensed & non-beer volume	11.0		11.0		—	0.4	11.4	3.5
Third party products volume	8.1		8.1		0.2	-0.2	8.0	-3.1
Group beer volume	*81.2*		*81.2*				*81.8*	
Head Office & Eliminations								
Net Revenue (beia)	-641	18	-623	3	-2	-5	-628	n.a.
Operating profit (beia)	-150		-150	-4	4	33	-116	n.a.
Heineken N.V.								
Net Revenue (beia)	21,908	-279	21,629	-1,008	514	1,337	22,471	6.1
Net Revenue (beia) per hl (in €)[1]	87		86			2	83	2.0
Total other expenses (beia)	-18,149		-17,869	832	-470	-1,096	-18,603	-6.0
Operating profit (beia)	3,759		3,759	-176	43	241	3,868	6.4
Operating profit (beia) margin	17.2%		17.4%				17.2%	
Share of net profit of associates /JVs	153		153	-9	5	13	161	8.2
Net Interest income / (expenses) (beia)	-374		-374	9	-42	2	-405	0.4
Other net finance income / (expenses)	-136		-136	3	-5	82	-57	59.9
Income tax expense (beia)	-897		-897	43	8	-54	-900	-6.0
Minority Interests	-258		-258	14	4	-3	-244	-1.2
Net profit (beia)	2,247		2,247	-116	14	280	2,424	12.5
Total volume	251.6		251.6		10.3	10.1	272.1	4.0
Beer volume	218.0		218.0		6.7	9.1	233.8	4.2
Licensed & non-beer volume	24.9		24.9		3.5	1.3	29.7	5.3
Third party products volume	8.7		8.7		0.2	-0.3	8.6	-4.0
Group beer volume	*233.0*		*233.0*				*249.5*	

[1] Net Revenue (beia) per hl calculation excludes interregional revenue

[2] Organic growth is calculated using the last year non-restated figures as baseline.

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

Fourth Quarter 2018 Metrics

In mhl unless otherwise stated & consolidated figures unless otherwise stated	4Q17	Consolidation Impact	Organic Growth	4Q18	Organic Growth %
Africa, Middle East & Eastern Europe					
Total volume	12.4	—	0.7	13.1	5.6
Beer volume	10.6	—	0.6	11.2	5.9
Licensed & non-beer volume	1.8	—	0.1	1.9	3.9
Third party products volume	—	—	—	—	5.9
Group beer volume	*10.9*			*11.6*	
Americas					
Total volume	24.7	—	0.1	24.9	0.5
Beer volume	21.8	—	0.4	22.2	1.8
Licensed & non-beer volume	2.7	—	-0.1	2.7	-1.2
Third party products volume	0.2	—	-0.2	—	-125.5
Group beer volume	*23.2*			*23.7*	
Asia Pacific					
Total volume	7.8	—	0.3	8.1	4.1
Beer volume	7.6	—	0.3	7.8	3.3
Licensed & non-beer volume	0.2	—	—	0.3	42.7
Third party products volume	—	—	—	—	-32.1
Group beer volume	*9.1*			*9.6*	
Europe					
Total volume	21.2	—	0.6	21.8	2.7
Beer volume	16.8	—	0.6	17.4	3.5
Licensed & non-beer volume	2.5	—	—	2.6	1.1
Third party products volume	1.9	—	—	1.8	-2.5
Group beer volume	*17.2*			*17.8*	
Heineken N.V.					
Total volume	66.1	—	1.7	67.8	2.6
Beer volume	56.7	—	1.9	58.6	3.3
Licensed & non-beer volume	7.3	—	0.1	7.4	1.9
Third party products volume	2.1	—	-0.3	1.8	-13.6
Group beer volume	*60.4*			*62.7*	

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

Consolidated financial statements for the full year 2018

The 2018 financial information included in the primary statements attached to this press release are derived from the Annual Report 2018. This Annual Report has been authorised for issue. The Annual Report has not yet been published by law and still has to be adopted by the Annual General Meeting of Shareholders on 25 April 2019.

In accordance with section 393, Title 9, Book 2 of the Netherlands Civil Code, Deloitte Accountants B.V. has issued an unqualified Independent auditors' report on the Financial Statements.

The full Annual Report will be available for download on the HEINEKEN website (www.theheinekencompany.com) as of 20 February 2019.

Consolidated Income Statement

For the year ended 31 December *In millions of €*	2018	2017*
Revenue	**26,811**	25,843
Excise tax expense	(4,340)	(4,234)
Net revenue	**22,471**	21,609
Other income	**75**	141
Raw materials, consumables and services	(13,967)	(13,261)
Personnel expenses	(3,749)	(3,550)
Amortisation, depreciation and impairments	(1,693)	(1,587)
Total other expenses	**(19,409)**	(18,398)
Operating profit	**3,137**	3,352
Interest income	62	72
Interest expenses	(493)	(468)
Other net finance income/ (expenses)	(64)	(123)
Net finance expenses	**(495)**	(519)
Share of profit of associates and joint ventures	210	75
Profit before income tax	**2,852**	2,908
Income tax expense	(757)	(755)
Profit	**2,095**	2,153
Attributable to:		
Shareholders of the Company (net profit)	1,903	1,935
Non-controlling interests	192	218
Profit	**2,095**	2,153
Weighted average number of shares – basic	570,146,069	570,074,335
Weighted average number of shares – diluted	570,663,632	570,652,111
Basic earnings per share (€)	3.34	3.39
Diluted earnings per share (€)	3.34	3.39

*Restated to reflect the change in accounting policy on Revenue from Contracts with Customers (IFRS 15). Refer to page 25 for more information.

Consolidated Statement of Comprehensive Income

For the year ended 31 December *In millions of €*	2018	2017
Profit	**2,095**	2,153
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-retirement obligations	221	64
Net change in fair value through OCI investments*	11	—
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	(100)	(1,485)
Reclassification of currency translation differences to profit or loss	—	59
Change in fair value of net investment hedges	(3)	26
Change in fair value of cash flow hedges	(67)	109
Cash flow hedges reclassified to profit or loss	(77)	(3)
Net change in fair value through OCI investments*	—	68
Share of other comprehensive income of associates/joint ventures	(36)	(7)
Other comprehensive income, net of tax	**(51)**	(1,169)
Total comprehensive income	**2,044**	984
Attributable to:		
Shareholders of the Company	1,848	881
Non-controlling interests	196	103
Total comprehensive income	**2,044**	984

*In 2017 these investments were classified as available-for-sale investments.

Consolidated Statement of Financial Position

	2018	2017		2018	2017
As at 31 December					
In millions of €					
Intangible assets	17,459	17,670	Shareholders' equity	14,358	13,321
Property, plant and equipment	11,359	11,117	Non-controlling interests	1,182	1,200
Investments in associates and joint ventures	2,021	1,841	**Total equity**	**15,540**	14,521
Loans and advances to customers	341	331			
Deferred tax assets	622	768	Borrowings	12,628	12,166
Other non-current assets	1,084	1,059	Post-retirement obligations	954	1,289
Total non-current assets	**32,886**	32,786	Provisions	846	970
			Deferred tax liabilities	1,370	1,495
Inventories	1,920	1,814	Other non-current liabilities	168	135
Trade and other receivables	3,740	3,676	**Total non-current liabilities**	**15,966**	16,055
Current tax assets	71	64			
Derivative assets	35	219	Borrowings	2,358	3,212
Cash and cash equivalents	2,903	2,442	Trade and other payables	6,891	6,128
Assets classified as held for sale	401	33	Returnable packaging deposits	569	607
Total current assets	**9,070**	8,248	Provisions	164	178
			Current tax liabilities	266	310
			Derivative liabilities	70	21
			Liabilities associated with assets classified as held for sale	132	2
			Total current liabilities	**10,450**	10,458
Total assets	**41,956**	41,034	**Total equity and liabilities**	**41,956**	41,034

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Heineken N.V. – Registered Office at Amsterdam – Trade Register Amsterdam No. 33011433

Consolidated statement of cash flows

For the year ended 31 December *In millions of €*	2018	2017
Operating activities		
Profit	2,095	2,153
Adjustments for:		
Amortisation, depreciation and impairments	1,693	1,587
Net interest expenses	431	396
Other income	(75)	(141)
Share of profit of associates and joint ventures and dividend income on fair value through OCI investments	(228)	(84)
Income tax expenses	757	755
Other non-cash items	179	314
Cash flow from operations before changes in working capital and provisions	**4,852**	4,980
Change in inventories	(129)	(185)
Change in trade and other receivables	(66)	(241)
Change in trade and other payables and returnable packaging deposits	908	495
Total change in working capital	**713**	69
Change in provisions and post-retirement obligations	(25)	(125)
Cash flow from operations	**5,540**	4,924
Interest paid	(555)	(463)
Interest received	118	98
Dividends received	109	109
Income taxes paid	(824)	(786)
Cash flow related to interest, dividend and income tax	**(1,152)**	(1,042)
Cash flow from operating activities	**4,388**	3,882

For the year ended 31 December *In millions of €*	2018	2017
Investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	111	187
Purchase of property, plant and equipment	(1,888)	(1,696)
Purchase of intangible assets	(167)	(137)
Loans issued to customers and other investments	(239)	(259)
Repayment on loans to customers	41	54
Cash flow (used in)/from operational investing activities	**(2,142)**	(1,851)
Free operating cash flow	**2,246**	2,031
Acquisition of subsidiaries, net of cash acquired	(70)	(1,047)
Acquisition of/additions to associates, joint ventures and other investments	(159)	(93)
Disposal of subsidiaries, net of cash disposed of	15	10
Disposal of associates, joint ventures and other investments	1	16
Cash flow (used in)/from acquisitions and disposals	**(213)**	(1,114)
Cash flow (used in)/from investing activities	**(2,355)**	(2,965)
Financing activities		
Proceeds from borrowings	1,694	3,268
Repayment of borrowings	(1,545)	(3,205)
Dividends paid	(1,090)	(1,011)
Purchase own shares and shares issued	(20)	—
Acquisition of non-controlling interests	(2)	(18)
Other	(4)	—
Cash flow (used in)/from financing activities	**(967)**	(966)
Net cash flow	**1,066**	(49)
Cash and cash equivalents as at 1 January	1,177	1,366
Effect of movements in exchange rates	5	(140)
Cash and cash equivalents as at 31 December	**2,248**	1,177

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CONSOLIDATED 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	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at1 January 2017	**922**	**2,701**	**(1,829)**	**(1)**	**262**	**838**	**(443)**	**10,788**	**13,238**	**1,335**	**14,573**
Profit	—	—	—	—	—	153	—	1,782	1,935	218	2,153
Other comprehensive income	—	—	(1,295)	106	69	—	—	66	(1,054)	(115)	(1,169)
Total comprehensive income	**—**	**—**	**(1,295)**	**106**	**69**	**153**	**—**	**1,848**	**881**	**103**	**984**
Transfer to retained earnings	—	—	—	—	—	(29)	—	29	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(775)	(775)	(245)	(1,020)
Purchase/reissuance own/non-controlling shares	—	—	—	—	—	—	—	—	—	—	—
Own shares delivered	—	—	—	—	—	—	33	(33)	—	—	—
Share-based payments	—	—	—	—	—	—	—	22	22	—	22
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	(45)	(45)	28	(17)
Changes in consolidation/transfers within equity	—	—	—	7	—	—	—	(7)	—	(21)	(21)
Balance as at 31 December 2017	**922**	**2,701**	**(3,124)**	**112**	**331**	**962**	**(410)**	**11,827**	**13,321**	**1,200**	**14,521**

In millions of €	Share capital	Share premium	Translation reserve	Cost of hedging	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 31 December 2017	**922**	**2,701**	**(3,124)**	**—**	**112**	**331**	**962**	**(410)**	**11,827**	**13,321**	**1,200**	**14,521**
Changes in accounting policy (IFRS 9)	—	—	(2)	3	—	—	—	—	(3)	(2)	—	(2)
Balance as at1 January 2018	**922**	**2,701**	**(3,126)**	**3**	**112**	**331**	**962**	**(410)**	**11,824**	**13,319**	**1,200**	**14,519**
Profit	—	—	—	—	—	—	214	—	1,689	1,903	192	2,095
Other comprehensive income	—	—	(143)	6	(150)	11	—	—	221	(55)	4	(51)
Total comprehensive income	**—**	**—**	**(143)**	**6**	**(150)**	**11**	**214**	**—**	**1,910**	**1,848**	**196**	**2,044**
Transfer to/(from) retained earnings	—	—	—	—	—	—	(80)	—	80	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(866)	(866)	(212)	(1,078)
Purchase/reissuance own/non-controlling shares	—	—	—	—	—	—	—	(38)	—	(38)	20	(18)
Own shares delivered	—	—	—	—	—	—	—	33	(33)	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	26	26	—	26
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	—	26	26	(30)	(4)
Changes in consolidation/transfers within equity	—	—	—	—	—	—	—	—	43	43	8	51
Balance as at 31 December 2018	**922**	**2,701**	**(3,269)**	**9**	**(38)**	**342**	**1,096**	**(415)**	**13,010**	**14,358**	**1,182**	**15,540**

NON-GAAP MEASURES

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).

In millions of €	**2018**	2017
Operating profit (beia)	**3,868**	3,759
Amortisation of acquisition-related intangible assets and exceptional items included in operating profit	(731)	(407)
Share of profit of associates and joint ventures	210	75
Net finance expenses	(495)	(519)
Profit before income tax	**2,852**	2,908
Profit attributable to shareholders of the Company (net profit)	**1,903**	1,935
Amortisation of acquisition-related intangible assets included in operating profit	311	302
Exceptional items included in operating profit	420	105
Exceptional items included in net finance expenses/(income)	34	8
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	(50)	78
Exceptional items included in income tax expense	(142)	(142)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(52)	(39)
Net profit (beia)	**2,424**	2,247

The 2018 exceptional items and amortisation of acquisition-related intangibles on net profit amount to €521 million (2017: €312 million). This amount consists of:

- €311 million (2017: €302 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €420 million (2017: €105 million) of exceptional items recorded in operating profit, of which nil in revenue (2017: €20 million), €122 million of restructuring expenses (2017: €93 million), €183 million of impairments mainly in the Democratic Republic of Congo (DRC) (2017: €19 million gain from reversal of impairments), €24 million of acquisition and integration costs (2017: €72 million), €4 million net gain on disposals (2017: €71 million net gain mainly from the sale of non-beer and cider wholesale operations in the Netherlands) and €95 million of other exceptional expenses (2017: €10 million which included exceptional benefits of €58 million).
- €34 million (2017: €8 million) of exceptional items in net finance expenses, mainly related to interest over tax liabilities and interest expenses of the pre-financing of acquisitions.
- €50 million of exceptional net benefits and amortisation of acquisition-related intangibles included in share of profit of associates and joint ventures, mainly related to the early termination of a brand license by CCU S.A. in exchange for cash and a portfolio of brands in Argentina (2017: €78 million expense, which included loss on previously-held equity interests and the recycling of foreign exchange from equity to profit and loss).
- €142 million (2017: €142 million) in income tax expense, which includes the tax impact on exceptional items and amortisation of acquisition-related intangible assets of €115 million (2017: €97 million) and an exceptional income tax benefit of €27 million (2017: €45 million, mainly for remeasurement of deferred tax positions following a nominal tax rate change in the United States).
- Total amount of eia allocated to non-controlling interests amounts to €52 million (2017: €39 million).

Update on new standards applicable as per 1 January 2018

IFRS 9
IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. The standard replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. HEINEKEN has implemented IFRS 9 per 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative financial information is not restated. Any impact of IFRS 9 as of 1 January 2018 is recognised directly in equity. HEINEKEN has reviewed the impact of this new standard and has concluded that the impact is limited.

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 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 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 our 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 be added. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

The IFRS 15 changes described above had no impact on operating profit, net profit and EPS.

Update on new standards applicable as per 1 January 2019

IFRS 16

IFRS 16 'Leases' 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. Under the new standard, all operating lease contracts will be recognised on HEINEKEN's balance sheet, except for short term and low value leases. Lease expenses currently recorded in the income statement will be replaced by depreciation and interest expenses for all lease contracts in scope of the standard.

Transition options and practical expedients

HEINEKEN will apply the following practical expedients upon transition to the new standard:

Recognition (permanent):

- Apply the short-term lease exemption, meaning that leases with a duration of less than a year will be expensed in the income statement on a straight-line basis
- Apply the low value lease exemption, meaning that leased assets with an individual value of €5 thousand or less if bought new will be expensed in the income statement on a straight-line basis
- Apply the option to include non-lease components in the lease liability for equipment leases

Transition:

- Use the option to grandfather the lease classification for existing contracts
- Use the transition option for leases with a remaining contract period of less than one year, meaning that these leases will not be recorded on balance and the payments will be expensed in the income statement on a straight-line basis
- Measure the Right-of-Use Asset based on the Lease Liability recognised

Accounting policy on the lease term applied as per 1 January 2019

The lease term shall be determined as the non-cancellable period of a lease, together with:

- Periods covered by an option to extend the lease if HEINEKEN is reasonably certain to make use of that option
- Periods covered by an option to terminate the lease if HEINEKEN is reasonably certain not to make use of that option

Estimated impact on the financial statements:

HEINEKEN has around 30,000 operating leases mainly relating to offices, warehouses, pubs, stores, cars and (forklift) trucks. Based on the contracts that will be capitalised as per 1 January 2019, the estimated impact on the balance sheet on that date, amounts to €1.2 billion increase in total assets and total liabilities. The increase in assets consist of Right-of-use Assets for €0.9 billion and lease receivables for €0.3 billion. The increase in liabilities consists of €1.2 billion of lease liabilities.

In some countries, HEINEKEN is operating both as a lessee and a lessor for pubs. HEINEKEN analysed the contracts where HEINEKEN acts as a lessor (subleases) and concluded that under the new standard these sublease contracts are to be treated as a finance lease, where under the previous standard these same leases were treated as an operating lease. This change results in a decrease of revenue, primarily impacting The Netherlands and Belgium.

For the contracts that will be capitalised as per 1 January 2019, the estimated impact on the income statement will be as follows:

Income statement	Estimated IFRS16 impact	Remarks
Revenue	**(52)**	The decrease in revenue (income from subleases) is fully offset by a decrease in expenses on the head leases (relates primarily to The Netherlands and Belgium).
Excise tax expense	—	
Net revenue	**(52)**	
Other income	**—**	
Raw materials, consumables and services	259	A decrease in raw materials, consumables and services, as a result of the shift of operating lease expenses to depreciation and interest.
Personnel expenses	—	
Amortisation, depreciation and impairments	(186)	An increase in depreciation, amortisation and impairments, as a result of depreciation of the Right-of-Use Assets.
Total other expenses	**73**	
Operating profit	**21**	
Net finance expenses	(40)	An increase in net finance expenses as a result of the unwinding of the discount on lease liabilities and accretion of interest on lease receivables.
Share of profit of associates and joint ventures	—	
Profit before income	**(19)**	
Income tax expense	5	
Profit	**(14)**	

For the contracts that will be capitalised as per 1 January 2019, the impact on the cash flow statement is estimated to be:

- An increase of €0.2 billion on cash flows from operating activities (and free operating cash flow) and a corresponding decrease in cash flow from financing
- The impact on net cash flow will be neutral

It is expected that the actual impact on the financial statements in 2019 will be different as a result of:

- The finalisation of the validation of completeness and accuracy of the identified contracts
- The finalisation of the identification of embedded leases
- New lease contracts to be entered into in 2019

Reconciliation of the off-balance sheet commitments with the estimated impact

HEINEKEN will report a total off-balance sheet commitment for leases of €2.0 billion as at 31 December 2018. The difference between the estimated opening balance sheet impact of €1.2 billion (lease liabilities) and the off balance sheet commitments is primarily due to low value and short term lease commitments, which are not included in the lease liability, and the impact of discounting of future lease payments.

GLOSSARY

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

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

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

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

Consolidation changes
Changes as a result of 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 (EPS)
Basic
Net profit divided by the weighted average number of shares – basic – during the year.
Diluted
Net profit divided by the weighted average number of shares – diluted – during the year.

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

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

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

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

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

Net debt
Non-current and current interest bearing borrowings, bank overdrafts and commercial paper and market value of cross-currency interest rate swaps less cash and cash equivalents.

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

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

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

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

Price mix
Refers to the different components that influence net revenue per hectolitre, namely the changes in the absolute price of each individual sku and their weight in the portfolio.

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