Heineken N.V. reports 2017 full year results

Amsterdam, 12 February 2018 - Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) announces:

- Organic revenue (beia) +5.0% with revenue (beia) per hectolitre +2.1%
- Consolidated beer volume +3.0% with growth in all regions
- Heineken® volume +4.5%
- Operating profit (beia) organic growth of +9.3%; operating margin (beia) expansion of +40 bps excluding the Brasil Kirin, Punch and Lagunitas acquisitions
- Net profit (beia) of €2,247 million, +9.3% organically
- Diluted EPS (beia) +7.0% to €3.94
- Proposed 2017 total dividend +9.7% at €1.47 per share

CEO STATEMENT

Jean-François van Boxmeer, Chairman of the Executive Board / CEO, commented:
"We delivered strong results in 2017, with all regions contributing to organic growth in volume, revenue and operating profit. The Heineken® brand performed very well and Heineken® 0.0 was launched in 16 countries. During the year, we became the second largest beer company in Brazil with the acquisition of Brasil Kirin, we bought 1,900 pubs from Punch Taverns in the UK and acquired full ownership of Lagunitas, where we strongly believe in the expansion of the brand as an IPA of reference outside its core US market. We also made good progress with our sustainability agenda. We have already surpassed our 2020 CO_2 emissions target and we have set new ambitious objectives for 2030 with our 'Drop the C' programme.

We expect the environment will continue to be marked by volatility and uncertainty. We are committed to long-term value creation and will continue to strive for superior top line growth whilst working on improving our operating profit margin. In the coming years, we expect this to be driven by Heineken® as well as our portfolio of international brands, craft & variety, low & no-alcohol and cider, with a focus on premiumisation, combined with revenue and cost management initiatives. For 2018, excluding major unforeseen macro economic and political developments, we expect to deliver an operating profit margin expansion of around 25bps[1]. This includes a residual dilutive effect on margins from the acquisition of Brasil Kirin, whose integration and results are very encouraging."

FINANCIAL SUMMARY

Key financials[2] *(in mhl or € million unless otherwise stated)*	**FY17**	FY16	Total growth %	Organic growth %
Revenue (beia)	**21,908**	20,792	5.4	5.0
Revenue	**21,888**	20,792	5.3	
Revenue (beia) per hl (in €)	**87**	91	-4.6	2.1
Operating profit (beia)	**3,759**	3,540	6.2	9.3
Operating profit (beia) margin	**17.2%**	17.0%	14bps	
Net profit (beia)	**2,247**	2,098	7.1	9.3
Net profit	**1,935**	1,540	25.6	
Diluted EPS (beia) (in €)	**3.94**	3.68	7.0	
Free operating cash flow	**2,031**	1,773	14.6	
Net debt / EBITDA (beia)[3]	**2.5**	2.3		

[1] Excluding the one-time benefit of the implementation of IFRS 15 as of 1 January 2018.
[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.

FULL YEAR 2018 OUTLOOK STATEMENT

- Economic conditions are expected to remain volatile and we have assumed a negative impact from currency comparable to 2017.
- We expect further organic revenue and profit growth.
- Excluding major unforeseen macro economic and political developments we expect to deliver an operating profit margin expansion of around 25 bps. This includes a residual dilutive effect from the acquisition of Brasil Kirin and excludes the one-time benefit of IFRS 15 implementation.
- We expect 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).

OPERATIONAL REVIEW

The good performance in the first half continued during the second part of the year. Revenue (beia) per hectolitre continued to improve organically in all regions, excluding Asia Pacific due to negative mix effects. Full year operating profit (beia) increased 9.3% organically, a slightly lower pace than the first part of the year (1H17: 11.7%) as our commercial investments increased during the second half as planned.

HEINEKEN continued to invest in key developing markets with the expansion of production capacity in Mexico, Cambodia, Vietnam, Ethiopia and Haiti, the opening of a new brewery in Ivory Coast and the announcement of the construction of a new brewery in Mozambique.

Revenue (beia) increased 5.0% organically, with a 2.9% increase in total volume and a 2.1% increase in revenue (beia) per hectolitre. In 2017 the underlying price mix impact was 2.5%. In the second half revenue (beia) increased 4.3% (1H17: 5.7%), with volume growth of 3.5% (1H17: 2.3%), revenue (beia) per hectolitre was up 0.8% (1H17: 3.4%) and underlying price mix impact of 1.7%. Reported revenue (beia) per hectolitre declined -4.6% mainly due to the dilutive effect of the acquisition of Brasil Kirin.

Consolidated beer volumes *(in mhl)*	**4Q17**	Organic growth %	**FY17**	Organic growth %
Heineken N.V.	**56.7**	4.6	**218.0**	3.0
Africa, Middle East & Eastern Europe	**10.6**	7.2	**40.1**	4.8
Americas	**21.8**	4.6	**72.1**	3.3
Asia Pacific	**7.6**	10.6	**27.0**	8.9
Europe	**16.8**	0.6	**78.8**	0.2

Consolidated beer volume grew 3.0% organically in 2017, with 2.6% growth in the first half and 3.5% growth in the second half. Beer volume in the fourth quarter was up 4.6%, an acceleration versus the 2.5% volume growth delivered in the third quarter due to positive volume growth in Europe and accelerated growth in the Americas.

Heineken® volume *(in mhl)*	**4Q17**	Organic growth %	**FY17**	Organic growth %
Heineken® volume	**9.2**	6.9	**36.0**	4.5
Africa, Middle East & Eastern Europe	**1.6**	18.7	**5.2**	12.8
Americas	**3.0**	12.0	**10.7**	9.5
Asia Pacific	**1.6**	-5.3	**6.3**	-5.9
Europe	**3.0**	3.9	**13.8**	3.1

Heineken® volume grew 4.5%, one of the brand's strongest performances in recent years, with positive volume performance across all regions apart from Asia Pacific. Volume grew double digit in Brazil, South Africa, Russia, Mexico and Romania. The brand also saw healthy growth across European markets including Italy, Spain, France and the Netherlands benefiting from the steady growth of Heineken® Lager as well as the launch of Heineken® 0.0 during the year. These results more than offset weaker volumes in Vietnam, China and the US. Heineken® continues to benefit from global platforms such as UEFA Champions League and Formula 1®.

Heineken® Light grew high single digit driven by launches in Mexico, Indonesia, Poland, Greece and Switzerland and continued growth in Australia, offsetting softer volume in the US.

Heineken® 0.0 is available in 16 markets and is delivering ahead of expectations. Further roll-out is planned for 2018. Heineken® 0.0 is also at the heart of our 'When you drive, never drink' campaign together with our sponsorship of Formula 1®.

The international brand portfolio grew high single digit. Volume was up double digit for **Tiger**, **Krušovice** and **Birra Moretti**. **Tecate, Desperados** and **Red Stripe** also delivered robust volume growth during the year. **Amstel** volume was flat with the decline in Nigeria and Greece offset by strong growth in Brazil. **Sol** declined mid single digit as the high single digit growth outside of Mexico was offset by lower domestic volume.

Cider volume increased low single digit to 4.9 million hectolitres (2016: 4.8 million). Good progress was made with our global cider strategy and volume outside the UK was up double digit, driven by the strong growth in South Africa, Poland, Romania and Vietnam. This offset a high single digit decline in the UK, where volumes were impacted by a partial delisting.

Low & No-Alcohol (LNA) volumes increased low single digit, delivering 12.5 million hectolitres in 2017 (2016: 12.4 million). Continued robust growth of Radler and the launch of Heineken® 0.0 contributed to Europe's double digit volume growth. Volumes in Nigeria and Egypt were adversely impacted by the weaker macro economic environment and consumer sentiment.

Craft & Variety volume grew double digit supported by the strong performance of the international craft beers as well as local craft propositions. In particular, Affligem and Mort Subite in France, and Lagunitas both in the UK and US contributed to category growth.

Among the **innovations** of 2017 was the launch of The Blade, a countertop draught system for small outlets. Launched in 11 markets in the second half of the year, this innovation is showing promising early results. HEINEKEN also launched new e-commerce initiatives for both Business-to-Business and Business-to-Consumer platforms, such as Beerwulf which is our new Craft & Variety online business channel for consumers.

Operating profit (beia) grew 9.3% organically, primarily reflecting higher revenue and cost efficiencies.

SUSTAINABILITY

HEINEKEN strongly believes that by fully integrating sustainability into the way we do business, we are best placed to make a meaningful positive impact on the world around us. HEINEKEN continues to make significant progress in achieving its Brewing a Better World commitments.

Highlights included decreasing average water consumption in water-stressed areas to 3.2 litres of water per litre of beer (2014: 3.8). Global average water consumption remained stable compared to last year, and decreased 29% compared to 2008, the baseline year for the 2020 commitments. 28% of main raw materials came from sustainable sources (2016: 17%). 10% of total Heineken® media spend was dedicated to responsible consumption campaigns, in more than 70% of operating companies in scope.

HEINEKEN has now surpassed its 2020 target for CO_2 emissions by reaching 6.1 kg CO_2 e/hl, down from 6.5 kg CO_2 e/hl in 2016 (a 41% decline since 2008). Emissions decreased in absolute terms as well: even though production volumes were 57% higher than in 2008, emissions were 7% lower. Today HEINEKEN announced its 2030 vision for renewable energy and is setting a new ambition to reduce carbon emissions.

NET PROFIT (beia)

Net profit (beia) increased 9.3% organically to €2,247 million (2016: €2,098 million).

The impact of exceptional items and amortization of acquisition-related intangibles (eia) on net profit was €312 million (2016: €558 million). In 2016 exceptionals included an asset impairment in the Democratic Republic of Congo (DRC) of €286 million.

Net profit after exceptional items and amortization of acquisition-related intangibles was €1,935 million (2016: €1,540 million).

TOTAL DIVIDEND FOR 2017

The Heineken N.V. dividend policy is to pay out a ratio of 30% to 40% of full year net profit (beia). For 2017, payment of a total cash dividend of €1.47 per share (2016: €1.34) will be proposed to the Annual General Meeting of Shareholders (AGM) on 19 April 2018. This represents an increase of 9.7% versus 2016, translating into a 37.3% payout. If approved, a final dividend of €0.93 per share will be paid on 2 May 2018, as an interim dividend of €0.54 per share was paid on 10 August 2017. The payment will be subject to a 15% Dutch withholding tax. The ex-final dividend date for Heineken N.V. shares will be 23 April 2018.

TRANSLATIONAL CURRENCY CALCULATED IMPACT FOR 2018

Using spot rates as at 7 February 2018 for the remainder of this year, the calculated negative currency translational impact would be approximately €190 million at consolidated operating profit (beia), and €105 million at net profit (beia). Foreign exchange markets remain very volatile.

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

SUPERVISORY BOARD COMPOSITION

Mr. J.A. Fernández Carbajal, Mr. J.G. Astaburuaga Sanjiinés, Mr. J.M. Huët, and Mrs. A.M. Fentener van Vlissingen will have completed their four-year appointment terms per the end of the AGM on 19 April 2018.

Mr. Huët is eligible for reappointment for a period of four years and a non-binding nomination shall be submitted to the AGM in this respect. A non-binding nomination for the reappointment of Mr. Fernández Carbajal and Mr. Astaburuaga Sanjiinés for a period of four years shall also be submitted to the AGM. Both are representatives of FEMSA (that (in)directly holds a 14.76% economic interest in the Company), and their respective appointments are based on the Corporate Governance Agreement, which was concluded between (among others) the Company and FEMSA on 30 April 2010, and which was approved by the AGM on 22 April 2010 (in connection with the acquisition by the Company of FEMSA's beer activities).

The Supervisory Board is grateful for the commitment of Mrs. Fentener van Vlissingen over the past twelve years and for her meaningful contribution to the Supervisory Board, as well as its Audit Committee and Selection and Appointment Committee.

A non-binding nomination will be submitted to the AGM in 2018 to appoint Mrs. M. Helmes as a member of the Supervisory Board as of 19 April 2018 for a period of four years. It is the intention that Mrs. Helmes will join the Audit Committee and in time become the Chair of the Audit Committee, taking over this role from Mr. Huët who will remain a member of the Audit Committee.

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

Combined financial and sustainability annual report	19 February 2018
HEINEKEN IFRS 15 conference call	20 February 2018
Trading Update for Q1 2018	18 April 2018
Annual General Meeting of Shareholders	19 April 2018
Financial Markets Conference	8/9 May 2018
Half Year 2018 Results	30 July 2018
Trading Update for Q3 2018	24 October 2018

Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2017 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:

Netherlands
Local line: +31(0)20 794 8426
National free phone: 0800 022 9132

United Kingdom
Local line: +44 (0)20 3003 2666
National free phone: 0808 109 0700

United States of America
National free phone: +1866 966 5335

Participation password for all countries: Heineken

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. We are committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business and delivers value for all stakeholders. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets. We employ over 80,000 employees and operate breweries, malteries, cider plants and other production facilities in more than 70 countries. Heineken N.V. and Heineken Holding N.V. shares trade on the Euronext in Amsterdam. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on Reuters under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY). Most recent information is available on HEINEKEN's website: www.theHEINEKENcompany.com 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

Revenue (beia) *(in € million)*	**FY17**	FY16	Organic growth %
Heineken N.V.	**21,908**	20,792	5.0
Africa, Middle East & Eastern Europe	**3,059**	3,203	13.5
Americas	**6,258**	5,203	6.0
Asia Pacific	**2,996**	2,894	6.2
Europe	**10,237**	10,112	1.4
Head Office & Eliminations	**-641**	-621	n.a.

Operating Profit (beia) *(in € million)*	**FY17**	FY16	Organic growth %
Heineken N.V.	**3,759**	3,540	9.3
Africa, Middle East & Eastern Europe	**388**	376	33.8
Americas	**1,188**	1,021	11.7
Asia Pacific	**962**	927	9.5
Europe	**1,371**	1,261	7.7
Head Office & Eliminations	**-150**	-45	n.a.

Developing markets[1]	Group beer volume		Group revenue (beia)		Group operating profit (beia)	
(in mhl or € million unless otherwise stated)	**FY17**	FY16	**FY17**	FY16	**FY17**	FY16
Developing markets in:	**147.0**	128.0	**11,777**	10,729	**2,284**	2,113
Africa, Middle East & Eastern Europe	42.3	40.8				
Latin America & the Caribbean	65.7	52.3				
Asia Pacific	29.6	26.6				
Europe	9.4	8.3				
% of Group	60	56	48	46	55	55

[1] During the year HEINEKEN revised the methodology for the classification of a market as developed or developing. Previously a number of macro economic indicators were employed to assess a market's development state. For simplicity and consistency, going forward HEINEKEN has decided to adopt the World Bank definition of high-income economies for developed countries. The table above provides comparable information with FY 2016 and 2017 presented under the current methodology. Under the previous methodology, FY 2017 figures would have been 69% of group beer volume, 53% of group revenue (beia) and 58% of group operating profit (beia) in developing markets as a fraction of total Heineken NV. Excludes Head Office & Eliminations.

Africa, Middle East & Eastern Europe

Key Financials *(in mhl or € million unless otherwise stated)*	**FY17**	FY16	Total growth %	Organic growth %
Revenue (beia)	**3,059**	3,203	-4.5	13.5
Revenue (beia) per hl (in €)	**65**	71	-7.8	9.0
Operating profit (beia)	**388**	376	3.3	33.8
Operating profit (beia) margin	**12.7%**	11.7%	96bps	
Total volume	**47.0**	45.4	3.7	4.1
Beer volume	**40.1**	38.4	4.3	4.8
Licensed & non-beer volume	**6.9**	6.9	0.4	0.6

Beer volume grew 4.8% organically, with growth accelerating in the second half of the year. Strong growth in Ethiopia, South Africa, Russia and Ivory Coast offset weaker volume in Nigeria, the DRC and Egypt.

Revenue (beia) grew 13.5% organically driven by total volume growth of 4.1% and positive revenue per hectolitre growth of 9.0%. Currency negatively impacted revenue by €567 million, mainly due to the Nigerian Naira and the DRC Congolese Franc.

Operating profit (beia) improved by 33.8% organically driven mainly by Nigeria, Russia, DRC, Ethiopia and Burundi. Translational currency impact reduced the operating profit (beia) by €116 million.

In **Nigeria**, consumer confidence remains low given cost inflation and continued weak economic growth following the recession of previous years. Beer volume decreased mid single digit with slightly improved trends in the second half of the year. Value brands continued to outperform the rest of the portfolio.

In **Russia**, beer volume increased double digit, with accelerated growth in the second half of the year. Heineken® Lager, Heineken® 0.0 as well as new launches in the economy segment were the main drivers of growth.

In **South Africa**, beer volume was up double digit led by the strong performance of Heineken®. Amstel, Sol, and Windhoek also saw good growth. Strongbow was successfully launched.

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

In **Egypt**, total volume decreased double digit, negatively impacted by the VAT increase combined with the negative effects of the Egyptian Pound devaluation at the end of last year.

In the **DRC**, beer volume decreased high single digit as the recent price increases impacted affordability, which offset rising input costs following the currency devaluation.

Americas

Key Financials *(in mhl or € million unless otherwise stated)*	**FY17**	FY16	Total growth %	Organic growth %
Revenue (beia)	**6,258**	5,203	20.3	6.0
Revenue (beia) per hl (in €)	**79**	87	-9.0	1.7
Operating profit (beia)	**1,188**	1,021	16.3	11.7
Operating profit (beia) margin	**19.0%**	19.6%	-65bps	
Total volume	**79.0**	60.0	31.6	3.8
Beer volume	**72.1**	58.7	22.9	3.3
Licensed & non-beer volume	**6.5**	1.2	412.1	3.4

Beer volume grew 3.3% organically, driven by strong growth in Mexico which more than offset weaker volume in Panama and the US. **Total volume** grew to 79 million hectolitres driven by the consolidation of Brasil Kirin.

Revenue (beia) grew 6.0% organically driven by total volume organic growth of 3.8% and higher revenue per hectolitre of 1.7%. Revenue management initiatives and positive brand mix both contributed to top line growth. Revenue (beia) was adversely impacted by currency movements of €69 million and positively impacted by €810 million from the consolidation of Brasil Kirin.

Operating profit (beia) grew 11.7% organically with Mexico, Brazil and the US being the main drivers more than offsetting the decline in Panama. Operating profit in the US increased due to pricing, strict cost management and favourable transactional currency despite the volume decrease. In Mexico, top-line growth and operational efficiencies increased profitability despite currency headwinds.

In **Mexico**, beer volume grew mid single digit, a robust performance despite a slower Q3 following the natural disasters. Excellent execution and effective marketing supported leading brands Tecate and Dos Equis in delivering high single digit and double digit growth respectively. Our premium portfolio led by Heineken® saw strong double digit growth.

In **Brazil**, beer volume of our existing operations was about flat, with double digit growth from our premium and upper mainstream portfolio, led by Heineken®, Sol and Amstel, offsetting declines in the economy portfolio. The integration of Brasil Kirin has exceeded our expectations and its beer portfolio grew volumes by mid single digit, led by excellent performance of Devassa and Eisenbahn both of which became one million hectolitre brands in 2017.

In the **US**, shipments and depletions declined low single digit. Successful marketing and activations supported an improvement of Heineken® Lager volume trends, whilst Heineken® Light continued to decline. Tecate Light grew double digit whilst Dos Equis saw low single digit decline.

Lagunitas was fully consolidated from May 2017 onwards and continues to operate as a stand-alone company. The company grew volumes at high single digit, gaining share in the US craft category.

Asia Pacific

Key Financials *(in mhl or € million unless otherwise stated)*	**FY17**	FY16	Total growth %	Organic growth %
Revenue (beia)	**2,996**	2,894	3.5	6.2
Revenue (beia) per hl (in €)	**108**	116	-6.9	-2.5
Operating profit (beia)	**962**	927	3.8	9.5
Operating profit (beia) margin	**32.1%**	32.0%	9bps	
Total volume	**27.7**	24.9	11.2	8.9
Beer volume	**27.0**	24.4	10.9	8.9
Licensed & non-beer volume	**0.5**	0.4	30.9	11.2

Beer volume grew 8.9% organically, with double digit growth in Vietnam and Cambodia more than offsetting declines in China and Indonesia.

Revenue (beia) grew 6.2% organically, with total volume up 8.9% and revenue per hectolitre down -2.5%, as a result of adverse brand and country mix.

Operating profit (beia) increased 9.5% organically driven by strong growth in Vietnam, Cambodia and Indonesia.

In **Vietnam**, beer volume grew double digit despite a slower start of the year due to earlier Tet timing and pre-stocking in 2016. Strong double digit growth of Tiger was driven by execution and distribution expansion to secondary cities and rural areas.

In **China**, beer volumes were under pressure mainly in the first half of the year.

In **Indonesia**, beer volume declined low single digit in the full year, with an improvement in the second half. However, volcanic activity in Bali adversely impacted tourist trade for November and December. Heineken® volume continued to grow double digit.

In **Cambodia**, beer volume grew strong double digit with continued market share gain in a robust and growing beer market. Growth was led by mainstream brand Anchor combined with strong performance of the Tiger and Gold Crown brands.

Europe

Key Financials *(in mhl or € million unless otherwise stated)*	**FY17**	FY16	Total growth %	Organic growth %
Revenue (beia)	**10,237**	10,112	1.2	1.4
Revenue (beia) per hl (in €)	**98**	97	0.9	1.3
Operating profit (beia)	**1,371**	1,261	8.7	7.7
Operating profit (beia) margin	**13.4%**	12.5%	92bps	
Total volume	**97.9**	97.5	0.4	0.2
Beer volume	**78.8**	78.6	0.2	0.2
Licensed & non-beer volume	**11.0**	10.9	0.9	1.1

Beer volume increased by 0.2% driven by positive performance in Italy, France, Spain and Portugal, supported by growth in the on-premise channel. This offset weaker volume in the UK due to a partial delisting and in Poland following a reduction of volumes sold through discounters. Volume performance in the second half was negatively impacted by a cool summer in most of the key markets. The premium portfolio led by Heineken® outperformed with mid single digit growth.

Revenue (beia) increased by 1.4% organically, with revenue per hectolitre up 1.3% benefiting from a positive mix effect led by Heineken®, premium brands and innovations, including low and no-alcohol and craft & variety. Off-trade pricing pressure continued to negatively impact the region.

Operating profit (beia) was up 7.7% organically due to the continued focus on premiumisation and innovation, as well as disciplined cost management.

In **France**, beer volume grew low single digit, as the category regains attractiveness through innovation. The pricing environment however continues to remain challenging.

In **Spain**, beer volume was up low single digit supported by continued improvement in the economy as well as good off-trade performance.

In **Italy**, beer volume grew high single digit led by positive market dynamics with market share gains on the back of strong execution of the premium brands and innovation strategy.

In the **UK**, although total volume was down mid single digit due to the partial delisting, the premium portfolio continued to outperform. The pub business, now including the recently acquired Punch Taverns assets, continued to perform well.

In **Poland**, beer volume declined mid single digit driven by both a market decline and the value-based strategy implemented. The low and no-alcohol segment led by Żywiec non-alcohol grew double digit.

In the **Netherlands**, beer volume declined low single digit. Heineken® volumes grew supported by the very successful launch of Heineken® 0.0. The market remains very competitive in the off-trade channel. Operations with the new strategic partner Sligro started in December 2017.

FINANCIAL REVIEW

Key figures *(in mhl or € million unless otherwise stated)*	**FY16**	Currency translation	Consolidation impact	Organic growth	**FY17**	Organic growth %
Revenue (beia)	**20,792**	-817	891	1,042	**21,908**	5.0
Total expenses (beia)	**-17,252**	629	-812	-714	**-18,149**	-4.1
Operating profit (beia)	**3,540**	-188	80	328	**3,759**	9.3
Net interest income/(expenses) (beia)	**-355**	7	-45	18	**-374**	5.2
Other net finance income/(expenses) (beia)	**-114**	22	-9	-36	**-136**	-31.7
Share of net profit of assoc./ JVs (beia)	**161**	1	-4	-4	**153**	-2.5
Income tax expense (beia)	**-869**	50	3	-80	**-897**	-9.3
Non-controlling interests (beia)	**-265**	31	6	-31	**-258**	-11.6
Net profit (beia)	**2,098**	-77	30	195	**2,247**	9.3
Eia	-558				-312	
Net profit	**1,540**				**1,935**	

Main changes in consolidation

- On 1 February 2016, Grupa Żywiec completed the sale of 80% in Distribev Sp. z o.o., Grupa Żywiec's local sales and distribution company serving the traditional trade and horeca market, to the Orbico Group.
- An agreement with Asia Brewery Incorporated to create AB HEINEKEN Philippines Inc. was announced on 27 May 2016. The transaction closed on 15 November 2016.
- On 4 May 2017 HEINEKEN acquired all the remaining shares in Lagunitas Brewing Company.
- On 31 May 2017 HEINEKEN completed the acquisition of Brasil Kirin Holding S.A. ('Brasil Kirin') from Kirin Holdings Company Limited.
- On 29 August 2017 HEINEKEN completed, through HEINEKEN UK, a back-to-back deal to acquire Punch Securitisation A ('Punch A').
- 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 by 5.0% organically to €21,908 million, with total consolidated volume growth of 2.9% and a 2.1% increase in revenue (beia) per hectolitre. Currency developments had a negative impact of €817 million, mainly driven by adverse development of the Nigerian Naira, the Congolese Franc, the Egyptian Pound, the British Pound and the Mexican Peso. The positive impact of consolidation changes was €891 million. Reported revenue was €21,888 million.

Total expenses (beia)

Total expenses (beia) were €18,149 million, up by 4.1% on an organic basis. Input costs saw an organic increase of 4.7% and of 1.8% on a per hectolitre basis, predominantly due to adverse currency movements leading to a negative transactional impact. Marketing and selling (beia) expenses increased organically by 0.9% to €2,888 million, representing 13.2% of revenues (2016: 13.6%).

Operating profit (beia)

Operating profit (beia) was €3,759 million, up 9.3% organically, excluding €188 million negative foreign currency impact and €80 million increase from consolidation changes. Growth was driven by higher revenue and cost efficiencies while we continued to increase the support to our brands with marketing and selling expenses.

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

Share of net profit of associates and joint ventures (beia) decreased €8 million to €153 million, reflecting lower net profit from the joint venture operation in the Republic of the Congo due to difficult market conditions.

Net finance expenses (beia)

Net interest expenses (beia) increased by €19 million to €374 million, reflecting a higher average net debt position. The average interest rate (beia) in 2017 was 3.0% (2016: 3.1%). Other net finance expenses (beia), which primarily includes the impact of currency revaluation on outstanding payables in foreign currencies, increased by €22 million to €136 million.

Income tax expense (beia)

The effective tax rate (beia) was 27.6%, a slight decrease on the rate in 2016 (28.3%) due to one-off tax benefits in 2017.

Net profit and net profit (beia)

Net profit (beia) grew by €149 million to €2,247 million, an organic increase of 9.3%. The impact of currency was unfavourable by €77 million mainly driven by the Nigerian Naira, and consolidation changes had a positive impact of €30 million. Reported net profit for 2017 was €1,935 million.

Exceptional items & amortisation of acquisition related intangibles (eia)

The impact of eia on net profit amounted to €312 million (2016: €558 million).
On operating profit the impact of eia amounted to €407 million (2016: €785 million).

Amortisation of acquisition related intangibles in operating profit amounted to €302 million (2016: €315 million). Exceptional items in operating profit amounted to €105 million (2016: €470 million), of which €20 million in revenue (2016: nil), €93 million of restructuring expenses (2016: €80 million), €19 million of reversal of impairments of property, plant and equipment (2016: €316 million impairment loss of which €286 million related to The Democratic Republic of Congo), €72 million of acquisition and integration costs (2016: €8 million) and €61 million of other exceptional net benefits (2016: €66 million expense). Other exceptional net benefits include the gain on sale of non-beer and cider wholesale operations in the Netherlands.

Please refer to page 25 for a more detailed description of the exceptional items and amortisation of acquisition related intangibles.

US dollar hedging

HEINEKEN delays the impact of the US dollar fluctuations versus the Euro by hedging the net cash inflow of US dollars from exports for up to 18 months in advance. For 2017 the average EUR/USD exchange rate inclusive of hedging was 1.14, versus 1.16 in 2016. For the full year 2018, the net dollar inflow is forecast to be USD$518 million, of which 84% has been hedged at EUR/USD 1.14. For 2019, the net dollar inflow is forecast to be approximately USD$522 million of which 7% is hedged at EUR/USD 1.24 as of 7 February 2018.

Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment amounted to €1,696 million in 2017 (2016: €1,757 million) representing 7.7% of revenues. The investments include new capacity in Ethiopia, Mexico, Cambodia, Vietnam, Haiti and a new brewery in the Ivory Coast.

Free operating cash flow amounted to €2,031 million (2016: €1,773 million), higher than last year primarily due to higher cash flow generated from operations and lower operational investing activities. Cash flow from changes in working capital in 2017 was again positive, albeit lower than last year due to one offs in receivables and a less favourable change in inventories.

Financial structure

Total gross debt amounts to €15,378 million (2016: €14,570 million). The gross debt includes €1,062 million of overdrafts in the cash pool with legally enforceable rights to offset against cash. Net debt increased to €12,879 million (2016: €11,293 million) as cash outflow for dividends and acquisitions exceeded the positive free operating cash flow and positive foreign currency impact on debt.

Including the effect of cross-currency swaps, 56% of net debt is Euro-denominated and 23% is US dollar and US dollar proxy currencies. The pro forma net debt/EBITDA (beia) ratio was 2.5x on 31 December 2017 (2016: 2.3x) in line with the long-term target net debt/EBITDA (beia).

In 2017 the following notes were issued under HEINEKEN's Euro Medium Term Note Programme:

- SGD150 million 5-year Notes with a floating rate coupon (February 2017)
- €500 million 15-year Notes with a coupon of 2.02% (May 2017)
- €800 million 12-year Notes with a coupon of 1.50% (October 2017)

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

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

Average number of shares

HEINEKEN has 576,002,613 shares in issue. For the calculation of 2017 basic EPS, the weighted impact of the treasury shares and shares purchased for the employee incentive programme reduced the number of weighted average shares outstanding to 570,074,335 (569,737,210 in 2016).

For the calculation of 2017 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 570,652,111 (570,370,392 in 2016).

Impact of IFRS 15

From 1 January 2018, HEINEKEN will implement IFRS 15 'Revenue from Contracts with Customers'. This standard replaces existing revenue standards and guidance. For HEINEKEN IFRS 15 will impact the accounting for excise taxes and certain payments to customers. IFRS 15 will have no impact on operating profit, net profit and EPS. A more detailed explanation of the changes can be found on page 26.

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Full Year 2017 Metrics

In mhl or € million unless otherwise stated & consolidated figures unless otherwise stated	FY16	Currency Translation	Consolidation Impact	Organic Growth	FY17	Organic Growth %
Africa, Middle East & Eastern Europe						
Revenue (beia)	3,203	-567	-8	431	3,059	13.5
Revenue (beia) per hl (in €)[1]	71			6	65	9.0
Operating profit (beia)	376	-116	1	127	388	33.8
Operating profit (beia) margin	11.7%				12.7%	
Total volume	45.4		-0.2	1.9	47.0	4.1
Beer volume	38.4		-0.2	1.8	40.1	4.8
Licensed & non-beer volume	6.9		—	0.1	6.9	0.6
Third party products volume	0.1		—	—	0.1	-7.4
Group beer volume	*40.0*				*41.4*	
Americas						
Revenue (beia)	5,203	-69	810	313	6,258	6.0
Revenue (beia) per hl (in €)[1]	87			1	79	1.7
Operating profit (beia)	1,021	-25	71	120	1,188	11.7
Operating profit (beia) margin	19.6%				19.0%	
Total volume	60.0		16.7	2.3	79.0	3.8
Beer volume	58.7		11.5	1.9	72.1	3.3
Licensed & non-beer volume	1.2		5.2	0.1	6.5	3.4
Third party products volume	0.1		—	0.3	0.4	288.7
Group beer volume	*63.4*				*76.9*	
Asia Pacific						
Revenue (beia)	2,894	-96	20	178	2,996	6.2
Revenue (beia) per hl (in €)[1]	116			-3	108	-2.5
Operating profit (beia)	927	-36	-17	88	962	9.5
Operating profit (beia) margin	32.0%				32.1%	
Total volume	24.9		0.6	2.2	27.7	8.9
Beer volume	24.4		0.5	2.2	27.0	8.9
Licensed & non-beer volume	0.4		0.1	—	0.5	11.2
Third party products volume	0.1		—	—	0.1	-2.2
Group beer volume	*30.6*				*33.5*	
Europe						
Revenue (beia)	10,112	-88	69	144	10,237	1.4
Revenue (beia) per hl (in €)[1]	97			1	98	1.3
Operating profit (beia)	1,261	-10	24	97	1,371	7.7
Operating profit (beia) margin	12.5%				13.4%	
Total volume	97.5		0.2	0.2	97.9	0.2
Beer volume	78.6		—	0.2	78.8	0.2
Licensed & non-beer volume	10.9		—	0.1	11.0	1.1
Third party products volume	8.0		0.2	-0.1	8.1	-0.8
Group beer volume	*81.6*				*79.8*	
Head Office & Eliminations						
Revenue (beia)	-621	3	1	-25	-641	n.a.
Operating profit (beia)	-45	-1	—	-103	-150	n.a.
Heineken N.V.						
Revenue (beia)	20,792	-817	891	1,042	21,908	5.0
Revenue (beia) per hl (in €)[1]	91			2	87	2.1
Total expenses (beia)	-17,252	629	-812	-714	-18,149	-4.1
Operating profit (beia)	3,540	-188	80	328	3,759	9.3
Operating profit (beia) margin	17.0%				17.2%	
Share of net profit of associates /JVs (beia)	161	1	-4	-4	153	-2.5
Net Interest income / (expenses) (beia)	-355	7	-45	18	-374	5.2
Other net finance income / (expenses) (beia)	-114	22	-9	-36	-136	-31.7
Income tax expense (beia)	-869	50	3	-80	-897	-9.3
Minority Interests	-265	31	6	-31	-258	-11.6
Net profit (beia)	2,098	-77	30	195	2,247	9.3
Total volume	227.8		17.3	6.6	251.6	2.9
Beer volume	200.1		11.9	6.1	218.0	3.0
Licensed & non-beer volume	19.5		5.2	0.3	24.9	1.3
Third party products volume	8.3		0.2	0.2	8.7	2.7
Group beer volume	*215.6*				*231.6*	

[1] Revenue (beia) per hl calculation excludes interregional revenue
Note: due to rounding, this table will not always cast

Fourth Quarter 2017 Metrics

In mhl unless otherwise stated & consolidated figures unless otherwise stated	4Q16	Consolidation Impact	Organic Growth	4Q17	Organic Growth %
Africa, Middle East & Eastern Europe					
Total volume	11.6	-0.1	0.9	12.4	8.1
Beer volume	10.0	-0.1	0.7	10.6	7.2
Licensed & non-beer volume	1.6	—	0.2	1.8	14.1
Third party products volume	—	—	—	—	-4.7
Group beer volume	*10.4*			*10.9*	
Americas					
Total volume	16.0	7.9	0.8	24.7	5.1
Beer volume	15.6	5.5	0.7	21.8	4.6
Licensed & non-beer volume	0.4	2.4	—	2.8	-8.8
Third party products volume	—	—	0.1	0.2	442.0
Group beer volume	*17.1*			*23.2*	
Asia Pacific					
Total volume	7.0	0.1	0.8	7.8	10.7
Beer volume	6.8	—	0.7	7.6	10.6
Licensed & non-beer volume	0.1	—	—	0.2	20.9
Third party products volume	—	—	—	—	4.4
Group beer volume	*8.2*			*9.1*	
Europe					
Total volume	21.0	0.1	0.2	21.2	0.7
Beer volume	16.7	—	0.1	16.8	0.6
Licensed & non-beer volume	2.5	—	0.1	2.5	2.1
Third party products volume	1.8	0.1	—	1.9	-0.4
Group beer volume	*17.3*			*16.6*	
Heineken N.V.					
Total volume	55.5	7.9	2.7	66.1	4.8
Beer volume	49.1	5.4	2.3	56.7	4.6
Licensed & non-beer volume	4.6	2.4	0.3	7.2	5.8
Third party products volume	1.9	0.1	0.1	2.1	7.5
Group beer volume	*53.0*			*59.8*	

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

Consolidated financial statements for the full year 2017

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The 2017 financial information included in the primary statements attached to this press release are derived from the Annual Report 2017. 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 19 April 2018.
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) from 19 February 2018.

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CONSOLIDATED INCOME STATEMENT

	2017	2016
For the year ended 31 December		
In millions of €		
Revenue	**21,888**	20,792
Other income	**141**	46
Raw materials, consumables and services	(13,540)	(13,003)
Personnel expenses	(3,550)	(3,263)
Amortisation, depreciation and impairments	(1,587)	(1,817)
Total expenses	**(18,677)**	(18,083)
Operating profit	**3,352**	2,755
Interest income	72	60
Interest expenses	(468)	(419)
Other net finance income/(expenses)	(123)	(134)
Net finance expenses	**(519)**	(493)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	75	150
Profit before income tax	**2,908**	2,412
Income tax expense	(755)	(673)
Profit	**2,153**	1,739
Attributable to:		
Equity holders of the Company (net profit)	1,935	1,540
Non-controlling interests	218	199
Profit	**2,153**	1,739
Weighted average number of shares – basic	570,074,335	569,737,210
Weighted average number of shares – diluted	570,652,111	570,370,392
Basic earnings per share (€)	3.39	2.70
Diluted earnings per share (€)	3.39	2.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
For the year ended 31 December		
In millions of €		
Profit	**2,153**	1,739
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Actuarial gains and losses	64	(252)
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	(1,485)	(908)
Recycling of currency translation differences to profit or loss	59	—
Effective portion of net investment hedges	26	44
Effective portion of changes in fair value of cash flow hedges	109	6
Effective portion of cash flow hedges transferred to profit or loss	(3)	41
Net change in fair value available-for-sale investments	68	140
Share of other comprehensive income of associates/joint ventures	(7)	—
Other comprehensive income, net of tax	**(1,169)**	(929)
Total comprehensive income	**984**	810
Attributable to:		
Equity holders of the Company	881	660
Non-controlling interests	103	150
Total comprehensive income	**984**	810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017	2016
As at 31 December		
In millions of €		
Assets		
Property, plant and equipment	11,117	9,232
Intangible assets	17,670	17,424
Investments in associates and joint ventures	1,841	2,166
Other investments and receivables	1,113	1,077
Advances to customers	277	274
Deferred tax assets	768	1,011
Total non-current assets	**32,786**	31,184
Inventories	1,814	1,618
Trade and other receivables	3,496	3,052
Prepayments	399	328
Current tax assets	64	47
Cash and cash equivalents	2,442	3,035
Assets classified as held for sale	33	57
Total current assets	**8,248**	8,137
Total assets	**41,034**	39,321
Equity		
Share capital	922	922
Share premium	2,701	2,701
Reserves	(2,129)	(1,173)
Retained earnings	11,827	10,788
Equity attributable to equity holders of the Company	**13,321**	13,238
Non-controlling interests	1,200	1,335
Total equity	**14,521**	14,573
Liabilities		
Loans and borrowings	12,301	10,954
Tax liabilities	—	3
Employee benefits	1,289	1,420
Provisions	970	302
Deferred tax liabilities	1,495	1,672
Total non-current liabilities	**16,055**	14,351
Bank overdrafts and commercial papers	1,265	1,669
Loans and borrowings	1,947	1,981
Trade and other payables	6,756	6,224
Current tax liabilities	310	352
Provisions	178	154
Liabilities associated with assets classified as held for sale	2	17
Total current liabilities	**10,458**	10,397
Total liabilities	**26,513**	24,748
Total equity and liabilities	**41,034**	39,321

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CONSOLIDATED STATEMENT OF CASH FLOWS

	2017	2016
For the year ended 31 December		
In millions of €		
Operating activities		
Profit	2,153	1,739
Adjustments for:		
Amortisation, depreciation and impairments	1,587	1,817
Net interest expenses	396	359
Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates	(141)	(46)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on available-for-sale and held-for-trading investments	(84)	(161)
Income tax expenses	755	673
Other non-cash items	314	332
Cash flow from operations before changes in working capital and provisions	**4,980**	4,713
Change in inventories	(185)	(20)
Change in trade and other receivables	(241)	(228)
Change in trade and other payables	495	328
Total change in working capital	**69**	80
Change in provisions and employee benefits	(125)	(73)
Cash flow from operations	**4,924**	4,720
Interest paid	(463)	(441)
Interest received	98	70
Dividends received	109	118
Income taxes paid	(786)	(749)
Cash flow related to interest, dividend and income tax	**(1,042)**	(1,002)
Cash flow from operating activities	**3,882**	3,718
Investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	187	116
Purchase of property, plant and equipment	(1,696)	(1,757)
Purchase of intangible assets	(137)	(109)
Loans issued to customers and other investments	(259)	(219)
Repayment on loans to customers	54	24
Cash flow (used in)/from operational investing activities	**(1,851)**	(1,945)
Free operating cash flow	**2,031**	1,773
Acquisition of subsidiaries, net of cash acquired	(1,047)	(9)
Acquisition of/additions to associates, joint ventures and other investments	(93)	(68)
Disposal of subsidiaries, net of cash disposed of	10	15
Disposal of associates, joint ventures and other investments	16	—
Cash flow (used in)/from acquisitions and disposals	**(1,114)**	(62)
Cash flow (used in)/from investing activities	**(2,965)**	(2,007)

For the year ended 31 December *In millions of €*	**2017**	2016
Financing activities		
Proceeds from loans and borrowings	3,268	1,670
Repayment of loans and borrowings	(3,205)	(1,001)
Dividends paid	(1,011)	(1,031)
Purchase own shares and shares issued	—	(31)
Acquisition of non-controlling interests	(18)	(294)
Other	—	15
Cash flow (used in)/from financing activities	**(966)**	(672)
Net cash flow	**(49)**	1,039
Cash and cash equivalents as at 1 January	1,366	282
Effect of movements in exchange rates	(140)	45
Cash and cash equivalents as at 31 December	**1,177**	1,366

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	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2016	**922**	**2,701**	**(1,017)**	**(47)**	**122**	**719**	**(432)**	**10,567**	**13,535**	**1,535**	**15,070**
Profit	—	—	—	—	—	153	—	1,387	1,540	199	1,739
Other comprehensive income	—	—	(812)	46	140	—	—	(254)	(880)	(49)	(929)
Total comprehensive income	**—**	**—**	**(812)**	**46**	**140**	**153**	**—**	**1,133**	**660**	**150**	**810**
Transfer to retained earnings	—	—	—	—	—	(34)	—	34	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(786)	(786)	(261)	(1,047)
Purchase/reissuance own/non-controlling shares	—	—	—	—	—	—	(39)	—	(39)	8	(31)
Own shares delivered	—	—	—	—	—	—	28	(28)	—	—	—
Share-based payments	—	—	—	—	—	—	—	13	13	—	13
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	(145)	(145)	(144)	(289)
Changes in consolidation/ transfers within equity	—	—	—	—	—	—	—	—	—	47	47
Balance as at 31 December 2016	**922**	**2,701**	**(1,829)**	**(1)**	**262**	**838**	**(443)**	**10,788**	**13,238**	**1,335**	**14,573**

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 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/(from) 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**

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 €	**2017**	2016
Operating profit (beia)	**3,759**	3,540
Amortisation of acquisition-related intangible assets and exceptional items included in operating profit	(407)	(785)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	75	150
Net finance expenses	(519)	(493)
Profit before income tax	**2,908**	2,412
Profit attributable to equity holders of the Company (net profit)	**1,935**	1,540
Amortisation of acquisition-related intangible assets included in operating profit	302	315
Exceptional items included in operating profit	105	470
Exceptional items included in net finance expenses/(income)	8	25
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	78	10
Exceptional items included in income tax expense	(142)	(196)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(39)	(66)
Net profit (beia)	**2,247**	2,098

The 2017 exceptional items and amortisation of acquisition-related intangibles on net profit amount to €312 million (2016: €558 million). This amount consists of:

- €302 million (2016: €315 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €105 million (2016: €470 million) of exceptional items recorded in operating profit, of which €20 million in revenue (2016: nil), €93 million of restructuring expenses (2016: €80 million), €19 million of reversal of impairments of property, plant and equipment (2016: €316 million impairment loss of which €286 million related to The Democratic Republic of Congo), €72 million of acquisition and integration costs (2016: €8 million) and €61 million of other exceptional net benefits (2016: €66 million expense). Other exceptional net benefits include the gain on sale of non-beer and cider wholesale operations in the Netherlands.
- €8 million (2016: €25 million) of exceptional items in net finance expenses, mainly related to the acquisitions of Punch and Brasil Kirin.
- €78 million of exceptional items and amortisation of acquisition-related intangibles included in share of profit of associates and joint ventures, which includes loss on previously-held equity interests and the recycling of foreign exchange from equity to profit and loss (2016: €10 million).
- €142 million (2016: €196 million) in income tax expense, which includes the tax impact on exceptional items and amortisation of acquisition-related intangible assets of €97 million (2016: €109 million) and an exceptional income tax benefit of €45 million (2016: €87 million), mainly due to the 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 €39 million (2016: €66 million).

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Update on new standards applicable as per 1 January 2018

IFRS 9
IFRS 9, was published in July 2014 and subsequently endorsed by the European Union on 9 November 2017. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The standard replaces IAS 39 Financial Instruments. HEINEKEN will implement IFRS 9 per 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative numbers in the 2018 financial statements will not be restated. Any impact of IFRS 9 as of 1 January 2018 will be recognised directly in equity. HEINEKEN has reviewed the impact of this new standard and has concluded that the impact is limited.

IFRS 15
In May 2014, the International Accounting Standards Board issued IFRS 15 'Revenue from Contracts with Customers', which was subsequently endorsed by the European Union on 22 September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. HEINEKEN will apply the new standard as per 1 January 2018. For implementation the full retrospective method will be applied, meaning prior period financial information will be restated. HEINEKEN concluded that IFRS 15 will not impact the timing of revenue recognition. However the amount of recognised revenue will be impacted by payments to customers and excise taxes. 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 will therefore not be applied.

IFRS 15 will impact the accounting for certain payments to customers, such as listing fees and marketing support expenses. Most of these payments are currently recorded as operating expenses, but will be considered a reduction of revenue under IFRS 15. Only when these payments relate to a distinct service the amounts will continue to be recorded as operating expenses.

IFRS 15 will also impact the accounting for excise tax. Based on the current revenue standards different policies are applied by peers in our industry. Some companies include all excises in revenue, some record excise only for specific countries and some, like HEINEKEN, exclude all excise from revenue. The clarifications to IFRS 15 describes that an 'all or nothing' approach is no longer possible; an assessment of the excise tax needs to be done on a country by country basis. In most countries where HEINEKEN operates, excise duties are effectively a production tax. Increases in excise duty are not always (fully) passed on to customers and where customers fail to pay for products received, HEINEKEN cannot, or can only partly, reclaim the excise duty. In these countries the excise tax is borne by HEINEKEN and included in revenue applying IFRS 15. Only for those countries where excise tax is fully based on the sales value, HEINEKEN concluded that the excise tax is collected on behalf of a third party. For these countries the excise is excluded from revenue. The conclusion whether excise is collected on behalf of a third party or borne by HEINEKEN requires significant judgement due to the variety in excise tax legislation in the countries HEINEKEN operates in.

To provide full transparency on the impact of the accounting for excise, HEINEKEN will present the excise tax expense on a separate line below revenue in the consolidated income statement. A new subtotal called 'Net revenue' will be 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. HEINEKEN will furthermore disclose the excise collected on behalf of third parties, which is excluded from revenue, in the notes to the consolidated financial statements.

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

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
Basic
Net profit divided by the weighted average number of shares – basic – during the year.
Diluted
Net profit divided by the weighted average number of shares – diluted – during the year.

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

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

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

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

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

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 average revenue per hectoliter, namely the absolute price of each individual sku and the weight of different skus 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.