Heineken N.V. reports 2018 half year results

Amsterdam, 30 July 2018 - Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) today announces:

- Organic revenue +5.6% with revenue per hectolitre +1.1%
- Consolidated beer volume +4.5%
- Heineken® volume +7.5%
- Operating profit (beia) +1.3% organically and operating profit (beia) margin -118 bps (-76 bps excluding Brasil Kirin)
- Net profit (beia) of €1,076 million, +8.9% organically
- Diluted EPS (beia) of €1.89 (2017: €1.82)
- Full year expectations updated

CEO STATEMENT

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

"Top line came in strong in the first half, with organic net revenue growth across all regions. Europe was back to growth in the second quarter whilst the other regions maintained their positive momentum. The Heineken® brand grew strongly by 7.5%. Operating profit margin was lower than last year mainly due to the consolidation of Brasil Kirin, adverse currency effects and higher input costs.

In the second half, we expect a continuation of our revenue growth and an acceleration of our operating profit growth on an organic basis. We continue to invest steadily behind our brands, innovations, e-commerce platforms and commercial strategy. For the full year, given the marked acceleration of our business in Brazil with margins still below group average and the negative impact from currencies, we now expect the operating profit margin to decrease by approximately 20 bps."

FINANCIAL SUMMARY

Key financials[1,2] *(in mhl or € million unless otherwise stated)*	**HY18**	HY17 restated[5]	Total growth %	Organic growth %
Net revenue	**10,777**	10,342	4.2	5.6
Net revenue/hl (in €)	**82**	90	-8.2	1.1
Operating profit (beia)	**1,754**	1,805	-2.9	1.3
Operating profit (beia) margin	**16.3%**	17.5%	-118 bps	
Net profit (beia)	**1,076**	1,036	3.8	8.9
Net profit[3]	**950**	871	9.1	
Diluted EPS (beia) (in €)	**1.89**	1.82	3.8	
Free operating cash flow	**909**	746	21.8	
Net debt/ EBITDA (beia)[4]	**2.5**	2.5		

[1] Consolidated figures are used throughout this report, unless otherwise stated; please refer to the Glossary section for an explanation of terms used throughout this report. A reconciliation between non-GAAP measures and IFRS measures is included in note 5 on page 31.
[2] Organic growth is calculated using the last year figures as baseline. Margin expansion is calculated using the last year restated margin as baseline.
[3] Net profit is after EIA, for details on EIA please refer to page 13.
[4] Includes acquisitions and excludes disposals on a 12 month pro-forma basis.
[5] Half year results 2017 have been restated to reflect the impact of adopting IFRS 15. Please refer to page 27 for more details.

FULL YEAR 2018 OUTLOOK STATEMENT

- Economic conditions are expected to remain volatile and we assume a negative currency impact comparable to 2017 on revenue and operating profit.
- Revenue growth is expected to continue and operating profit growth to accelerate in the second half on an organic basis.
- We are updating our operating profit margin guidance for the full year to a decrease of approximately 20 bps mainly due to the following:
  - A strong performance in Brazil with two effects: In the first five months, the dilutive impact of the consolidation of Brasil Kirin was higher than expected, and for the remainder of the year, the marked acceleration of our combined operations with an operating margin still below group average plays negatively on the mix.
  - A higher than anticipated negative translational mix impact from currencies, as it concentrates more in operating companies with operating profit margins above the group average.
- 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 second quarter saw strong organic volume growth in line with the first quarter, with all regions growing despite the short-term disruptions to our supply chain in Brazil, UK and France and timing of Easter. Net revenue per hectolitre was up organically for the first half across all regions apart from Asia Pacific due to country mix.

Net revenue increased 5.6% organically, with a 4.4% increase in total volume and a 1.1% increase in net revenue per hectolitre. The underlying price mix impact for the first six months was +2.9%.

Consolidated beer volume grew 4.5% organically in the first half. The underlying performance was stronger in the second quarter with volume up 4.6% organically, despite the timing of Easter, benefiting from good weather in Europe.

Consolidated beer volumes *(in mhl)*	**2Q18**	2Q17	Organic growth %	**HY18**	HY17	Organic growth %
Heineken N.V.	**62.2**	57.4	4.6	**112.7**	101.3	4.5
Africa Middle East & Eastern Europe	**10.7**	10.4	5.1	**20.1**	19.3	5.6
Americas	**20.4**	16.9	5.6	**39.6**	30.4	6.1
Asia Pacific	**7.2**	6.4	14.7	**14.1**	12.6	13.0
Europe	**23.9**	23.7	0.9	**38.9**	39.0	-0.1

Heineken® volume grew 7.5%, with positive momentum in all regions especially in Africa, Middle East & Eastern Europe and the Americas. The brand grew double digit in Brazil, South Africa, Russia, UK, Nigeria, Mexico, Poland, Germany and Romania. The brand also saw healthy growth in Italy, Argentina, Chile, China and Spain. Heineken® continues to benefit from global sponsorship platforms such as UEFA Champions League® and Formula 1®. **Heineken® 0.0**, launched in the second quarter of 2017, is now available in 33 markets and performing strongly.

Heineken® volume *(in mhl)*	**2Q18**	Organic growth %	**HY18**	Organic growth %
Heineken® volume	**10.2**	7.0	**18.5**	7.5
Africa Middle East & Eastern Europe	**1.5**	32.3	**2.9**	31.7
Americas	**2.8**	7.7	**5.5**	8.7
Asia Pacific	**1.5**	1.7	**3.0**	1.1
Europe	**4.4**	1.5	**7.1**	1.8

The international brand portfolio grew high single digit. Volume was up double digit for **Tiger**, **Krušovice** and **Desperados.**

Cider volume increased double digit to 2.6 million hectolitres (2017: 2.3 million). Growth was particularly strong in South Africa, Vietnam and Poland. In the UK, volume was up low single digit benefiting from innovation and the relisting at a large retailer. Cider is now locally produced in 14 markets.

Low & No-Alcohol (LNA) volumes increased low single digit, delivering 6.3 million hectolitres (2017: 5.7 million). The roll-out of Heineken® 0.0 and the continued positive performance of Radler more than offset lower malt volumes in Nigeria.

Craft & Variety volume was up double digit supported by the strong performance of local craft propositions as well as from international craft brands **Affligem, Lagunitas** and **Mort Subite**. Growth was particularly strong in the UK, Mexico, Italy, France and Hungary.

Innovation continues to be one of our main drivers of growth. The Blade, our countertop premium draught beer system launched in 2017, is now available in 12 markets allowing for increased penetration into small outlets. We continue to invest in our e-commerce initiatives, both business-to-business and business-to-consumer, which gain traction across different markets.

Operating profit (beia) grew 1.3% organically, as the benefit of the strong top line growth was partially offset by the phasing of expenses into the first half of the year and higher input costs. The **operating profit (beia) margin** declined 118 bps (76 bps excluding the consolidation of Brasil Kirin).

BREWING A BETTER WORLD

In the first half, a new global Heineken® When You Drive, Never Drink campaign was launched with F1® World Champion Nico Rosberg, focusing on the social pressures surrounding drinking and driving and empowering people to make the right decisions. As part of the Drop the C ambition to increase our renewable energy usage to 70% by 2030, several new projects were started to source wind, solar and biomass energy including at our largest breweries in the Netherlands. Mexico started operations in the Meoqui brewery, our largest greenfield and our most advanced in circular economy.

NET PROFIT

Net profit (beia) increased 8.9% organically to €1,076 million (2017: €1,036 million).

The impact of exceptional items and amortization of acquisition-related intangibles (eia) on net profit was €125 million (2017: €165 million).

Net profit after exceptional items and amortization of acquisition-related intangibles was €950 million (2017: €871 million)

INTERIM DIVIDEND

In accordance with its dividend policy, HEINEKEN fixes the interim dividend at 40% of the total dividend of the previous year. As a result, an interim dividend of €0.59 per share (2017: €0.54) will be paid on 9 August 2018. The shares will trade ex-dividend on 1 August 2018.

TRANSLATIONAL CURRENCY CALCULATED IMPACT

Using spot rates as of 24 July 2018 for the remainder of this year, the calculated negative currency translational impact would be approximately €179 million at consolidated operating profit (beia), and €112 million at net profit (beia). Foreign exchange markets continue to be volatile.

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

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

Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2018 HY results today at 10:00 CET/ 9:00 BST. The call will be audio cast live via the company's website: www.theheinekencompany.com/investors/webcasts. An audio replay service will also be made available after the conference call at the above web address. Analysts and investors can dial-in using the following telephone numbers:

Netherlands
Local line: +31(0)20 703 8261
National free phone: 0800 265 9169

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

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

Participation/ confirmation code for all countries: 2371691

Editorial information:
HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and speciality beers and ciders. 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 price-sensitive information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Disclaimer:
This press release contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest-rate and exchange-rate fluctuations, changes in tax rates, changes in law, change in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in HEINEKEN's publicly filed annual reports. You are cautioned not to place undue reliance on these forward-looking statements, which speak only of the date of this press release. HEINEKEN does not undertake any obligation to update these forward-looking statements contained in this press release. Market share estimates contained in this press release are based on outside sources, such as specialised research institutes, in combination with management estimates.

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REGIONAL OVERVIEW

Net revenue *(in € million)*		**HY18**	HY17 restated	Organic growth %
Heineken N.V.		**10,777**	10,342	5.6
	Africa Middle East & Eastern Europe	**1,451**	1,508	12.2
	Americas	**3,259**	2,823	8.6
	Asia Pacific	**1,375**	1,411	8.1
	Europe	**5,016**	4,914	1.1
	Head Office & Eliminations	**-323**	-314	n.a.

Operating Profit (beia) *(in € million)*		**HY18**	HY17	Organic growth %
Heineken N.V.		**1,754**	1,805	1.3
	Africa Middle East & Eastern Europe	**196**	218	4.3
	Americas	**542**	521	8.1
	Asia Pacific	**421**	454	2.7
	Europe	**646**	665	-6.5
	Head Office & Eliminations	**-52**	-54	n.a.

Developing markets			**HY18**	
(in mhl or € million unless otherwise stated)		Group beer volume	Group net revenue	Group operating profit (beia)[1]
Developing markets in:		**76.3**	**5,822**	**1,061**
	Africa Middle East & Eastern Europe	20.4		
	Latin America & the Caribbean	36.2		
	Asia Pacific	16.1		
	Europe	3.6		
% of Group		63%	48%	55%

[1] Excludes Head Office & Eliminations

Africa Middle East & Eastern Europe

Key Financials[1] *(in mhl or € million unless otherwise stated)*	**HY18**	HY17 restated	Total growth %	Organic growth %
Net revenue	**1,451**	1,508	-3.8	12.2
Net revenue / hl (in €)	**61**	67	-8.2	5.2
Operating profit (beia)	**196**	218	-10.3	4.3
Operating profit (beia) margin	**13.5%**	14.5%	-97 bps	
Total volume	**23.6**	22.5	5.0	6.8
Beer volume	**20.1**	19.3	3.8	5.6
Licensed & non-beer volume	**3.5**	3.1	12.4	14.1

[1] Organic growth is calculated using the last year figures as baseline. Margin expansion is calculated using the last year restated margin as baseline.

Consolidated beer volume grew 5.6% organically with strong growth in South Africa, Russia, Ethiopia and Egypt offsetting a volume decline in Nigeria and the DRC.

Net revenue grew 12.2% organically, with total volume up 6.8% and net revenue per hectolitre up 5.2%. Currency translation negatively impacted net revenue by €228 million, mainly driven by the Nigerian Naira and to a lesser extent by currencies in the DRC, Ethiopia and Russia.

Operating profit (beia) improved by 4.3% organically driven by South Africa and Ethiopia. Currency translation negatively impacted operating profit (beia) by €33 million mainly due to the Nigerian Naira.

In **Nigeria**, beer volume decreased mid single digit impacted by the continued weak economic environment, destocking at the distributor level and competitive pressure. The Heineken® brand experienced strong double digit growth.

In **Russia**, beer volume increased double digit, benefiting from a strong performance of the economy brands and the continued growth of the premium segment. Heineken® Lager as well as Heineken® 0.0 continued to outperform.

In **Ethiopia**, beer volume increased double digit as the Walia brand continued to perform strongly.

In **South Africa**, total volume was up strong double digit, led by Heineken® as well as Strongbow Red Berries.

In **Egypt**, beer volume increased double digit driven by a relatively stable macro-economic environment and increased tourism.

In the **DRC**, beer volume decreased double digit as affordability continues to negatively impact the beer market.

Americas

Key Financials[1] *(in mhl or € million unless otherwise stated)*	**HY18**	HY17 restated	Total growth %	Organic growth %
Net revenue	**3,259**	2,823	15.4	8.6
Net revenue / hl (in €)	**73**	88	-17.8	1.7
Operating profit (beia)	**542**	521	4.0	8.1
Operating profit (beia) margin	**16.6%**	18.5%	-183 bps	
Total volume	**44.7**	31.8	40.6	6.8
Beer volume	**39.6**	30.4	30.3	6.1
Licensed & non-beer volume	**4.8**	1.3	256.1	2.0

[1] Organic growth is calculated using the last year figures as baseline. Margin expansion is calculated using the last year restated margin as baseline.

Consolidated beer volume grew 6.1% organically, with growth led by Brazil and Mexico, more than offsetting volume decline in the US and Panama.

Net revenue grew 8.6% organically, with total volume up 6.8% and net revenue per hectolitre up 1.7%. Unfavourable currency developments impacted net revenue by €298 million, mainly the Mexican Peso and Brazilian Real. Lagunitas and Brasil Kirin are considered organic from May and June respectively. Consolidation change for the period before those dates added €493 million to net revenue.

Operating profit (beia) grew 8.1% organically, mainly driven by Brazil, Mexico and Haiti more than offsetting the decline in the US and Panama. Currency translation negatively impacted operating profit (beia) by €47 million for the region, primarily due to Mexico as well as Brazil and the US. Consolidation change added €25 million to operating profit (beia) from Brasil Kirin and Lagunitas.

In **Mexico**, beer volume grew mid single digit. Tecate and Dos Equis grew high single digit and double digit respectively, benefiting from strong execution and effective campaigns. Heineken® continued to grow double digit. HEINEKEN's largest greenfield in history, the Meoqui brewery, opened in February 2018 and has started to contribute to the efficiency of local operations.

In **Brazil**, beer volume in our existing operations grew double digit due to the continued performance of HEINEKEN's premium beer portfolio led by Heineken®. The Brasil Kirin portfolio also grew double digit. The truckers' strike led to some lost sales during May which were partially recovered in June.

In the **US**, HEINEKEN USA beer volume declined high single digit, with depletions down mid single digit, in a challenging US beer market. New campaigns were launched for Dos Equis and Heineken® in April and June respectively. Lagunitas delivered mid single digit growth in the off-trade and continues to gain share in the competitive craft segment. Outside the US, Lagunitas continues to grow double digit.

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Asia Pacific

Key Financials[1] *(in mhl or € million unless otherwise stated)*	**HY18**	HY17 restated	Total growth %	Organic growth %
Net revenue	**1,375**	1,411	-2.6	8.1
Net revenue / hl (in €)	**94**	109	-13.6	-4.4
Operating profit (beia)	**421**	454	-7.2	2.7
Operating profit (beia) margin	**30.6%**	32.2%	-152 bps	
Total volume	**14.5**	12.9	12.7	13.1
Beer volume	**14.1**	12.6	11.9	13.0
Licensed & non-beer volume	**0.4**	0.2	64.2	23.6

[1] Organic growth is calculated using the last year figures as baseline. Margin expansion is calculated using the last year restated margin as baseline.

Consolidated beer volume grew 13.0% organically, with double digit growth in Vietnam, Malaysia and Cambodia, offsetting a volume decline in Indonesia and Singapore.

Net revenue grew 8.1% organically, with total volume up 13.1% and net revenue per hectolitre down 4.4% primarily due to negative country mix. Unfavourable currency movements impacted net revenue by €136 million, mainly in Vietnam, Cambodia and Indonesia.

Operating profit (beia) increased 2.7% organically driven by Vietnam and New Zealand. Unfavourable currency movement across Vietnam, Cambodia and Indonesia impacted operating profit by €42 million.

In **Vietnam**, the year started strong due to the later Tet, and accelerated in the second quarter resulting in double digit volume growth in the first half. The momentum of the Tiger brand continued to drive performance, along with the double digit growth of the mainstream La Rue brand with its continued expansion into rural areas and smaller cities.

In **Indonesia**, the Heineken® brand grew double digit, although overall consolidated beer volume declined mid single digit as the market in Bali slowly recovered from the volcanic activity at the end of 2017. This was partly offset by double digit growth of the soft drink portfolio.

In **Cambodia**, volume was up double digit despite increased market competition through aggressive price promotion.

In **China**, volume grew low single digit on account of improved performance in core regions supported by expansion into modern trade and e-commerce channels.

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Europe

Key Financials[1] *(in mhl or € million unless otherwise stated)*	**HY18**	HY17 restated	Total growth %	Organic growth %
Net revenue	**5,016**	4,914	2.1	1.1
Net revenue / hl (in €)	**97**	95	2.2	1.4
Operating profit (beia)	**646**	665	-2.9	-6.5
Operating profit (beia) margin	**12.9%**	13.5%	-66 bps	
Total volume	**48.2**	48.3	-0.2	-0.5
Beer volume	**38.9**	39.0	-0.1	-0.1
Licensed & non-beer volume	**5.5**	5.4	1.5	1.4

[1] Organic growth is calculated using the last year figures as baseline. Margin expansion is calculated using the last year restated margin as baseline.

Consolidated beer volume was broadly stable as the decline in the UK, Spain, Romania and Portugal was offset by growth in Italy, Greece, Belgium and the Czech Republic.

Net revenue increased by 1.1% organically, with total volume down 0.5% and net revenue per hectolitre up 1.4%, benefiting from a positive mix effect driven by premiumisation, innovation and revenue management initiatives. Off trade pricing pressure in a number of key markets continued to impact negatively.

Operating profit (beia) decreased by 6.5% organically driven by our investments in e-commerce, higher logistics costs and phasing of expenses.

In the **UK** total volume declined low single digit. The relisting at a large retailer and the good early summer weather helped to partially offset the impact of the cold weather of the first quarter and CO_2 shortage in June. Heineken® volume was up double digit. The pubs acquired from Punch are now fully integrated into Star Pubs & Bars, performing in line with expectations.

In **France** beer volume was slightly down, mostly driven by the delisting at one customer and lower promotional activity. The off trade pricing environment continues to be challenging. The French National Railways (SNCF) strike caused an increase in logistic costs.

In **Spain** beer volumes were down mid single digit due to an unseasonably cold and rainy spring impacting the on trade performance.

In **Italy** beer volume was up high single digit led by positive market dynamics and good execution of premium brands and innovation strategy.

In **Greece** beer volume was up high single digit benefiting from the positive market trends while net revenue benefited from a positive mix effect.

In the **Netherlands** beer volume was marginally down. The market remains very promotion driven in the off trade, whilst HEINEKEN Netherlands continues to focus on value growth.

In **Poland** beer volume was down slightly driven by the economy portfolio. The premium portfolio, led by Heineken® and Desperados, grew double digit. The low and no-alcohol portfolio led by the Żywiec line extensions continued to outperform the market.

Key figures *(in mhl or € million unless otherwise stated)*	**HY17 restated**	Currency translation	Consolidation impact	Organic growth	**HY18**	Organic growth %
Revenue	**12,409**	-780	524	682	**12,834**	5.3
Excise tax expense	**-2,067**	98	5	-94	**-2,057**	-3.8
Net revenue	**10,342**	-682	529	588	**10,777**	5.6
Total expenses (beia)	**-8,537**	555	-478	-564	**-9,024**	-6.5
Operating profit (beia)	**1,805**	-127	52	24	**1,754**	1.3
Net interest income/(expenses) (beia)	**-176**	8	-32	-11	**-211**	-6.5
Other net finance income/(expenses) (beia)	**-68**	3	-4	35	**-34**	52.0
Share of net profit of assoc./ JVs (beia)	**76**	-7	1	16	**86**	20.8
Income tax expense (beia)	**-470**	32	9	23	**-406**	4.9
Minority interests (beia)	**-132**	13	0	5	**-113**	3.7
Net profit (beia)	**1,036**	-78	25	92	**1,076**	8.9
Eia	-165				-126	
Net profit	871				950	

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. ('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

Revenue increased organically 5.3% to €12,834 million (2017: €12,409 million).

Net revenue

In the first half, net revenue reached €10,777 million, increasing organically 5.6%, with total consolidated volume growth of 4.4% and a 1.1% increase in net revenue per hectolitre. Currency had a negative impact of 6.6% (€682 million), mainly driven by adverse development against the Euro of the Mexican Peso, the Brazilian Real, the Nigerian Naira and the Vietnamese Dong. The impact of consolidation change was a positive €529 million, adding 5.1%.

Total expenses (beia)

Total expenses (beia) were €9,024 million, up organically 6.5%. On an organic basis input costs increased by 7.6%. On a per hectolitre basis input costs increased 3.0% mainly due to adverse currency movements leading to a negative transactional impact in packaging materials. Marketing and selling (beia) expenses increased organically by 3.4% to €1,254 million, representing 11.6% of net revenues (2017 restated: 12.0%).

Operating profit (beia)

Operating profit (beia) was €1,754 million, up 1.3% organically. Phasing of expenses into the first half of the year and higher input costs partially offset the strong net revenue (beia) organic growth. There was a €127 million adverse impact from foreign currency and a €52 million positive impact from consolidation.

Net finance expenses (beia)

The average interest rate (beia) in the first half of 2018 was 3.2% (2017: 3.2%). Net interest expenses (beia) increased by €35 million to €211 million, as a result of the financing raised for the acquisitions completed in 2017. Other net finance expenses (beia), which primarily includes the impact of currency revaluation on outstanding payables in foreign currencies, decreased by €34 million organically.

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

Share of net profit of associates and joint ventures (beia) at €86 million was up 21% organically, reflecting higher net profit from the joint venture operations in Chile and India.

Income tax expense (beia)

The effective tax rate (beia) in the first half of 2018 was 26.9%, lower than the first half of last year (2017: 30.1%) driven by a more favourable profit mix.

Net profit (beia) and Net profit

Net profit (beia) grew by €92 million to €1,076 million, an organic increase of 8.9%. The impact of currency was unfavourable by €78 million and consolidation changes had a positive impact of €25 million.

Reported net profit for the half year was €950 million.

Exceptional items & amortisation of acquisition related intangibles (Eia)

The impact of Eia on Net profit amounts to €125 million (2017: €164 million).

The table below provides an overview of the exceptional items and amortisation of acquisition-related intangibles in HEINEKEN's net profit of the first half year:

In millions of €	2018	2017
Profit attributable to equity holders of the Company (net profit)	**950**	**871**
Amortisation of acquisition-related intangible assets included in operating profit	156	153
Exceptional items included in operating profit	134	11
Exceptional items included in net finance expenses	22	13
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	(59)	58
Exceptional items included in income tax expense	(97)	(47)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(30)	(23)
Net profit (beia)	**1,076**	**1,036**

- €156 million of amortisation of acquisition-related intangibles recorded in operating profit (2017: €153 million).
- €134 million (2017: €11 million) of exceptional items recorded in operating profit. This includes restructuring expenses of €75 million (2017: €26 million), impairments of €6 million (2017: €1 million net reversal of impairments), acquisition and integration costs of €15 million (2017: €32 million) and other exceptional expenses of €38 million (2017: €46 million other net benefits).
- €22 million of exceptional items in net finance expenses, mainly related to interest over tax liabilities (2017: €13 million, mainly related to the interest expenses of the pre-financing of acquisitions).
- €59 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: €58 million expense, which included loss on previously-held equity interests and the recycling of foreign exchange from equity to profit and loss).
- €97 million in income tax expense (2017: €47 million), which includes the tax impact on exceptional items and amortisation of acquisition-related intangibles of €74 million and net exceptional tax benefits of €23 million.
- Total amount of Eia allocated to non-controlling interest amounts to €30 million (2017: €23 million).

Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment amounted to €707 million in the first half year (2017: €615 million).

Free operating cash flow amounted to €909 million (2017: €746 million) increasing by €163 million, despite lower cash generation of our operations before working capital and higher cash outflows related to property, plant and equipment, driven by improvements in working capital related to payables.

Financial structure

Total gross debt amounted to €15,161 million (31 December 2017: €15,378 million). Net debt increased to €12,996 million (31 December 2017: €12,879) as the cash outflow for acquisitions, dividends, and negative foreign currency impact on debt slightly exceeded the positive free operating cash flow.

Including the impact of cross-currency swaps, 89% of net debt has a fixed interest, 56% is Euro-denominated and 24% is US dollar and US dollar proxy currencies. The pro-forma net debt/EBITDA (beia) ratio was 2.5x on 30 June 2018 (2017: 2.5x) in line with the long-term target net debt/EBITDA (beia) ratio of below 2.5x.

Average number of shares

HEINEKEN had 576,002,613 shares in issue at 30th June 2018. In the calculation of basic EPS, the weighted average number of shares outstanding in the first half of 2018 was 570,112,097. In the calculation of diluted EPS, shares to be delivered under the employee incentive programme are added to the weighted average shares outstanding. The weighted average diluted number of shares outstanding in the first half of 2018 was 570,361,374 (HY ended 30 June 2017: 570,239,611).

HEINEKEN holds in treasury 5,229,279 shares.

Risk paragraph

The annual report 2017 outlines HEINEKEN's main risks and mitigation activities at the time of closing the 2017 financial year. In the Company's view, the nature and potential impact of these risks have not materially changed in the first half of 2018. Reference is made to pages 19 to 25 of the Annual Report 2017 for a detailed description of HEINEKEN's risks and risk control systems.

In the first half of 2018, intense competition, particularly in the premium and craft beer segments, regulatory changes and especially alcohol-related regulations and foreign exchange volatility represented the key challenges to the execution of HEINEKEN's commercial strategy and profit targets.

In the current context of geopolitical uncertainty, risks related to safety, price and availability of raw materials, as well as cyber security incidents could also adversely impact HEINEKEN's results and remain high on its risk management agenda.

There may also be risks the Company is not aware of or currently deems immaterial but which could, at a later stage, have a material impact on the Company's business. The Company's risk management systems are focused on timely discovery of such risks.

HEINEKEN

Interim Consolidated Metrics: Half year 2018

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	HY17	Impact IFRS 15	HY17 restated	Currency Translation	Cons. Impact	Organic Growth	HY18	Organic Growth %
Africa, Middle East & Eastern Europe								
Net revenue	1,523	-15	1,508	-228	-15	186	1,451	12.2
Net revenue per Hl (in €)[1]	68		67			4	61	5.2
Operating profit (beia)	218		218	-33	1	9	196	4.3
Operating profit (beia) margin	14.3%		14.5%				13.5%	
Total volume	22.5		22.5		-0.4	1.5	23.6	6.8
Beer volume	19.3		19.3		-0.3	1.1	20.1	5.6
Licensed & non-beer volume	3.1		3.1		-0.1	0.4	3.5	14.1
Third party products volume	—		—		—	—	—	8.2
Group beer volume	*20.0*		*20.0*		*-0.3*	*1.0*	*20.7*	
Americas								
Net revenue	2,801	23	2,823	-298	493	240	3,259	8.6
Net revenue per Hl (in €)[1]	88		88			2	73	1.7
Operating profit (beia)	521		521	-47	25	42	542	8.1
Operating profit (beia) margin	18.6%		18.5%				16.6%	
Total volume	31.8		31.8		10.7	2.1	44.7	6.8
Beer volume	30.4		30.4		7.3	1.9	39.6	6.1
Licensed & non-beer volume	1.3		1.3		3.4	-0.1	4.8	2.0
Third party products volume	—		—		—	0.3	0.3	589.3
Group beer volume	*32.7*		*32.7*		*7.2*	*2.2*	*42.0*	
Asia Pacific								
Net revenue	1,447	-36	1,411	-136	-18	117	1,375	8.1
Net revenue per Hl (in €)[1]	112		109			-5	94	-4.4
Operating profit (beia)	454		454	-42	-3	13	421	2.7
Operating profit (beia) margin	31.4%		32.2%				30.6%	
Total volume	12.9		12.9		—	1.7	14.5	13.1
Beer volume	12.6		12.6		-0.1	1.6	14.1	13.0
Licensed & non-beer volume	0.2		0.2		0.1	0.1	0.4	23.6
Third party products volume	—		—		—	—	—	-22.2
Group beer volume	*16.0*		*16.0*		*-0.2*	*2.1*	*17.8*	
Europe								
Net revenue	5,028	-114	4,914	-23	71	55	5,016	1.1
Net revenue per Hl (in €)[1]	97		95			1	97	1.4
Operating profit (beia)	665		665	-2	26	-43	646	-6.5
Operating profit (beia) margin	13.2%		13.5%				12.9%	
Total volume	48.3		48.3		0.1	-0.2	48.2	-0.5
Beer volume	39.0		39.0		—	-0.1	38.9	-0.1
Licensed & non-beer volume	5.4		5.4		—	0.1	5.5	1.4
Third party products volume	4.0		4.0		0.1	-0.2	3.8	-6.2
Group beer volume	*40.4*		*40.4*		*-0.3*	*-0.3*	*39.9*	
Head Office & Eliminations								
Net revenue	-324	9	-314	3	-2	-9	-323	n.a.
Operating profit (beia)	-54		-54	-3	2	3	-52	n.a.
Heineken N.V.								
Net revenue	10,475	-133	10,342	-682	529	588	10,777	5.6
Net revenue per Hl (in €)[1]	91		90			1	82	1.1
Total expenses (beia)	-8,670	133	-8,537	555	-478	-564	-9,024	-6.5
Operating profit (beia)	1,805		1,805	-127	52	24	1,754	1.3
Operating profit (beia) margin	17.2%		17.5%				16.3%	
Share of net profit of associates /JVs (beia)	77		76	-7	1	16	86	20.8
Net Interest income / (expenses) (beia)	-176		-176	8	-32	-11	-211	-6.5
Other net finance income / (expenses) (beia)	-68		-68	3	-4	35	-34	52.0
Income tax expense (beia)	-470		-470	32	9	23	-406	4.9
Minority Interests	-132		-132	13	0	5	-113	3.7
Net profit (beia)	1,036		1,036	-78	25	92	1,076	8.9
Total volume	115.4		115.4		10.4	5.1	131.0	4.4
Beer volume	101.3		101.3		6.9	4.5	112.7	4.5
Licensed & non-beer volume	10.0		10.0		3.4	0.6	14.1	6.0
Third party products volume	4.1		4.1		0.1	—	4.2	0.1
Group beer volume	*109.0*		*109.0*		*6.3*	*5.0*	*120.4*	

[1] Revenue per Hl calculation excludes interregional revenue

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

HEINEKEN

First Quarter 2018 Metrics

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	1Q17	Consolidation Impact	Organic Growth	1Q18	Organic Growth %
Africa, Middle East & Eastern Europe					
Total volume	10.4	-0.2	0.7	10.9	6.5
Beer volume	9.0	-0.1	0.5	9.4	6.1
Licensed & non-beer volume	1.4	—	0.2	1.5	9.0
Third party products volume	—	—	—	—	1.1
Group beer volume	*9.3*	*-0.1*	*0.5*	*9.7*	
Americas					
Total volume	13.8	7.1	1.0	22.0	7.3
Beer volume	13.5	4.8	0.9	19.2	6.8
Licensed & non-beer volume	0.3	2.3	-0.1	2.6	-16.7
Third party products volume	—	—	0.2	0.2	772.7
Group beer volume	*14.9*	*4.7*	*1.1*	*20.6*	
Asia Pacific					
Total volume	6.4	—	0.7	7.1	11.3
Beer volume	6.2	-0.1	0.7	6.9	11.3
Licensed & non-beer volume	0.1	0.1	—	0.2	12.7
Third party products volume	—	—	—	—	7.4
Group beer volume	*7.6*	*-0.2*	*1.0*	*8.4*	
Europe					
Total volume	19.1	0.1	-0.4	18.8	-1.9
Beer volume	15.3	—	-0.3	15.0	-1.7
Licensed & non-beer volume	2.1	—	—	2.2	1.6
Third party products volume	1.7	0.1	-0.1	1.7	-7.5
Group beer volume	*15.9*	*-0.1*	*-0.9*	*14.8*	
Heineken N.V.					
Total volume	49.8	7.0	2.0	58.9	4.1
Beer volume	44.0	4.6	1.9	50.5	4.3
Licensed & non-beer volume	4.0	2.3	0.1	6.5	3.0
Third party products volume	1.8	0.1	—	1.9	1.3
Group beer volume	*47.6*	*4.3*	*1.7*	*53.6*	

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

HEINEKEN

Second Quarter 2018 Metrics

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	2Q17	Consolidation Impact	Organic Growth	2Q18	Organic Growth %
Africa, Middle East & Eastern Europe					
Total volume	12.1	-0.2	0.8	12.7	7.0
Beer volume	10.4	-0.2	0.5	10.7	5.1
Licensed & non-beer volume	1.7	—	0.3	2.0	18.4
Third party products volume	—	—	—	—	15
Group beer volume	*10.7*	*-0.2*	*0.5*	*11.0*	
Americas					
Total volume	17.9	3.6	1.1	22.7	6.3
Beer volume	16.9	2.5	0.9	20.4	5.6
Licensed & non-beer volume	1.0	1.1	0.1	2.2	8.6
Third party products volume	—	—	0.1	0.1	440
Group beer volume	*17.8*	*2.5*	*1.0*	*21.4*	
Asia Pacific					
Total volume	6.5	—	1.0	7.4	14.8
Beer volume	6.4	-0.1	0.9	7.2	14.7
Licensed & non-beer volume	0.1	—	0.1	0.2	34.4
Third party products volume	—	—	—	—	-52.5
Group beer volume	*8.4*	*-0.1*	*1.1*	*9.4*	
Europe					
Total volume	29.2	—	0.1	29.3	0.5
Beer volume	23.7	—	0.2	23.9	0.9
Licensed & non-beer volume	3.2	—	—	3.2	1.4
Third party products volume	2.2	0.1	-0.1	2.2	-5.3
Group beer volume	*24.5*	*-0.2*	*0.7*	*25.1*	
Heineken N.V.					
Total volume	65.6	3.4	3.1	72.1	4.7
Beer volume	57.4	2.2	2.6	62.2	4.6
Licensed & non-beer volume	6.0	1.1	0.5	7.6	8.0
Third party products volume	2.3	0.1	—	2.3	-0.9
Group beer volume	*61.4*	*2.0*	*3.3*	*66.8*	

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

HEINEKEN

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

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six-month period ended 30 June *In millions of €*	Note	2018	2017*
Revenue	5	**12,834**	**12,409**
Excise tax expense	5	(2,057)	(2,067)
Net Revenue	5	**10,777**	**10,342**
Other income	5	**27**	**6**
Raw materials, consumables and services		(6,720)	(6,272)
Personnel expenses		(1,857)	(1,699)
Amortisation, depreciation and impairments		(763)	(736)
Total expenses		**(9,340)**	**(8,707)**
Operating profit	5	**1,464**	**1,641**
Interest income		30	33
Interest expenses		(254)	(220)
Other net finance income/ (expenses)		(42)	(71)
Net finance expenses		**(266)**	**(258)**
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	5	145	19
Profit before income tax		**1,343**	**1,402**
Income tax expenses		(310)	(422)
Profit		**1,033**	**980**
Attributable to:			
Equity holders of the Company (net profit)		950	871
Non-controlling interests		83	109
Profit		**1,033**	**980**
Weighted average number of shares – basic	8	570,112,097	569,953,115
Weighted average number of shares – diluted	8	570,361,374	570,239,611
Basic earnings per share (€)		1.67	1.53
Diluted earnings per share (€)		1.67	1.53

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June

In millions of €	Note	2018	2017
Profit		**1,033**	**980**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses		180	59
Net change in fair value through OCI investments		(32)	—
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(184)	(630)
Effective portion of net investment hedges		12	(12)
Effective portion of changes in fair value of cash flow hedges		(5)	23
Effective portion of cash flow hedges transferred to profit or loss		(26)	2
Net change in fair value through OCI investments		—	7
Share of other comprehensive income of associates/joint ventures		1	(1)
Other comprehensive income, net of tax		**(54)**	**(552)**
Total comprehensive income		**979**	**428**
Attributable to:			
Equity holders of the Company		890	391
Non-controlling interests		89	37
Total comprehensive income		**979**	**428**

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HEINEKEN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at *In millions of €*	Note	30 June 2018	31 December 2017
Assets			
Property, plant and equipment		11,161	11,117
Intangible assets		17,579	17,670
Investments in associates and joint ventures		2,041	1,841
Other investments and receivables		1,076	1,113
Advances to customers		286	277
Deferred tax assets		769	768
Total non-current assets		**32,912**	**32,786**
Inventories		2,025	1,814
Trade and other receivables		4,028	3,496
Prepayments		409	399
Current tax assets		53	64
Cash and cash equivalents		2,051	2,442
Assets classified as held for sale		18	33
Total current assets		**8,584**	**8,248**
Total assets		**41,496**	**41,034**
Equity			
Share capital		922	922
Share premium		2,701	2,701
Reserves		(2,240)	(2,129)
Retained earnings		12,265	11,827
Equity attributable to equity holders of the Company	8	**13,648**	**13,321**
Non-controlling interests		1,117	1,200
Total equity		**14,765**	**14,521**
Liabilities			
Loans and borrowings	9	11,545	12,301
Tax liabilities		17	—
Employee benefits		1,045	1,289
Provisions		956	970
Deferred tax liabilities		1,468	1,495
Total non-current liabilities		**15,031**	**16,055**
Bank overdrafts and commercial papers	9	1,033	1,265
Loans and borrowings	9	2,689	1,947
Trade and other payables		7,562	6,756
Current tax liabilities		266	310
Provisions		150	178
Liabilities associated with assets classified as held for sale		—	2
Total current liabilities		**11,700**	**10,458**
Total liabilities		**26,731**	**26,513**
Total equity and liabilities		**41,496**	**41,034**

HEINEKEN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

For the six-month period ended 30 June

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

In millions of €	Share capital	Share Premium	Translation reserve	Cost of hedging reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders 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	—	—	—	—	(9)	(8)	—	(8)
Balance as at 1 January 2018	**922**	**2,701**	**(3,126)**	**3**	**112**	**331**	**962**	**(410)**	**11,818**	**13,313**	**1,200**	**14,513**
Profit	—	—	—	—	—	—	—	—	950	950	83	1,033
Other comprehensive income	—	—	(177)	2	(33)	(32)	—	—	180	(60)	6	(54)
Total comprehensive income	**—**	**—**	**(177)**	**2**	**(33)**	**(32)**	**—**	**—**	**1,130**	**890**	**89**	**979**
Transfer to retained earnings	—	—	—	—	—	—	133	—	(133)	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(530)	(530)	(187)	(717)
Purchase/ reissuance own/ non-controlling shares	—	—	—	—	—	—	—	(38)	—	(38)	8	(30)
Own shares delivered	—	—	—	—	—	—	—	33	(33)	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	15	15	—	15
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	—	(2)	(2)	—	(2)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	7	7
Balance as at 30 June 2018	**922**	**2,701**	**(3,303)**	**5**	**79**	**299**	**1,095**	**(415)**	**12,265**	**13,648**	**1,117**	**14,765**

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	—	—	—	—	—	75	—	796	871	109	980
Other comprehensive income	—	—	(630)	25	7	59	—	59	(480)	(72)	(552)
Total comprehensive income	**—**	**—**	**(630)**	**25**	**7**	**134**	**—**	**855**	**391**	**37**	**428**
Transfer to retained earnings	—	—	—	—	—	(55)	—	55	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(467)	(467)	(197)	(664)
Purchase/ reissuance own/ non-controlling shares									—		—
Own shares delivered	—	—	—	—	—	—	33	(33)	—	—	—
Share-based payments	—	—	—	—	—	—	—	1	1	—	1
Acquisition of non-controlling interests without a change in control	—	—	—	—	—	—	—	(15)	(15)	3	(12)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	—
Balance as at 30 June 2017	**922**	**2,701**	**(2,459)**	**24**	**269**	**917**	**(410)**	**11,184**	**13,148**	**1,178**	**14,326**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interest in joint ventures and associates.

The consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2017 are available at www.theheinekencompany.com.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2017.

These condensed consolidated interim financial statements were approved by the Executive Board of the Company on 27 July 2018. Deloitte Accountants B.V. has reviewed the condensed consolidated interim financial statements. Their report is included on page 36.

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying HEINEKEN's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017, except for the estimates and judgements described in the accounting policy on Revenue from Contracts with Customers (refer to chapter 3 significant accounting policies).

HEINEKEN

3. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in HEINEKEN's consolidated financial statements as at and for the year ended 31 December 2017, except for the accounting for Financial instruments (IFRS 9) and Revenue from Contracts with Customers (IFRS 15) as explained below.

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from Contracts with Customers

Impact of adoption IFRS 15

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

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

For the six-month period ended 30 June *In millions of €*	**2017 reported**	**Impact IFRS 15**	**2017 restated**
Revenue	**10,475**	**1,934**	**12,409**
Excise taxes		(2,067)	(2,067)
Net revenue		**(133)**	**10,342**
Other income	**6**		**6**
Raw materials, consumables and services	(6,405)	**133**	(6,272)
Personnel expenses	(1,699)		(1,699)
Amortisation, depreciation and impairments	(736)		(736)
Total expenses	**(8,840)**	**133**	**(8,707)**
Operating profit	**1,641**		**1,641**
Profit before income tax	**1,402**		**1,402**
Income tax expense	(422)		(422)
Profit	**980**		**980**
Attributable to:			
Equity holders of the Company (net profit)	871		871
Non-controlling interests	109		109

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

IFRS 15 has also changed the accounting for excise tax. Based on IAS 18 different policies were applied by peers in 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 added. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise taxes for those countries where the excise is borne by HEINEKEN.

(b) Income tax

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

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

A few other new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019, which HEINEKEN has not yet applied in preparing these consolidated interim financial statements. In the consolidated financial statements of HEINEKEN as at and for the year ended 31 December 2017 the (potential) impact of these new standards and amendments were mentioned. No updates on these new standards and amendments are to be reported in these condensed consolidated interim financial statements, except for Leases (IFRS 16) as mentioned below.

IFRS 16 Leases

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

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

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

(d) Restatement of Cash Flow

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

4. SEASONALITY

The performance of HEINEKEN is subject to seasonal fluctuations as a result of weather conditions. HEINEKEN's full year results and volumes are dependent on the performance in the peak-selling seasons (May through to August and December). The impact from this seasonality is also noticeable in several working capital related items such as inventory, trade receivables and payables.

5. OPERATING SEGMENTS

For the six-month period ended 30 June 2018 and 30 June 2017

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

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

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

Reconciliation of segment profit or loss

In the internal management reports, HEINEKEN measures its segmental performance primarily based on operating profit and operating profit beia (before exceptional items and amortisation of acquisition-related intangible assets). Operating profit beia is a non-GAAP measure not calculated in accordance with IFRS. Beia adjustments are also applied on other metrics. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

The table below presents the reconciliation of operating profit (beia) to profit before income tax for the six-month period ended 30 June:

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

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

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

6. ACQUISITIONS OF SUBSIDIARIES

Completion provisional accounting Brasil Kirin

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

7. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk management

The aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

Fair value

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

Fair value hierarchy

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

8. EQUITY

Reserves

The reserves consist of translation reserve, hedging reserve, fair value reserve, other legal reserve and reserve for own shares. The main variance in comparison to prior year is driven by foreign currency translation in translation reserve.

Weighted average number of shares

For the six-month period ended 30 June *In shares*	2018	2017
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	5,890,516	6,049,498
Weighted average number of basic shares	**570,112,097**	**569,953,115**
Dilutive effect of share based payment plan obligations	249,277	286,496
Weighted average number of diluted shares	**570,361,374**	**570,239,611**

Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of €	2018	2017
Prior year final dividend declared and paid in 2018 €0.93 (2017: €0.82)	530	467

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

In millions of €	2018	2017
€0.59 per qualifying ordinary share (2017: €0.54)	336	308

9. NET INTEREST-BEARING DEBT POSITION

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

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

New financing

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

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

Financing headroom

The committed financing headroom at Group level was approximately €3.9 billion as at 30 June 2018 and consisted of the undrawn revolving credit facility and centrally available cash.

Incurrence covenant

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt by EBITDA (beia) (both based on proportional consolidation of joint ventures and including acquisitions and excluding disposals on a 12-month pro-forma basis). As at 30 June 2018 this ratio was 2.5 (as at 30 June 2017: 2.4). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt financed acquisitions.

10. SUBSEQUENT EVENTS

No subsequent events occurred that are material to HEINEKEN.

STATEMENT OF THE EXECUTIVE BOARD

Statement ex Article 5:25d Paragraph 2 sub c Financial Markets Supervision Act ("Wet op het financieel toezicht").

To our knowledge:

1. The condensed consolidated interim financial statements for the six-month period ended 30 June 2018, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, and profit of Heineken N.V. and the undertakings included in the consolidation as a whole;

2. The management report of the Executive Board for the six-month period ended 30 June 2018 (as set out on pages 6-17 of this press release) includes a fair review of the information required pursuant to article 5:25d paragraphs 8 and 9 of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

Executive Board

Jean-François van Boxmeer (Chairman/CEO)

Laurence Debroux (CFO)

Amsterdam, 27 July 2018

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Executive Board and Supervisory Board of Heineken N.V.

Introduction
We have reviewed the accompanying condensed consolidated interim financial statements of Heineken N.V., Amsterdam, which comprise the condensed consolidated interim statement of financial position as at 30 June 2018, the condensed consolidated interim income statement and the condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the period of six months ended 30 June 2018, and the notes (the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope
We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 27 July 2018

Deloitte Accountants B.V.

J. Dalhuisen

GLOSSARY

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

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

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

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

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Earnings per share

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

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

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

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

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

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

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

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

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

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

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

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.