HEINEKEN

MEDIA RELEASE

Heineken N.V. reports 2019 half year results

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

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

CEO STATEMENT

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

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

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

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

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

FINANCIAL SUMMARY[2]

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

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

FULL YEAR 2019 OUTLOOK STATEMENT

For 2019, we expect the following:

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

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

We now also anticipate:

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

OPERATIONAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BREWING A BETTER WORLD

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

NET PROFIT

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

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

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

INTERIM DIVIDEND

In accordance with its dividend policy, HEINEKEN fixes the interim dividend at 40% of the total dividend of the previous year. As a result, an interim dividend of €0.64 per share (2018: €0.59) will be paid on 8 August 2019. The shares will trade ex-dividend on 31 July 2019.

TRANSLATIONAL CURRENCY CALCULATED IMPACT

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

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

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

Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2019 HY results today at 10:00 CET/ 9:00 BST. The call will be audio cast live via the company's website: www.theheinekencompany.com/investors/webcasts. An audio replay service will also be made available after the conference call at the above web address. Analysts and investors can dial-in using the following telephone numbers:

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Editorial information:
HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and specialty beers and ciders. We are committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets.
We employ over 85,000 employees and operate breweries, malteries, cider plants and other production facilities in more than 70 countries. Heineken N.V. and Heineken Holding N.V. shares trade on the Euronext in Amsterdam. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on Reuters under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY). Most recent information is available on HEINEKEN's website: www.theHEINEKENcompany.com and follow us on Twitter via @HEINEKENCorp.

Market Abuse Regulation

This press release may contain price-sensitive information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

REGIONAL OVERVIEW

Net revenue (beia) *(in € million)*	**HY19**	HY18 restated[1]	Organic growth
Heineken N.V.	**11,446**	10,777	5.6%
Africa Middle East & Eastern Europe	**1,600**	1,451	10.0%
Americas	**3,553**	3,259	7.2%
Asia Pacific	**1,539**	1,375	11.0%
Europe	**5,103**	5,016	1.4%
Head Office & Eliminations	**-350**	-323	

Operating profit (beia) *(in € million)*	**HY19**	HY18 restated[1]	Organic growth
Heineken N.V.	**1,781**	1,728	0.3%
Africa Middle East & Eastern Europe	**200**	196	1.9%
Americas	**530**	517	-1.7%
Asia Pacific	**511**	421	16.3%
Europe	**610**	646	-5.7%
Head Office & Eliminations	**-69**	-52	

Developing markets HY19

(in mhl or € million unless otherwise stated)	Group beer volume	Group net revenue	Group operating profit (beia)[2]
Developing markets in:	**82.5**	6,427	1,132
Africa Middle East & Eastern Europe	22.5		
Latin America & the Caribbean	38.6		
Asia Pacific	17.5		
Europe	3.8		
% of Group	65%	50%	57%

[1] Restated for IAS 37, please refer to page 25 for more details
[2] Excludes Head Office & Eliminations

Africa Middle East & Eastern Europe

Key financials *(in mhl or € million unless otherwise stated)*	**HY19**	HY18 restated[1]	Total growth	Organic growth
Net revenue (beia)	**1,600**	1,451	10.3%	10.0%
Operating profit (beia)	**200**	196	1.9%	1.9%
Operating profit (beia) margin	**12.5%**	13.5%	-103 bps	
Total consolidated volume	**24.5**	23.0	6.6%	6.2%
Beer volume	**21.6**	20.1	7.5%	7.1%
Non-Beer volume	**2.9**	2.8	0.6%	-0.2%
Third party products volume	**0.0**	0.0	5.3%	5.3%
Licensed beer volume	*1.1*	*0.9*		
Group beer volume	*22.9*	*21.8*		

[1] Restated for IAS 37, please refer to page 25 for more details

Consolidated beer volume grew 7.1% organically driven by Nigeria, South Africa and Russia.

Net revenue (beia) grew 10.0% organically, with total consolidated volume up 6.2% and net revenue (beia) per hectolitre up 3.6%. Price mix was up 2.0% on a constant geographic basis. Currency translation negatively impacted net revenue by €3 million, driven by the South African Rand.

Operating profit (beia) improved by 1.9% organically driven by South Africa, the DRC and Ethiopia that more than offset a decline in Nigeria. Currency translation positively impacted operating profit (beia) by €5 million mainly due to the Egyptian Pound, the Burundian Franc and the Ethiopian Birr.

In **Nigeria**, beer volume increased mid-single digit in line with the total market. The premium and mainstream portfolios grew double digit, led by Heineken®, Star and Maltina.

In **Russia**, beer volume increased high-single digit, driven by the premium portfolio led by Heineken® and new licensed brands Miller Genuine Draft and Staropramen.

In **South Africa**, total volume was up double digit, led by Heineken®, Amstel and Strongbow, despite difficult economic conditions.

In **Ethiopia**, beer volume increased low-single digit, held back by a price increase at the beginning of the year and continued social unrest.

In the **DRC**, beer volume accelerated in the second quarter, resulting in double-digit growth for the half year, in line with the total market. The overall economy remains fragile.

In **Egypt**, total volume increased by mid-single digit driven by strong performance of the LONO portfolio.

Americas

Key financials *(in mhl or € million unless otherwise stated)*	**HY19**	HY18 restated[1]	Total growth	Organic growth
Net revenue (beia)	**3,553**	3,259	9.0%	7.2%
Operating profit (beia)	**530**	517	2.6%	-1.7%
Operating profit (beia) margin	**14.9%**	15.9%	-93 bps	
Total consolidated volume	**45.5**	44.6	2.0%	2.0%
Beer volume	**40.7**	39.6	2.9%	2.9%
Non-Beer volume	**4.7**	4.7	0.1%	0.1%
Third party products volume	**0.1**	0.3	-78.5%	-78.5%
Licensed beer volume	*0.8*	*0.5*		
Group beer volume	*44.0*	*42.5*		

[1] Restated for IAS 37, please refer to page 25 for more details

Consolidated beer volume increased 2.9% organically during the first half, with growth led by Brazil and Mexico, more than offsetting volume declines in the US and Haiti.

Net revenue (beia) grew 7.2% organically, with total consolidated volumes up 2% and net revenue (beia) per hectolitre up strongly at 5.2%. Price mix was up 6.6% on a constant geographic basis, mainly driven by Brazil and Mexico. Favourable currency developments impacted net revenue by €51 million, mainly driven by the Mexican Peso and the US Dollar.

Operating profit (beia) was down by 1.7% organically, with growth in Mexico and Brazil more than offset by the USA, driven by the impact of lower volumes and the phasing of marketing spend. Currency translation positively impacted operating profit (beia) by €17 million, primarily from Mexico and the US.

In **Mexico**, beer volume grew low-single digit, held back by lower promotional activity and adverse weather in the North. Heineken® continued to grow double digit and Amstel Ultra showed promising growth following its national roll-out. The impact of the renewed OXXO contract is in line with expectations.

In **Brazil**, beer volume grew high-single digit, with continued double-digit growth of both the premium and mainstream portfolios, led by high-double digit growth of Heineken®, Amstel and Devassa. The economy portfolio declined high-single digit, following a price increase introduced in the second quarter.

In the **USA**, HEINEKEN USA beer volume declined by mid-single digit. Heineken® volumes were flat including the benefit from the introduction of Heineken® 0.0. The trends for Dos Equis are improving, particularly in the on-premise.

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Asia Pacific

Key financials *(in mhl or € million unless otherwise stated)*	**HY19**	HY18 restated[1]	Total growth	Organic growth
Net revenue (beia)	**1,539**	1,375	12.0%	11.0%
Operating profit (beia)	**511**	421	21.3%	16.3%
Operating profit (beia) margin	**33.2%**	30.6%	257 bps	
Total consolidated volume	**15.5**	14.4	7.5%	10.5%
Beer volume	**15.1**	14.1	7.4%	10.4%
Non-Beer volume	**0.3**	0.3	24.8%	25.0%
Third party products volume	**0.0**	0.0	-47.1%	-47.1%
Licensed beer volume	*0.5*	*0.3*		
Group beer volume	*19.2*	*18.1*		

[1] Restated for IAS 37, please refer to page 25 for more details

Consolidated beer volume grew 10.4% organically, with double digit growth in Vietnam and Cambodia.

Net revenue (beia) grew 11% organically, with total volume up 10.5% and net revenue (beia) per hectolitre up 0.5%. Price mix was up 1.9% on a constant geographic basis. Currency translation positively impacted net revenue by €55 million mainly from Vietnam, Cambodia and Indonesia.

Operating profit (beia) increased 16.3% organically driven by Vietnam and Cambodia. Positive currency movement across Vietnam, Cambodia and Indonesia impacted operating profit by €20 million.

In **Vietnam** beer volume was up double digit on the back of continued favourable beer market conditions and execution of our expansion strategy. Tiger and Larue continued to lead the growth.

In **Indonesia** beer volume increased low-single digit in a soft beer market, negatively impacted by an increase in excise duties at the beginning of the year.

In **Cambodia**, beer volume was up strong double digit driven by Anchor and Tiger in a growing beer market.

In **Malaysia**, beer volume grew high-single digit led by Tiger. Heineken® 0.0 was introduced in June.

Europe

Key financials *(in mhl or € million unless otherwise stated)*	**HY19**	HY18 restated[1]	Total growth	Organic growth
Net revenue (beia)	**5,103**	5,016	1.7%	1.4%
Operating profit (beia)	**610**	646	-5.6%	-5.7%
Operating profit (beia) margin	**11.9%**	12.9%	-93 bps	
Total consolidated volume	**47.6**	47.8	-0.6%	-1.4%
Beer volume	**38.7**	38.9	-0.7%	-1.5%
Non-Beer volume	**5.1**	5.1	-0.8%	-0.8%
Third party products volume	**3.8**	3.8	0.8%	-1.1%
Licensed beer volume	*0.4*	*0.3*		
Group beer volume	*40.1*	*40.3*		

[1] Restated for IAS 37, please refer to page 25 for more details

Consolidated beer volume declined 1.5% organically, as a result of poor weather in spring and at the start of the summer and a challenging comparable base with the FIFA World Cup last year.

Net revenue (beia) increased by 1.4% organically with net revenue (beia) per hectolitre up 2.7%. Price mix was up 2.4% on a constant geographic basis driven by premiumisation and our value strategy in the off-trade. Total volume declined 1.4% organically.

Operating profit (beia) decreased by 5.7% organically driven by higher input and logistics costs and our investments in e-commerce and technology upgrades.

In the **UK** total volume declined low-single digit. Beer volume increased slightly, driven by the premium portfolio led by Heineken®, Birra Moretti and our LONO propositions. We continued our investment to refurbish pubs and boost their role in local communities.

In **France** beer volume was down low-single digit. The off-trade pricing environment continues to be challenging. Our craft & variety portfolio grew double digit, led by Affligem and Lagunitas.

In **Spain** beer volume declined slightly, with growth in the on-trade offset by a partial delisting at a large retailer.

In **Italy** beer volume was up mid-single digit driven by Ichnusa.

In **Poland** beer volume was down mid-single digit. Our premium and LONO segments continue to outperform the market. The integration of Namysłów is ongoing.

In the **Netherlands,** beer volume slightly declined. Our LONO portfolio grew mid-single digit, led by Heineken® 0.0.

INTERIM FINANCIAL REVIEW

Key figures *(in mhl or € million unless otherwise stated)*	**HY18 restated**[1]	Currency translation	Consolidation impact	Organic growth	**HY19**	Organic growth
Revenue (beia)	**12,834**	115	-30	677	**13,597**	
Excise tax expense (beia)	**-2,057**	-12	-5	-78	**-2,152**	
Net Revenue (beia)	**10,777**	104	-35	600	**11,446**	5.6%
Total other expenses (beia)	**-9,049**	-60	39	-595	**-9,664**	-6.6%
Operating profit (beia)	**1,728**	44	4	5	**1,781**	0.3%
Net interest income/(expenses) (beia)	**-211**	-2	-27	31	**-208**	14.9%
Other net finance income/(expenses) (beia)	**-34**	0	0	7	**-28**	21.9%
Share of net profit of assoc./ JVs (beia)	**86**	0	3	-5	**83**	-6.0%
Income tax expense (beia)	**-398**	-12	4	-54	**-459**	-13.2%
Non-controlling interests (beia)	**-113**	-4	0	2	**-115**	1.8%
Net profit (beia)	**1,059**	26	-17	-13	**1,054**	-1.2%
Eia	-110				-118	
Net profit	**949**				**936**	

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

[1] Restated for IAS 37, refer to page 25 for more details

Main changes in consolidation and IFRS 16

- On 1 April 2019 Grupa Żywiec S.A., a HEINEKEN subsidiary, completed the acquisition of 100% of the share capital of Browar Namysłów Sp. z o.o.
- On 29 April 2019 HEINEKEN completed all transactions to form a long-term strategic partnership with China Resources Enterprise, Limited and China Resources Beer (Holdings) Co. Ltd. (CR Beer), including the transfer of its operating entities in China to CR Beer. HEINEKEN's share of CR Beer's profits will be reported with a two month delay, starting on 1 July 2019.
- On 2 May 2019 HEINEKEN acquired a majority stake in Biela y Bebidas del Ecuador S.A. BIELESA.
- HEINEKEN has implemented IFRS 16 per 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers are not restated. The impact from IFRS 16 on the contracts in scope as per 1 January 2019 is excluded from the organic growth and is shown as a consolidation impact in the financial review and consolidated metrics tables. Please refer to page 24 for more details.

Revenue and Revenue (beia)

Revenue (beia) increased organically 5.3% to €13,597 million (2018: €12,834 million). Reported revenue was €13,597 million (2018: €12,834 million).

Net revenue (beia)

Net revenue (beia) increased by 5.6% organically to €11,446 million in the first half, with total consolidated volume growth of 2.5% and an increase in net revenue (beia) per hectolitre of 3.0%. Currency developments had a positive impact of €104 million, mainly driven by favourable development versus the Euro of the Mexican Peso, the Vietnamese Dong and the US Dollar. The negative impact of consolidation changes was €35 million mainly related to China.

Total other expenses (beia)

Total other expenses (beia) were €9,664 million, up 6.6% on an organic basis. Input costs increased organically by 8.5% and by 5.6% on a per hectolitre basis, mainly in packaging materials due to inflation in commodities and adverse transactional currency impacts. Marketing and selling (beia) expenses increased organically by 5.5% to €1,338 million, representing 11.7% of net revenue (beia) (2018: 11.6%).

Operating profit (beia)

Operating profit (beia) was €1,781 million, up 0.3% organically. The strong net revenue (beia) organic growth was largely offset by higher input costs, higher investments in e-commerce and technology upgrades and some phasing of expenses. Currency translation had a positive impact of €44 million. Consolidation changes had a positive impact of €4 million.

Net finance expenses (beia)

The average interest rate (beia) in the first half of 2019 was 3.0% (2018: 3.2%). Net interest expenses (beia) decreased by €3 million to €208 million. Other net finance expenses (beia), which includes the interest expense on the net pension liability and the impact of currency revaluation on outstanding payables in foreign currencies, decreased to €28 million.

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

Share of net profit of associates and joint ventures (beia) decreased €5 million organically to €83 million, reflecting lower profits from the operations in India and Costa Rica.

Income tax expense (beia)

The effective tax rate (beia) in the first half of 2019 was 29.7% (2018 restated: 26.8%). It was negatively impacted by the interest deduction limitation introduced in The Netherlands per 2019 and the profit mix as well as some one-off tax impacts.

Net profit (beia) and net profit

Net profit (beia) declined organically by €13 million (-1.2%) to €1,054 million. The impact of currency was positive by €26 million and consolidation changes had a negative impact of €17 million. Reported net profit for the half year was €936 million (2018 restated: €949 million).

Exceptional items & amortisation of acquisition related intangibles (eia)

The impact of eia on net profit amounted to €118 million (2018 restated: €110 million). On operating profit the impact of eia amounted to €133 million (2018 restated: €271 million).

Amortisation of acquisition-related intangibles recorded in operating profit amounted to €151 million (2018: €156 million). Net exceptional benefits in operating profit of €18 million (2018 restated: €115 million net expense), of which:

- €2 million expense in excise tax (2018 restated: €18 million benefit)
- €21 million restructuring expenses (2018: €75 million)
- €68 million of net gain on disposals (2018: €7 million)
- €27 million other net expenses (2018: €65 million).

Please refer to page 27 for a more detailed description of the exceptional items and amortisation of acquisition-related intangibles.

Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment amounted to €1,005 million in the first half year (2018: €1,003 million).

Free operating cash flow amounted to €578 million (2018: €909 million), including the one-off impact of the adoption of IFRS 16 (for more details please refer to page 24). Cash flow from trade and other payables has continued to improve, although less than the previous year.

Financial structure

Total gross debt amounted to €17,839 million (31 December 2018: €14,986 million) and net debt increased to €16,044 million (31 December 2018: €12,081) following the financing of the transactions in China and the recognition of lease obligations as a financial liability under IFRS 16.

Including the effect of cross-currency swaps, 58% of net debt is in Euro and 21% is in US dollar and in US dollar proxy currencies. Following the CR Beer acquisition and including the first time IFRS 16 impact, the pro-forma net debt/EBITDA (beia) ratio was 2.9x on 30 June 2019 (30 June 2018 restated: 2.6x). HEINEKEN remains committed to the Company's 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 2019, which include 5,229,279 shares sold as part of the transactions with CRE on 29 April 2019 and previously held in Treasury. In the calculation of basic EPS, the weighted average number of shares outstanding in the first half of 2019 was 571,951,471. 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 2019 was 572,169,318 (30 June 2018: 570,361,374).

Risk paragraph

The Annual Report 2018 outlines HEINEKEN's main risks and mitigation activities at the time of closing the 2018 financial year. In the Company's view, the nature and potential impact of these risks have not materially changed in the first half of 2019. For a detailed description of HEINEKEN's risks and risk control systems, please refer to pages 26 to 31 of the Annual Report 2018.

In the first half of 2019, intense competition, particularly in the premium and craft beer segments, regulatory changes, especially alcohol-related regulations, and foreign exchange volatility represented the key challenges to the execution of HEINEKEN's commercial strategy and profit targets. Risks related to safety, cyber security incidents as well as changes in the price and availability of raw materials 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. As new risks emerge and existing immaterial risks evolve, they will be timely assessed and managed.

Interim Consolidated Metrics: Half year 2019

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	HY18	IAS 37	HY18 restated for IAS 37	Currency translation	Cons. impact	Organic growth	HY19	Organic growth
Africa, Middle East & Eastern Europe								
Net revenue (beia)	1,451	—	1,451	-3	7	145	1,600	10.0%
Operating profit (beia)	196	—	196	5	-5	4	200	1.9%
Operating profit (beia) margin	13.5%		13.5%				12.5%	
Total consolidated volume	23.0				0.1	1.4	24.5	6.2%
Beer volume	20.1				0.1	1.4	21.6	7.1%
Non-beer volume	2.8				—	—	2.9	-0.2%
Third party products volume	—				—	—	—	5.3%
Licensed beer volume	0.9						1.1	
Group beer volume	*21.8*						*22.9*	
Americas								
Net revenue (beia)	3,259	—	3,259	51	8	235	3,553	7.2%
Operating profit (beia)	542	-25	517	17	6	-9	530	-1.7%
Operating profit (beia) margin	16.6%		15.9%				14.9%	
Total consolidated volume	44.6				—	0.9	45.5	2.0%
Beer volume	39.6				—	1.2	40.7	2.9%
Non-beer volume	4.7				—	—	4.7	0.1%
Third party products volume	0.3				—	-0.2	0.1	-78.5%
Licensed beer volume	0.5						0.8	
Group beer volume	*42.5*						*44.0*	
Asia Pacific								
Net revenue (beia)	1,375	—	1,375	55	-42	151	1,539	11.0%
Operating profit (beia)	421	—	421	20	1	69	511	16.3%
Operating profit (beia) margin	30.6%		30.6%				33.2%	
Total consolidated volume	14.4				-0.4	1.5	15.5	10.5%
Beer volume	14.1				-0.4	1.5	15.1	10.4%
Non-beer volume	0.3				—	0.1	0.3	25.0%
Third party products volume	—				—	—	—	-47.1%
Licensed beer volume	0.3						0.5	
Group beer volume	*18.1*						*19.2*	
Europe								
Net revenue (beia)	5,016	—	5,016	2	13	72	5,103	1.4%
Operating profit (beia)	646	—	646	—	—	-37	610	-5.7%
Operating profit (beia) margin	12.9%		12.9%				11.9%	
Total consolidated volume	47.8				0.4	-0.7	47.6	-1.4%
Beer volume	38.9				0.3	-0.6	38.7	-1.5%
Non-beer volume	5.1				—	—	5.1	-0.8%
Third party products volume	3.8				0.1	—	3.8	-1.1%
Licensed beer volume	0.3						0.4	
Group beer volume	*40.3*						*40.1*	
Head Office & Eliminations								
Net revenue (beia)	-323	—	-323	-1	-20	-5	-350	n.a.
Operating profit (beia)	-52	—	-52	2	2	-22	-69	n.a.
Heineken N.V.								
Net revenue (beia)	10,777	—	10,777	104	-35	600	11,446	5.6%
Total expenses (beia)	-9,024	-25	-9,049	-60	39	-595	-9,664	-6.6%
Operating profit (beia)	1,754	-25	1,728	44	4	5	1,781	0.3%
Operating profit (beia) margin	16.3%		16.0%				15.6%	
Share of net profit of associates /JVs	86	—	86	—	3	-5	83	-6.0%
Net Interest income / (expenses) (beia)	-211	—	-211	-2	-27	31	-208	14.9%
Other net finance income / (expenses)	-34	-1	-34	—	—	7	-28	21.9%
Income tax expense (beia)	-406	9	-398	-12	4	-54	-459	-13.2%
Minority Interests	-113	—	-113	-4	—	2	-115	1.8%
Net profit (beia)	1,076	-17	1,059	26	-17	-13	1,054	-1.2%
Total consolidated volume	129.9				—	3.2	133.1	2.5%
Beer volume	112.7				-0.1	3.5	116.1	3.1%
Non-beer volume	12.9				—	—	13.0	0.2%
Third party products volume	4.2				0.1	-0.3	4.0	-7.3%
Licensed beer volume	2.1						2.7	
Group beer volume	*122.8*						*126.2*	

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

First Quarter 2019 Metrics

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	1Q18	Consolidation impact	Organic growth	1Q19	Organic growth
Africa, Middle East & Eastern Europe					
Total consolidated volume	10.6	0.1	0.8	11.5	7.5%
Beer volume	9.4	—	0.7	10.1	7.8%
Non-beer volume	1.2	—	0.1	1.3	4.5%
Third party products volume	—	—	—	—	22.2%
Licensed beer volume	*0.6*			*0.6*	
Group beer volume	*10.1*			*10.8*	
Americas					
Total consolidated volume	21.9	—	0.6	22.5	2.5%
Beer volume	19.2	—	0.6	19.8	3.2%
Non-beer volume	2.6	—	0.1	2.6	3.2%
Third party products volume	0.2	—	-0.1	—	-78.5%
Licensed beer volume	*0.5*			*0.4*	
Group beer volume	*20.6*			*21.4*	
Asia Pacific					
Total consolidated volume	7.0	—	0.6	7.6	8.5%
Beer volume	6.9	—	—	7.5	8.2%
Non-beer volume	0.1	—	—	0.2	41.3%
Third party products volume	—	—	—	—	-62.5%
Licensed beer volume	*0.3*			*0.2*	
Group beer volume	*8.5*			*9.2*	
Europe					
Total consolidated volume	18.7	—	0.3	19.0	1.5%
Beer volume	15.0	—	0.2	15.3	1.6%
Non-beer volume	2.0	—	—	2.1	2.1%
Third party products volume	1.7	—	—	1.7	-0.5%
Licensed beer volume	*0.1*			*0.1*	
Group beer volume	*15.5*			*15.8*	
Heineken N.V.					
Total consolidated volume	58.3	0.1	2.2	60.6	3.8%
Beer volume	50.5	—	2.2	52.7	4.3%
Non-beer volume	5.9	—	0.2	6.2	3.8%
Third party products volume	1.9	—	-0.2	1.8	-8.4%
Licensed beer volume	*1.5*			*1.4*	
Group beer volume	*54.8*			*57.3*	

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

Second Quarter 2019 Metrics

In mhl or €million unless otherwise stated & consolidated figures unless otherwise stated	2Q18	Consolidation impact	Organic growth	2Q19	Organic growth
Africa, Middle East & Eastern Europe					
Total consolidated volume	12.4	—	0.6	13.0	5.1%
Beer volume	10.7	—	0.7	11.4	6.5%
Non-beer volume	1.6	—	-0.1	1.6	-3.7%
Third party products volume	—	—	—	—	-9.3%
Licensed beer volume	*0.3*			*0.5*	
Group beer volume	*11.4*			*11.9*	
Americas					
Total consolidated volume	22.7	—	0.4	23.0	1.6%
Beer volume	20.4	—	0.5	20.9	2.7%
Non-beer volume	2.2	—	-0.1	2.1	-3.6%
Third party products volume	0.1	—	-0.1	—	-78.5%
Licensed beer volume	—			*0.3*	
Group beer volume	*21.4*			*22.6*	
Asia Pacific					
Total consolidated volume	7.4	-0.4	0.9	7.8	12.5%
Beer volume	7.2	-0.4	0.9	7.7	12.5%
Non-beer volume	0.1	—	—	0.2	11.6%
Third party products volume	—	—	—	—	-11.4%
Licensed beer volume	*0.1*			*0.3*	
Group beer volume	*9.4*			*10.0*	
Europe					
Total consolidated volume	29.1	0.3	-0.9	28.5	-3.2%
Beer volume	23.9	0.3	-0.8	23.4	-3.4%
Non-beer volume	3.1	—	-0.1	3.0	-2.7%
Third party products volume	2.2	—	—	2.2	-1.6%
Licensed beer volume	*0.2*			*0.2*	
Group beer volume	*24.8*			*24.3*	
Heineken N.V.					
Total consolidated volume	71.5	-0.1	1.0	72.5	1.4%
Beer volume	62.2	-0.1	1.3	63.4	2.1%
Non-beer volume	7.0	—	-0.2	6.8	-2.9%
Third party products volume	2.3	—	-0.1	2.2	-6.4%
Licensed beer volume	*0.6*			*1.3*	
Group beer volume	*67.1*			*68.7*	

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

Condensed consolidated interim financial statements for the six-month period ended 30 June 2019

Contents

P.O. Box 28 - 1000 AA Amsterdam - The Netherlands
Office address - Tweede Weteringplantsoen 21 - 1017 ZD Amsterdam
Heineken N.V. - Registered Office at Amsterdam - Trade Register Amsterdam No. 33011433

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six-month period ended 30 June
In millions of €

	Note	2019	2018*
Revenue	5	**13,597**	**12,834**
Excise tax expense	5	(2,154)	(2,039)
Net Revenue	5	**11,443**	**10,795**
Other income	5,6	**78**	**27**
Raw materials, consumables and services		(7,064)	(6,745)
Personnel expenses		(1,898)	(1,857)
Amortisation, depreciation and impairments		(911)	(763)
Total other expenses		**(9,873)**	**(9,365)**
Operating profit	5	**1,648**	**1,457**
Interest income		28	33
Interest expenses		(255)	(254)
Other net finance income/ (expenses)		(25)	(42)
Net finance expenses		**(252)**	**(263)**
Share of profit of associates and joint ventures	5	80	145
Profit before income tax		**1,476**	**1,339**
Income tax expenses		(438)	(307)
Profit		**1,038**	**1,032**
Attributable to:			
Shareholders of the Company (net profit)		936	949
Non-controlling interests		102	83
Profit		**1,038**	**1,032**
Weighted average number of shares – basic	8	571,951,417	570,112,097
Weighted average number of shares – diluted	8	572,169,318	570,361,374
Basic earnings per share (€)		1.64	1.66
Diluted earnings per share (€)		1.64	1.66

*Restated for IAS 37 (refer to page 25).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June
In millions of €

	2019	2018*
Profit	**1,038**	**1,032**
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-retirement obligations	(136)	180
Net change in fair value through OCI investments	24	(32)
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	130	(184)
Change in fair value of net investment hedges	8	12
Change in fair value of cash flow hedges	60	(5)
Cash flow hedges reclassified to profit or loss	15	(26)
Net change in fair value through OCI investments	—	—
Share of other comprehensive income of associates/joint ventures	(3)	1
Other comprehensive income, net of tax	**98**	**(54)**
Total comprehensive income	**1,136**	**978**
Attributable to:		
Shareholders of the Company	1,026	889
Non-controlling interests	110	89
Total comprehensive income	**1,136**	**978**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at *In millions of €*	Note	30 June 2019	31 December 2018*		Note	30 June 2019	31 December 2018*
Intangible assets		17,569	17,459	Shareholders' equity	8	15,214	14,525
Property, plant and equipment		12,545	11,359	Non-controlling interests	8	1,069	1,183
Investments in associates and joint ventures		4,884	2,021	**Total equity**		**16,283**	**15,708**
Loans and advances to customers		348	341				
Deferred tax assets		662	626	Borrowings	9	14,112	12,628
Other non-current assets		1,401	1,220	Post-retirement obligations		1,101	954
Total non-current assets		**37,409**	**33,026**	Provisions		769	833
				Deferred tax liabilities		1,417	1,431
Inventories		2,275	1,920	Other non-current liabilities		172	168
Trade and other receivables		4,595	3,795	**Total non-current liabilities**		**17,571**	**16,014**
Current tax assets		65	71				
Derivative assets		24	35	Borrowings	9	3,727	2,358
Cash and cash equivalents		1,751	2,903	Trade and other payables		7,595	6,891
Assets classified as held for sale		108	401	Returnable packaging deposits		610	569
Total current assets		**8,818**	**9,125**	Provisions		134	164
				Current tax liabilities		248	245
				Derivative liabilities		59	70
				Liabilities associated with assets classified as held for sale		—	132
				Total current liabilities		**12,373**	**10,429**
Total assets		**46,227**	**42,151**	**Total equity and liabilities**		**46,227**	**42,151**

*Restated for IAS 37 (refer to page 25).

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June *In millions of €*	2019	2018*
Operating activities		
Profit	1,038	1,032
Adjustments for:		
Amortisation, depreciation and impairments	911	763
Net interest expenses	227	221
Other income	(78)	(27)
Share of profit and impairments of associates and joint ventures and dividend income on fair value through OCI investments	(85)	(155)
Income tax expenses	438	307
Other non-cash items	182	91
Cash flow from operations before changes in working capital and provisions	**2,633**	**2,232**
Change in inventories	(332)	(231)
Change in trade and other receivables	(769)	(628)
Change in trade and other payables and returnable packaging deposits	818	1,191
Total change in working capital	**(283)**	**332**
Change in provisions and post-retirement obligations	(98)	40
Cash flow from operations	**2,252**	**2,604**
Interest paid	(256)	(259)
Interest received	31	51
Dividends received	111	56
Income taxes paid	(456)	(408)
Cash flow related to interest, dividend and income tax	**(570)**	**(560)**
Cash flow from operating activities	**1,682**	**2,044**

*Restated for IAS 37 (refer to page 25).

For the six-month period ended 30 June *In millions of €*	2019	2018*
Investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	23	31
Purchase of property, plant and equipment	(1,005)	(1,003)
Purchase of intangible assets	(41)	(66)
Loans issued to customers and other investments	(121)	(119)
Repayment on loans to customers	40	22
Cash flow (used in)/from operational investing activities	**(1,104)**	**(1,135)**
Free operating cash flow	**578**	**909**
Acquisition of subsidiaries, net of cash acquired	(169)	(53)
Acquisition of/additions to associates, joint ventures and other investments	(2,872)	(169)
Disposal of subsidiaries, net of cash disposed of	279	14
Cash flow (used in)/from acquisitions and disposals	**(2,762)**	**(208)**
Cash flow (used in)/from investing activities	**(3,866)**	**(1,343)**
Financing activities		
Proceeds from borrowings	537	157
Repayment of borrowings	(881)	(257)
Payment of lease commitments	(114)	—
Dividends paid	(724)	(709)
Purchase own shares and shares issued	418	(32)
Acquisition of non-controlling interests	(103)	(2)
Cash flow (used in)/from financing activities	**(867)**	**(843)**
Net cash flow	**(3,051)**	**(142)**
Cash and cash equivalents and bank overdrafts as at 1 January	2,249	1,177
Effect of movements in exchange rates	6	(17)
Cash and cash equivalents and bank overdrafts as at 30 June	**(796)**	**1,018**

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2019*	**922**	**2,701**	**(3,289)**	**(38)**	**9**	**342**	**1,096**	**(415)**	**13,184**	**14,512**	**1,182**	**15,694**
Changes in accounting policy*	—	—	—	—	—	—	—	—	13	13	1	14
Balance as at 1 January 2019*	**922**	**2,701**	**(3,289)**	**(38)**	**9**	**342**	**1,096**	**(415)**	**13,197**	**14,525**	**1,183**	**15,708**
Profit	—	—	—	—	—	—	82	—	854	936	102	1,038
Other comprehensive income	—	—	132	76	(5)	24	—	—	(137)	90	8	98
Total comprehensive income	**—**	**—**	**132**	**76**	**(5)**	**24**	**82**	**—**	**717**	**1,026**	**110**	**1,136**
Realised hedge results on non-financial assets		—	—	(66)	—	—	—	—	—	(66)	—	(66)
Transfer to retained earnings	—	—	—	—	—	—	(113)	—	113	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(581)	(581)	(229)	(810)
Purchase/reissuance own/ non-controlling shares	—	—	—	—	—	—	—	320	98	418	—	418
Own shares delivered	—	—	—	—	—	—	—	32	(32)	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	13	13	—	13
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(121)	(121)	1	(120)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	4	4
Balance as at 30 June 2019	**922**	**2,701**	**(3,157)**	**(28)**	**4**	**366**	**1,065**	**(63)**	**13,404**	**15,214**	**1,069**	**16,283**

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 31 December 2017	**922**	**2,701**	**(3,124)**	**112**	**—**	**331**	**962**	**(410)**	**11,827**	**13,321**	**1,200**	**14,521**
Changes in accounting policy*	—	—	(21)	—	3	—	—	—	175	157	—	157
Balance as at 1 January 2018*	**922**	**2,701**	**(3,145)**	**112**	**3**	**331**	**962**	**(410)**	**12,002**	**13,478**	**1,200**	**14,678**
Profit*	—	—	—	—	—	—	—	—	949	949	83	1,032
Other comprehensive income	—	—	(177)	(33)	2	(32)	—	—	180	(60)	6	(54)
Total comprehensive income	**—**	**—**	**(177)**	**(33)**	**2**	**(32)**	**—**	**—**	**1,129**	**889**	**89**	**978**
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	—	—	—	—	—	—	—	—	(2)	(2)	—	(2)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	7	7
Balance as at 30 June 2018*	**922**	**2,701**	**(3,322)**	**79**	**5**	**299**	**1,095**	**(415)**	**12,448**	**13,812**	**1,117**	**14,929**

*Restated for IAS 37 (refer to page 25), IFRS 16 and IFRS 9.

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 2019 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 2018 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 2018.

These condensed consolidated interim financial statements were approved by the Executive Board of the Company on 26 July 2019. Deloitte Accountants B.V. has reviewed the condensed consolidated interim financial statements. Their report is included on page 31.

(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 2018, except for the estimates and judgements described in the accounting policy on Leases and payments relating to contingent liabilities (refer to chapter 3 significant accounting policies).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in HEINEKEN's consolidated financial statements as at and for the year ended 31 December 2018, except for the accounting for Leases (IFRS 16) and 'Payments relating to contingent liabilities (IAS 37)', as explained below.

IFRS 16 Leases

Changes in accounting policy (IFRS 16)
The adoption of IFRS 16 has changed the accounting for leases as per below.

Definition of a lease
A contract is or contains a lease if it provides the right to control the use of an identified asset for a period of time in exchange for an amount payable to the lessor. The right to control the use of the identified asset exists when having the right to obtain substantially all of the economic benefits from use of that asset and when having the right to direct the use of that asset.

HEINEKEN as a lessee
At the start date of the lease, HEINEKEN (lessee) recognises a Right-Of-Use Asset (ROUA) and a lease liability on the balance sheet. The ROUA is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability will be remeasured when there is a change in the amount to be paid (e.g. due to indexation) or when there is a change in the assessment of the lease term.

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

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

Judgement is required to determine the lease term. The assessment of whether HEINEKEN is reasonably certain to exercise such options impacts the lease term, which as a result could significantly affect the amount of lease liabilities and ROUAs recognised.

HEINEKEN applies the following practical expedients for the recognition of leases:

- The short-term lease exemption, meaning that leases with a duration of less than a year are expensed in the income statement on a straight-line basis
- The low value lease exemption, meaning that leased assets with an individual value of €5 thousand or less if bought new, are expensed in the income statement on a straight-line basis
- Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics
- Include non-lease components in the lease liability for equipment leases

HEINEKEN as a lessor
A lease is classified as a finance lease when it transfers substantially all the risks and rewards relating to ownership of the underlying asset to the lessee. For contracts where HEINEKEN acts as an intermediate lessor, the subleases are classified with reference to the ROUA.

Impact of adoption of IFRS 16

The adoption of IFRS 16 has changed the accounting for leases as under the new standard all operating lease contracts are recognised on HEINEKEN's statement of financial position ('balance sheet') by recognizing a ROUA and a lease liability, except for short term and low value leases as further explained below. Lease expenses previously recorded in the income statement are replaced by depreciation and interest expenses for all lease contracts in scope of the standard.

HEINEKEN has implemented IFRS 16 per 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers are not restated. HEINEKEN has around 30,000 operating leases mainly relating to stores, pubs, offices, warehouses, cars and (forklift) trucks.

In some countries, HEINEKEN is operating both as a lessee (referred to as head lease contracts) and a lessor (referred to as sublease contracts) for pubs. HEINEKEN analysed the sublease contracts and concluded that under the new standard these contracts are treated as a finance lease, where under the previous standard these same leases were treated as an operating lease.

In the transition to IFRS 16 HEINEKEN applied the following transition expedients:

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

As a result of applying IFRS 16, HEINEKEN recognised €998 million of ROUAs, €233 million of lease receivables and €1,225 million of lease liabilities as at 30 June 2019. The ROUAs are included under Property, plant and equipment. The lease receivables are included under Other non-current assets and Trade and other receivables. The lease liabilities are included under current and non-current Borrowings.

When measuring the lease liability, HEINEKEN discounted the lease payments using the incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied is 4.3%.

During the six-months period ended 30 June 2019, HEINEKEN reported €104 million depreciation of ROUA and €27 million interest costs on lease liabilities. In 2018, operating lease expenses were reported under Raw materials, consumables and services and personnel expenses.

As a result of the treatment of subleases as a finance lease, revenue decreases with approximately €25 million. The decrease in revenue is fully offset by a decrease in expenses on the head leases and primarily impacts The Netherlands and Belgium.

The lease payments during the six-months period ended 30 June 2019 are reported under Interest paid (€27 million) and Payments for lease liabilities (€114 million) in the cash flow statement. In 2018 the payments for lease liabilities were included in the cash flow from operations.

There is no material impact on retained earnings and taxes.

Payments relating to contingent liabilities (IAS 37)
Following the IFRS Interpretations Committee agenda decision in January 2019 regarding tax deposits, HEINEKEN has changed its accounting policy with regards to payments relating to contingent liabilities.

Payments relating to contingent liabilities are now, in accordance with the conceptual framework, recognised as an asset on the balance sheet when it is probable (>50%) that HEINEKEN will recover the payment. Previously, these payments were contingent assets under IAS 37, and recognized if the recovery was virtually certain (>95%). Significant judgement is applied for identifying and accounting for payments relating to contingent liabilities. The change in accounting policy in relation to estimating the likelihood, determining the timing of potential cash inflows and the recoverability is complex and requires significant judgement.

This change in accounting policy has been recognized retrospectively and increased equity per 1 January 2018 for an amount of €157 million. The impact on 2018 net profit amounts to €10 million (increase). For the first half of 2018 net profit has been restated by €1 million (decrease). The cash flow statement has been restated within the cash flow from operations.

The restated amounts in the balance sheet as per 31 December 2018 are as follows:

As at 31 December *In millions of €*	**2018 Reported**	**Change in accounting policy**	**2018 Restated**
Deferred tax assets	622	4	626
Other non-current assets	1,084	136	1,220
Trade and other receivables	3,740	55	3,795
Total assets	**41,956**	**195**	**42,151**
Shareholders' equity	14,358	167	14,525
Non-controlling interests	1,182	1	1,183
Provisions (non-current)	846	(13)	833
Deferred tax liabilities	1,370	61	1,431
Current tax liabilities	266	(21)	245
Total equity and liabilities	**41,956**	**195**	**42,151**

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

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 2019 and 30 June 2018

	Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Head Office & Other/ Eliminations		Consolidated	
In millions of €	2019	2018[3]	2019	2018[3]	2019	2018	2019	2018	2019	2018[3]	2019	2018[3]
Third party revenue	6,031	5,972	3,625	3,328	1,961	1,764	1,949	1,723	31	47	13,597	12,834
Interregional revenue	365	352	15	16	—	—	1	2	(381)	(370)	—	—
Revenue[2]	**6,396**	**6,324**	**3,640**	**3,344**	**1,961**	**1,764**	**1,950**	**1,725**	**(350)**	**(323)**	**13,597**	**12,834**
Excise tax expense[2]	(1,293)	(1,290)	(87)	(85)	(361)	(313)	(413)	(350)	—	(1)	(2,154)	(2,039)
Net Revenue	**5,103**	**5,034**	**3,553**	**3,259**	**1,600**	**1,451**	**1,537**	**1,375**	**(350)**	**(324)**	**11,443**	**10,795**
Other income	3	11	1	14	—	—	74	2	—	—	78	27
Operating profit	**584**	**497**	**454**	**456**	**197**	**185**	**496**	**345**	**(83)**	**(26)**	**1,648**	**1,457**
Net finance expenses											(252)	(263)
Share of profit of associates and joint ventures and impairments thereof	7	7	43	105	17	15	14	19	(1)	(1)	80	145
Income tax expenses											(438)	(307)
Profit											**1,038**	**1,032**
Operating profit reconciliation												
Operating profit	584	497	454	456	197	185	496	345	(83)	(26)	1,648	1,457
Eia[1]	26	149	76	60	3	10	15	77	13	(25)	133	271
Operating profit (beia)[1]	**610**	**646**	**530**	**516**	**200**	**195**	**511**	**422**	**(70)**	**(51)**	**1,781**	**1,728**
As at 30 June 2019 and 31 December 2018												
Total segment assets	**16,160**	**14,567**	**11,771**	**11,395**	**4,113**	**3,868**	**12,156**	**9,445**	**1,365**	**2,250**	**45,565**	**41,525**
Unallocated assets											662	626
Total assets											**46,227**	**42,151**

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

[2] Next to the €2,154 million of excise tax expense included in revenue (HY2018: €2,039 million), €836 million of excise tax expense is collected on behalf of third parties and excluded from revenue (HY2018: €734 million).

[3] Restated for IAS 37 (refer to page 25).

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 €	2019	2018*
Operating profit (beia)	**1,781**	**1,728**
Amortisation of acquisition-related intangible assets included in operating profit	(151)	(156)
Exceptional items in operating profit	18	(115)
Net finance expenses	(252)	(263)
Share of profit of associates and joint ventures	80	145
Profit before income tax	**1,476**	**1,339**
Profit attributable to shareholders of the Company (net profit)	**936**	**949**
Amortisation of acquisition-related intangible assets included in operating profit	151	156
Exceptional items included in operating profit	(18)	115
Exceptional items included in net finance expenses	16	20
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	3	(59)
Exceptional items included in income tax expense	(21)	(92)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(13)	(30)
Net profit (beia)	**1,054**	**1,059**

*Restated for IAS 37 (refer to page 25).

The exceptional items and amortisation of acquisition-related intangibles in operating profit for the six-month period ended 30 June 2019 amounts to €133 million (2018: €271 million). This amount consists of:

- €151 million of amortisation of acquisition-related intangibles recorded in operating profit (2018: €156 million).
- €18 million (2018: €115 million net expense) of net exceptional benefits recorded in operating profit. This includes €2 million exceptional expense on excise taxes (2018: €18 million exceptional benefit), restructuring expenses of €21 million (2018: €75 million), net gain on disposals of €68 million, mainly relating to the sale of operating entities in China and Hong Kong (2018: €7 million) and other exceptional expenses of €27 million (2018: €65 million).
- €16 million of exceptional items in net finance expenses, mainly related to the interest expenses over tax liabilities and pre-financing of acquisitions (2018: €20 million, mainly related to interest over tax liabilities).
- €3 million included in share of profit of associates and joint ventures (2018: €59 million exceptional net benefit, 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).
- €21 million in income tax expense (2018: €92 million), which includes the tax benefit on exceptional items and amortisation of acquisition-related intangibles of €38 million, offset by net exceptional tax expenses of €17 million.
- Total amount of eia allocated to non-controlling interest amounts to €13 million (2018: €30 million).

6. ACQUISITIONS OF ASSOCIATES

Acquisition of China Resources
On 29 April 2019, HEINEKEN completed all announced transactions with China Resources Enterprise, Limited ('CRE'). As part of these transactions, HEINEKEN sold its operating entities in China and Hong Kong, previously classified as held for sale. A preliminary gain on disposal of €74 million was recorded in other income. HEINEKEN acquired a shareholding of 40% in CRH (Beer) Limited ('CBL'). CBL holds a controlling interest of 51.67% in China Resources Beer (Holdings) Co. Ltd. ('CR Beer'), a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, operating in the beer business in China. Consequently, HEINEKEN has an effective 20.67% economic interest in CR Beer. This investment is included as investment in associates, for an amount of €2.7 billion. Financial information of CRH (Beer) Limited for the purpose of the equity method of accounting will be included with a two-month delay. As a result of the two-month delay, no share of net profit or loss of this associate has been recorded for the six-month period ended 30 June 2019.

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 2018.

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 2019 was €13,657 million (31 December 2018: €13,470 million) and the carrying amount measured at amortised cost was €12,700 million (31 December 2018: €13,150 million). The fair value of the other interest bearing liabilities as at 30 June 2019 was €620 million (31 December 2018: €503 million) and the carrying amount measured at amortised cost was €620 million (31 December 2018: €503 million).

Fair value hierarchy
During the six-month period ended 30 June 2019 there have 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 and reserve for own shares.

Weighted average number of shares

For the six-month period ended 30 June *In shares*	2019	2018
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	4,051,142	5,890,516
Weighted average number of basic shares	**571,951,471**	**570,112,097**
Dilutive effect of share based payment plan obligations	217,847	249,277
Weighted average number of diluted shares	**572,169,318**	**570,361,374**

The change in effect of own shares held is mainly due to the sale of 5.2 million Heineken N.V. shares held in Treasury, as part of the transactions with CRE on 29 April 2019.

Dividends

The following dividends were declared and paid by HEINEKEN:

	2019	2018
Prior year final dividend declared and paid in 2019 €1.01 (2018: €0.93)	581	530

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

In millions of €	2019	2018
€0.64 per qualifying ordinary share (2018: €0.59)	368	336

9. BORROWINGS

In millions of €	30 June 2019	31 December 2018
Unsecured bond issues	12,700	13,150
Unsecured bank loans	383	228
Secured bank loans	101	98
Lease liabilities (IFRS 16)	1,225	—
Other interest-bearing liabilities	171	177
Deposits from third parties (mainly employee loans)	712	678
Bank overdrafts and commercial paper	2,547	655
Total borrowings	**17,839**	**14,986**
Market value of cross-currency interest rate swaps	(44)	(2)
Cash, cash equivalents	(1,751)	(2,903)
Net interest-bearing debt position	**16,044**	**12,081**

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. Per 30 June 2019, Bank overdrafts and Cash and cash equivalents both include an amount of €707 million with legally enforceable rights to offset.

New financing

In the first six-months period of 2019 the following notes were privately placed under HEINEKEN's Euro Medium Term Note Programme:

- In May 2019, €200 million of 2-year Fixed Rate to Floating Rate Notes with an initial coupon of 0.00%
- In June 2019, €100 million tap into 17 March 2031 Notes with a yield of 1.23% which are listed on the Luxembourg Stock Exchange.

The proceeds are to be used for general corporate purposes, which may include repayment of debt and/or acquisitions.

In March 2019, HEINEKEN utilized its second and last one-year extension option under the €3.5 billion revolving credit facility extending the maturity to May 2024. The facility is committed by a group of 19 banks.

Financing headroom

The committed financing headroom at Group level was approximately €2.2 billion as at 30 June 2019 and consisted of the undrawn revolving credit facility minus commercial paper in issue and centrally managed overdrafts.

10. SUBSEQUENT EVENTS

On 15 July 2019, €200 million of notes were privately placed as a tap into the 4 May 2026 Notes with a yield of 0.28%, which are listed on the Luxembourg Stock Exchange. The proceeds are to be used for general corporate purposes, which may include repayment of debt and/or acquisitions.

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 2019, 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 2019 (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, 26 July 2019

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 2019, 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 2019, 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 2019 are not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

Amsterdam, 26 July 2019

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

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

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

Depletions
Sales by distributors to the retail trade.

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

Earnings per share (EPS)
Basic
Net profit divided by the weighted average number of shares – basic – during the year.
Diluted
Net profit divided by the weighted average number of shares – diluted – during the year.

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

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

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

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

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

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

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

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

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 on a constant geographic basis
Refers to the different components that influence net revenue per hectolitre variances, namely the changes in the absolute price of each individual sku and their weight in the portfolio. The weight of the countries in the total revenue in the base year is kept constant.

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.

Net revenue per hectolitre
Net revenue divided by total consolidated volume.

Volume
Brand specific volume (Heineken® volume, Amstel® volume, etc.)
Brand volume produced and sold by consolidated companies plus 100% of brand volume sold under licence agreements by joint ventures, associates and third parties.
Beer volume
Beer volume produced and sold by consolidated companies.

Non-beer volume
Cider, soft drinks and other non-beer volume produced and sold by consolidated companies.

Third party products volume
Volume of third party products (beer and non-beer) resold by consolidated companies.
Total consolidated volume
The sum of Beer Volume, Non-Beer Volume and Third Party Products Volume.
Licensed volume
100% of volume from HEINEKEN's beer brands sold under licence agreements by joint ventures, associates and third parties.
Group beer volume
The sum of Beer Volume, Licensed Beer Volume and attributable share of beer volume from joint ventures and associates.

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.

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