HEINEKEN HOLDING NV

MEDIA RELEASE

Heineken Holding N.V. reports 2019 half year results

Amsterdam, 29 July 2019 – Heineken Holding N.V. (EURONEXT: HEIO; OTCQX: HKHHY) announces:

- The net result of Heineken Holding N.V.'s participating interest in Heineken N.V. for the first half year of 2019 amounts to €471 million
- 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

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 of Heineken Holding N.V.	471	-1.7%
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 16 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.

Heineken Holding N.V. engages in no activities other than its participating interest in Heineken N.V. and the management or supervision of and provision of services to that company.

FULL YEAR 2019 OUTLOOK STATEMENT

For 2019, HEINEKEN expects 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, HEINEKEN expects operating profit (beia) to grow by mid-single digit on an organic basis, excluding any major unforeseen macro economic and political developments.

HEINEKEN also anticipates:
- 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).

INTERIM DIVIDEND

According to the Articles of Association of Heineken Holding N.V. both Heineken Holding N.V. and Heineken N.V. pay an identical dividend per share.
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. Both the Heineken Holding N.V. shares and the Heineken N.V. shares will trade ex-dividend on 31 July 2019.

ENQUIRIES

Media Heineken Holding N.V.
Kees Jongsma
Tel: +31-6-54798253
E-mail: cjongsma@spj.nl

Media Heineken N.V.
John-Paul Schuirink
Director of Global Communication
Michael Fuchs
Financial Communication Manager
E-mail: pressoffice@heineken.com
Tel: +31-20-5239355

Investors
Federico Castillo
Director of Investor Relations
Janine Ackermann / Aris Hernández
Investor Relations Manager / Analyst
E-mail: investors@heineken.com
Tel: +31-20-5239590

INVESTOR CALENDAR HEINEKEN N.V.

(events also accessible for Heineken Holding N.V. shareholders)

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

Conference call details

Heineken N.V. will host an analyst and investor conference call in relation to its 2019 HY results today at 10:00 CET/ 9:00 BST. This call will also be accessible for Heineken Holding N.V. shareholders. The call will be audio cast live via the 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 Amsterdam
+31(0)20 794 8426

New York
+1 212 999 6659

Standard International access
+44 (0)20 3003 2666

Password: Heineken

Editorial information:
HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and specialty beers and ciders. HEINEKEN is 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.
HEINEKEN employs over 85,000 employees and operates 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 the website: www.theHEINEKENcompany.com and follow HEINEKEN on Twitter via @HEINEKENCorp.
Heineken Holding N.V. engages in no activities other than its participating interest in Heineken N.V. and the management or supervision of and provision of services to that company.

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.

INTRODUCTION

This report contains the interim financial report of Heineken Holding N.V., headquartered in Amsterdam, the Netherlands.

The interim financial report for the six months ending 30 June 2019 consists of the report of the Board of Directors, the statement of the Board and the condensed consolidated interim financial statements.

REPORT OF THE BOARD OF DIRECTORS

Heineken Holding N.V. has a 50.005% interest in the issued share capital (being 50.065% of the outstanding share capital) of Heineken N.V. Standing at the head of the HEINEKEN group, Heineken Holding N.V. is not an ordinary holding company. Since its formation in 1952, Heineken Holding N.V.'s object pursuant to its Articles of Association has been to manage or supervise the management of the HEINEKEN group and to provide services for Heineken N.V. Within the HEINEKEN group, the primary duties of Heineken N.V.'s Executive Board are to initiate and implement corporate strategy and to manage Heineken N.V. and its related enterprise. It is supervised in the performance of its duties by Heineken N.V.'s Supervisory Board. Because Heineken N.V. manages the HEINEKEN group companies, Heineken Holding N.V., unlike Heineken N.V., does not have an internal risk management and control system. Heineken Holding N.V. does not engage in any operational activities and employs no staff.

Further information regarding the developments during the financial half year 2019 of Heineken N.V. and its related companies, and the material risks Heineken N.V. is facing is given in Heineken N.V.'s half year report.

Pursuant to Article 5:25d Paragraph 4 Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht") we mention that Heineken Holding N.V.'s half year report has not been audited nor reviewed.

STATEMENT OF THE BOARD OF DIRECTORS

Statement ex Article 5:25d Paragraph 2 sub c Dutch 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 Holding N.V. and the undertakings included in the consolidation as a whole;
2. The report of the Board of Directors for the six-month period ended 30 June 2019 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”).

Board of Directors

M. Das (non-executive chairman)
C.L. de Carvalho-Heineken (executive member)
M.R. de Carvalho (executive member)
J.A. Fernández Carbajal (non-executive member)
C.M. Kwist (non-executive member)
A.A.C. de Carvalho (non-executive member)
A.M. Fentener van Vlissingen (non-executive member)
L.L.H. Brassey (non-executive member)

Amsterdam, 26 July 2019

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

Contents

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 Heineken Holding N.V. (net profit)		471	479
Non-controlling interests in Heineken N.V.		465	470
Non-controlling interests in Heineken N.V. group companies		102	83
Profit		**1,038**	**1,032**
Weighted average number of shares- basic	8	288,030,168	288,030,168
Weighted average number of shares - diluted	8	288,030,168	288,030,168
Basic earnings per share (€)		1.64	1.66
Diluted earnings per share (€)		1.64	1.66

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 Heineken Holding N.V.	515	449
Non-controlling interests in Heineken N.V.	511	440
Non-controlling interests in Heineken N.V. group companies	110	89
Total comprehensive income	**1,136**	**978**

*Restated for IAS 37 (refer to page 16).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at *In millions of €*	Note	30 June 2019	31 December 2018*
Intangible assets		17,569	17,459
Property, plant and equipment		12,545	11,359
Investments in associates and joint ventures		4,884	2,021
Loans and advances to customers		348	341
Deferred tax assets		662	626
Other non-current assets		1,401	1,220
Total non-current assets		**37,409**	**33,026**
Inventories		2,275	1,920
Trade and other receivables		4,595	3,795
Current tax assets		65	71
Derivative assets		24	35
Cash and cash equivalents		1,751	2,903
Assets classified as held for sale		108	401
Total current assets		**8,818**	**9,125**
Total assets		**46,227**	**42,151**

	Note	30 June 2019	31 December 2018*
Heineken Holding N.V. shareholders' equity	8	7,524	7,243
Non-controlling interests in Heineken N.V.	8	7,690	7,282
Non-controlling interests in Heineken N.V. group companies		1,069	1,183
Total equity		**16,283**	**15,708**
Borrowings	9	14,112	12,628
Post-retirement obligations		1,101	954
Provisions		769	833
Deferred tax liabilities		1,417	1,431
Other non-current liabilities		172	168
Total non-current liabilities		**17,571**	**16,014**
Borrowings	9	3,727	2,358
Trade and other payables		7,595	6,891
Returnable packaging deposits		610	569
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 equity and liabilities		**46,227**	**42,151**

*Restated for IAS 37 (refer to page 16).

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 16).

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 share issuance by Heineken N.V.	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**

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	Equity[1]	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2019*	**461**	**1,257**	**(1,657)**	**(18)**	**5**	**173**	**550**	**—**	**6,465**	**7,236**	**7,276**	**1,182**	**15,694**
Changes in accounting policy*	—	—	—	—	—	—	—	—	7	7	6	1	14
Balance as at 1 January 2019	**461**	**1,257**	**(1,657)**	**(18)**	**5**	**173**	**550**	**—**	**6,472**	**7,243**	**7,282**	**1,183**	**15,708**
Profit	—	—	—	—	—	—	41	—	430	471	465	102	1,038
Other comprehensive income	—	—	66	38	(3)	12	—	—	(69)	44	46	8	98
Total comprehensive income	**—**	**—**	**66**	**38**	**(3)**	**12**	**41**	**—**	**361**	**515**	**511**	**110**	**1,136**
Realised hedge results on non-financial assets	—	—	—	(33)	—	—	—	—	—	(33)	(33)	—	(66)
Transfer to retained earnings	—	—	—	—	—	—	(57)	—	57	—	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(291)	(291)	(290)	(229)	(810)
Cancellation own shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase/reissuance own shares by Heineken N.V.	—	—	—	—	—	—	—	—	209	209	209	—	418
Dilution	—	—	—	—	—	—	—	—	(65)	(65)	65	—	—
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	—	7	7	6	—	13
Acquisition of non-controlling interests in Heineken N.V. group companies by Heineken N.V.	—	—	—	—	—	—	—	—	(61)	(61)	(60)	1	(120)
Changes in consolidation	—	—	—	—	—	—	—	—	—	—	—	4	4
Balance as at 30 June 2019	**461**	**1,257**	**(1,591)**	**(13)**	**2**	**185**	**534**	**—**	**6,689**	**7,524**	**7,690**	**1,069**	**16,283**

[1] Equity attributable to shareholders of Heineken Holding N.V.
* Restated for IAS 37 (refer to page 16), IFRS16 and IFRS9.

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	Equity[1]	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
Balance as at 1 January 2018	**461**	**1,257**	**(1,574)**	**58**	**—**	**167**	**482**	**—**	**5,782**	**6,633**	**6,688**	**1,200**	**14,521**
Changes in accounting policy*	—	—	(11)	—	2	—	—	—	88	79	78	—	157
Balance as at 1 January 2018*	**461**	**1,257**	**(1,585)**	**58**	**2**	**167**	**482**	**—**	**5,870**	**6,712**	**6,766**	**1,200**	**14,678**
Profit*	—	—	—	—	—	—	—	—	479	479	470	83	1,032
Other comprehensive income	—	—	(89)	(17)	1	(16)	—	—	91	(30)	(30)	6	(54)
Total comprehensive income	**—**	**—**	**(89)**	**(17)**	**1**	**(16)**	**—**	**—**	**570**	**449**	**440**	**89**	**978**
Transfer to retained earnings	—	—	—	—	—	—	67	—	(67)	—	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(268)	(268)	(262)	(187)	(717)
Purchase own shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase/reissuance own shares by Heineken N.V.	—	—	—	—	—	—	—	—	(19)	(19)	(19)	8	(30)
Dilution	—	—	—	—	—	—	—	—	1	1	(1)	—	—
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	—	8	8	7	—	15
Acquisition of non-controlling interests in Heineken N.V. group companies by Heineken N.V.	—	—	—	—	—	—	—	—	(1)	(1)	(1)	—	(2)
Changes in consolidation	—	—	—		—	—	—	—	—	—	—	7	7
Balance as at 30 June 2018	**461**	**1,257**	**(1,674)**	**41**	**3**	**151**	**549**	**—**	**6,094**	**6,882**	**6,930**	**1,117**	**14,929**

[1] Equity attributable to shareholders of Heineken Holding N.V.
* Restated for IAS 37 (refer to page 16), IFRS16 and IFRS9.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Heineken Holding 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 Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interest in joint ventures and associates.

The consolidated financial statements of Heineken Holding N.V. as at and for the year ended 31 December 2018 are available at www.heinekenholding.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 Holding N.V. as at and for the year ended 31 December 2018.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on 26 July 2019.

(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 €5 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**
Heineken Holding N.V. shareholders' equity	7,158	85	7,243
Non-controlling interest in Heineken N.V.	7,200	82	7,282
Non-controlling interest in Heineken N.V. group companies	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		Heineken N.V. 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 16).

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 of Heineken N.V. 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 Heineken Holding N.V.	**471**	**479**
Non-controlling interest in Heineken N.V.	**465**	**470**
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	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 16).

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 HEINEKEN'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.

Weighted average number of shares

For the six-month period ended 30 June *In shares*	2019	2018
Total number of shares issued	288,030,168	288,030,482
Effect of own shares cancelled	—	314
Weighted average number of shares – basic	**288,030,168**	**288,030,168**
Weighted average number of shares – diluted	**288,030,168**	**288,030,168**

Dividends
The following dividends were declared and paid by Heineken Holding N.V.:

In millions of €	2019	2018
Prior year final dividend declared and paid in 2019 €1.01 (2018: €0.93)	291	268

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

In millions of €	2019	2018
€0.64 per share (2018: €0.59 per qualifying share)	184	170

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.

Board of Directors

M. Das (non-executive chairman)
C.L. de Carvalho-Heineken (executive member)
M.R. de Carvalho (executive member)
J.A. Fernández Carbajal (non-executive member)
C.M. Kwist (non-executive member)
A.A.C. de Carvalho (non-executive member)
A.M. Fentener van Vlissingen (non-executive member)
L.L.H. Brassey (non-executive member)

Amsterdam, 26 July 2019

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.

HEINEKEN or "the Group"
Heineken Holding N.V., Heineken N.V., its subsidiaries and interest in joint ventures and associates.

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 Heineken Holding N.V.).

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 shares outstanding, adjusted for the weighted average number of own shares purchased or held.