

Heineken Holding N.V. reports 2019 full year results

Amsterdam, 12 February 2020 – 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 2019 amounts to €1,087 million
- Net revenue (beia) organic growth +5.6%; net revenue (beia) per hectolitre +3.3%
- Consolidated beer volume +3.1%
- Heineken® volume +8.3%, best performance in over a decade
- Operating profit (beia) organic growth +3.9%
- Operating profit (beia) margin 16.8% (-12 bps)
- Net profit (beia) €2,517 million, +4.3% organically
- Proposed 2019 total dividend +8.8% at €1.68 per share

FINANCIAL SUMMARY¹

IFRS Measures	€ million	BEIA Measures		€ million	Organic growth ²
		Total growth			
Revenue	28,521	6.4%	Revenue (beia)	28,443	5.2%
Net revenue	23,969	6.6%	Net revenue (beia)	23,894	5.6%
Operating profit	3,633	16.4%	Operating profit (beia)	4,020	3.9%
			Operating profit (beia) margin	16.8%	
Net profit of Heineken Holding N.V.	1,087	12.5%	Net profit (beia)	2,517	4.3%
Diluted EPS (in €)	3.77	12.5%	Diluted EPS (beia) (in €)	4.38	4.9%
			Free operating cash flow	2,228	
			Net debt / EBITDA (beia) ³	2.6x	

¹ 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. Last year figures restated for IAS 37. Please refer to page 14 for more details.

² 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.

³ Includes acquisitions and excludes disposals on a 12 month pro-forma basis and includes the first time impact of IFRS 16.

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 2020 OUTLOOK STATEMENT

For 2020, HEINEKEN anticipates its business to deliver:

- A superior top-line growth driven by volume, price and premiumisation
- A low-single digit increase of input costs per hectolitre, with the benefit of lower prices in some commodities largely offset by transactional currency headwinds
- Continued cost management initiatives and productivity improvements to fuel investment behind our brands, innovation, e-commerce platforms, technology upgrades and sustainability programmes.

As a result, HEINEKEN currently expects operating profit (beia) to grow by mid-single digit on an organic basis, barring major negative macro economic or political developments. In particular it is at this stage not possible to assess the extent and duration of the impact of Coronavirus on the economy and on HEINEKEN's business.

HEINEKEN also anticipates:

- An average interest rate (beia) broadly in line with 2019 (2019: 2.9%)
- An effective tax rate (beia) broadly in line with 2019 (2019: 27.6%)
- Capital expenditure related to property, plant and equipment of around €2 billion (2019: €1.9 billion).

TOTAL DIVIDEND FOR 2019

The Heineken N.V. dividend policy is to pay out a ratio of 30% to 40% of full year net profit (beia). For 2019, payment of a total cash dividend of €1.68 per share (2018: €1.60) will be proposed to the Annual General Meeting of Shareholders of Heineken N.V. on 23 April 2020 ("2020 AGM"). This represents an increase of 5.0% versus 2018, translating into a 38.4% payout. If approved, a final dividend of €1.04 per share will be paid on 7 May 2020, as an interim dividend of €0.64 per share was paid on 8 August 2019. The payment will be subject to a 15% Dutch withholding tax.

If Heineken N.V. shareholders approve the proposed dividend, Heineken Holding N.V. will, according to its articles of association, pay an identical dividend per share. A final dividend of €1.04 per share of €1.60 nominal value will be payable as of 7 May 2020.

Both the Heineken Holding N.V. shares and the Heineken N.V. shares will trade ex-dividend on 27 April 2020.

BOARD OF DIRECTORS COMPOSITION

The Board of Directors of Heineken Holding N.V. has announced that it will propose at the Annual General Meeting of Shareholders on 23 April 2020 that Jean-François van Boxmeer be appointed as a non-executive member of the Board of Directors of Heineken Holding N.V. with effect from 1 June 2020, for the maximum period of four years, i.e. until the end of the Annual General Meeting of Shareholders to be held in 2024. For more details please see the press release as issued on 11 February 2020.

ENQUIRIES

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INVESTOR CALENDAR HEINEKEN N.V.

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

Combined financial and sustainability annual report	21 February 2020
Trading Update for Q1 2020	22 April 2020
Annual General Meeting of Shareholders	23 April 2020
Half Year 2020 Results	03 August 2020
Trading Update for Q3 2020	28 October 2020

CONFERENCE CALL DETAILS

HEINEKEN will host an analyst and investor conference call in relation to its 2019 FY results today at 10:00 CET/ 9:00 GMT. 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:

United Kingdom (Local): 020 3936 2999

Netherlands: 085 888 7233

USA: 1 646 664 1960

All other locations: +44 20 3936 2999

Participation password for all countries: 595244

Editorial information:

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.

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.

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.

REPORT OF THE BOARD OF DIRECTORS

Heineken Holding N.V. has a 50.005% interest in the issued share capital (being 50.065% (2018: 50.516%) of the outstanding share capital) of Heineken N.V. Standing at the head of HEINEKEN, 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 HEINEKEN and to provide services for Heineken N.V. Within HEINEKEN, 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 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 press release.

Board of Directors

Mr M. Das, *non-executive director (chairman)*

Mrs C.L. de Carvalho-Heineken, *executive director*

Mr M.R. de Carvalho, *executive director*

Mr J.A. Fernández Carbajal, *non-executive director*

Mrs C.M. Kwist, *non-executive director*

Mr A.A.C. de Carvalho, *non-executive director*

Mrs A.M. Fentener van Vlissingen, *non-executive director*

Mrs L.L.H. Brassey, *non-executive director*

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FULL YEAR 2019

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The 2019 financial information included in the primary statements attached to this press release are derived from the Annual Report 2019. This Annual Report has been authorised for issue. The Annual Report has not yet been published by law and still has to be adopted by the Annual General Meeting of Shareholders on 23 April 2020.

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

The full Annual Report will be available for download on the website (www.heinekenholding.com) as of 21 February 2020.

Consolidated Income Statement

	2019	2018*
For the year ended 31 December		
In millions of €		
Revenue	28,521	26,811
Excise tax expense	(4,552)	(4,322)
Net revenue	23,969	22,489
Other income	95	75
Raw materials, consumables and services	(14,592)	(14,001)
Personnel expenses	(3,880)	(3,749)
Amortisation, depreciation and impairments	(1,959)	(1,693)
Total other expenses	(20,431)	(19,443)
Operating profit	3,633	3,121
Interest income	75	71
Interest expenses	(529)	(492)
Other net finance income/(expenses)	(59)	(64)
Net finance expenses	(513)	(485)
Share of profit of associates and joint ventures	164	210
Profit before income tax	3,284	2,846
Income tax expense	(910)	(741)
Profit	2,374	2,105
Attributable to:		
Shareholders of Heineken Holding N.V. (net profit)	1,087	966
Non-controlling interests in Heineken N.V.	1,079	947
Non-controlling interests in Heineken N.V. group companies	208	192
Profit	2,374	2,105
Weighted average number of shares – basic	288,030,168	288,030,168
Weighted average number of shares – diluted	288,030,168	288,030,168
Basic earnings per share (€)	3.77	3.35
Diluted earnings per share (€)	3.77	3.35

*Restated for IAS 37. Refer to page 14 for further details.

Consolidated Statement of Comprehensive Income

	2019	2018*
For the year ended 31 December		
In millions of €		
Profit	2,374	2,105
Other comprehensive income, net of tax:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of post-retirement obligations	(210)	221
Net change in fair value through OCI investments	9	11
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	369	(106)
Change in fair value of net investment hedges	(43)	(3)
Change in fair value of cash flow hedges	64	(67)
Cash flow hedges reclassified to profit or loss	21	(77)
Net change in fair value through OCI investments	1	—
Cost of hedging	(5)	6
Share of other comprehensive income of associates/joint ventures	(20)	(36)
Other comprehensive income, net of tax	186	(51)
Total comprehensive income	2,560	2,054
Attributable to:		
Shareholders of Heineken Holding N.V.	1,168	939
Non-controlling interests in Heineken N.V.	1,160	919
Non-controlling interests in Heineken N.V. group companies	232	196
Total comprehensive income	2,560	2,054

*Restated for IAS 37. Refer to page 14 for further details.

Consolidated Statement of Financial Position

	2019	2018*		2019	2018*
As at 31 December			As at 31 December		
In millions of €			In millions of €		
Intangible assets	17,769	17,459	Heineken Holding N.V. shareholders' equity	7,993	7,242
Property, plant and equipment	13,269	11,359	Non-controlling interests in Heineken N.V.	8,154	7,283
Investments in associates and joint ventures	4,868	2,021	Non-controlling interests in Heineken N.V. group companies	1,164	1,183
Loans and advances to customers	277	341	Total equity	17,311	15,708
Deferred tax assets	647	626	Borrowings	13,366	12,628
Other non-current assets	1,255	1,220	Post-retirement obligations	1,189	954
Total non-current assets	38,085	33,026	Provisions	756	833
Inventories	2,213	1,920	Deferred tax liabilities	1,422	1,431
Trade and other receivables	4,123	3,795	Other non-current liabilities	153	168
Current tax assets	123	71	Total non-current liabilities	16,886	16,014
Derivative assets	28	35	Borrowings	3,686	2,358
Cash and cash equivalents	1,821	2,903	Trade and other payables	7,520	6,891
Assets classified as held for sale	111	401	Returnable packaging deposits	565	569
Total current assets	8,419	9,125	Provisions	184	164
			Current tax liabilities	283	245
			Derivative liabilities	69	70
			Liabilities associated with assets classified as held for sale	—	132
			Total current liabilities	12,307	10,429
Total assets	46,504	42,151	Total equity and liabilities	46,504	42,151

*Restated for IAS 37. Refer to page 14 for further details.

Consolidated Statement of Cash Flows

	2019	2018*
For the year ended 31 December		
In millions of €		
Operating activities		
Profit	2,374	2,105
Adjustments for:		
Amortisation, depreciation and impairments	1,959	1,693
Net interest expenses	454	421
Other income	(95)	(75)
Share of profit of associates and joint ventures and dividend income on fair value through OCI investments	(173)	(228)
Income tax expenses	910	741
Other non-cash items	240	201
Cash flow from operations before changes in working capital and provisions	5,669	4,858
Change in inventories	(257)	(129)
Change in trade and other receivables	(245)	(66)
Change in trade and other payables and returnable packaging deposits	510	908
Total change in working capital	8	713
Change in provisions and post-retirement obligations	(121)	(31)
Cash flow from operations	5,556	5,540
Interest paid	(528)	(555)
Interest received	52	118
Dividends received	181	109
Income taxes paid	(924)	(824)
Cash flow related to interest, dividend and income tax	(1,219)	(1,152)
Cash flow from operating activities	4,337	4,388

	2019	2018*
For the year ended 31 December		
In millions of €		
Investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	177	111
Purchase of property, plant and equipment	(1,915)	(1,888)
Purchase of intangible assets	(186)	(167)
Loans issued to customers and other investments	(249)	(239)
Repayment on loans to customers and other investments	64	41
Cash flow (used in)/from operational investing activities	(2,109)	(2,142)
<i>Free operating cash flow</i>	2,228	2,246
Acquisition of subsidiaries, net of cash acquired	(183)	(70)
Acquisition of/additions to associates, joint ventures and other investments	(2,875)	(159)
Disposal of subsidiaries, net of cash disposed of	244	15
Disposal of associates, joint ventures and other	50	1
Cash flow (used in)/from acquisitions and disposals	(2,764)	(213)
Cash flow (used in)/from investing activities	(4,873)	(2,355)
Financing activities		
Proceeds from borrowings	2,288	1,694
Repayment of borrowings	(2,150)	(1,545)
Payment of lease commitments	(259)	—
Dividends paid	(1,223)	(1,090)
Purchase own shares and share issuance by Heineken N.V.	428	(20)
Acquisition of non-controlling interests	(103)	(2)
Other	3	(4)
Cash flow (used in)/from financing activities	(1,016)	(967)
Net cash flow	(1,552)	1,066
Cash and cash equivalents as at 1 January	2,248	1,177
Effect of movements in exchange rates	(9)	5
Cash and cash equivalents as at 31 December	687	2,248

*Restated for IAS 37. Refer to page 14 for further details.

Consolidated 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 Heineken Holding N.V.	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group	Total equity
Balance as at 31 December 2017	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	77	1	157
Balance as at 1 January 2018*	461	1,257	(1,585)	58	2	167	482	—	5,870	6,712	6,765	1,201	14,678
Profit*	—	—	—	—	—	—	108	—	858	966	947	192	2,105
Other comprehensive income	—	—	(72)	(76)	3	6	—	—	112	(27)	(28)	4	(51)
Total comprehensive income	—	—	(72)	(76)	3	6	108	—	970	939	919	196	2,054
Transfer to retained earnings	—	—	—	—	—	—	(40)	—	40	—	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(438)	(438)	(428)	(212)	(1,078)
Purchase own shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	—	(19)	(19)	(19)	20	(18)
Dilution	—	—	—	—	—	—	—	—	1	1	(1)	—	—
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	—	13	13	13	—	26
Acquisition of non-controlling interests in Heineken N.V. group companies	—	—	—	—	—	—	—	—	13	13	13	(30)	(4)
Changes in consolidation by Heineken N.V.	—	—	—	—	—	—	—	—	21	21	21	8	50
Balance as at 31 December 2018	461	1,257	(1,657)	(18)	5	173	550	—	6,471	7,242	7,283	1,183	15,708

Consolidated Statement of Changes in Equity (continued)

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 Heineken Holding N.V.	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group	Total equity
Balance as at 31 December 2018	461	1,257	(1,657)	(18)	5	173	550	—	6,471	7,242	7,283	1,183	15,708
Changes in accounting policy*	—	—	—	—	—	—	—	—	2	2	1	—	3
Balance as at 1 January 2019*	461	1,257	(1,657)	(18)	5	173	550	—	6,473	7,244	7,284	1,183	15,711
Profit	—	—	—	—	—	—	86	—	1,001	1,087	1,079	208	2,374
Other comprehensive income	—	—	144	43	(3)	5	—	—	(108)	81	81	24	186
Total comprehensive income	—	—	144	43	(3)	5	86	—	893	1,168	1,160	232	2,560
Realised hedge results from non-financial assets	—	—	—	(33)	—	—	—	—	—	(33)	(33)	—	(66)
Transfer to retained earnings	—	—	2	—	—	(20)	(76)	—	94	—	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	—	(475)	(475)	(474)	(272)	(1,221)
Cancellation own shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	—	209	209	209	11	429
Negative dilution	—	—	—	—	—	—	—	—	(64)	(64)	64	—	—
Share-based payments by Heineken N.V.	—	—	—	—	—	—	—	—	7	7	7	—	14
Acquisition of non-controlling interests in Heineken N.V. group companies	—	—	—	—	—	—	—	—	(63)	(63)	(63)	5	(121)
Changes in consolidation by Heineken N.V.	—	—	—	—	—	—	—	—	—	—	—	5	5
Balance as at 31 December 2019	461	1,257	(1,511)	(8)	2	158	560	—	7,074	7,993	8,154	1,164	17,311

*Restated for IAS 37. Refer to page 14 for further details, IFRS 16 and IFRS 9.

NON-GAAP MEASURES

In the internal management reports, HEINEKEN measures its segmental performance primarily based on operating profit and operating profit beia (before exceptional items and amortisation of acquisition-related intangible assets).

In millions of €	2019	2018*
Operating profit (beia)	4,020	3,808
Amortisation of acquisition-related intangible assets and exceptional items included in operating profit	(387)	(687)
Share of profit of associates and joint ventures	164	210
Net finance expenses	(513)	(485)
Profit before income tax	3,284	2,846
Profit attributable to shareholders of Heineken Holding N.V. (net profit)	1,087	966
Non-controlling interests in Heineken N.V.	1,079	947
	2,166	1,913
Amortisation of acquisition-related intangible assets included in operating profit	309	311
Exceptional items included in operating profit	78	376
Exceptional items included in net finance expenses/(income)	16	25
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	64	(50)
Exceptional items included in income tax expense	(64)	(138)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(52)	(52)
Net profit (beia)	2,517	2,385

Due to rounding this table will not always cast.
*Restated for IAS 37. Refer to page 14 for further details.

The 2019 exceptional items and amortisation of acquisition-related intangibles on net profit amount to €351 million (2018: €472 million). This amount consists of:

- €309 million (2018: €311 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €78 million (2018: €376 million) of exceptional items recorded in operating profit. This includes €78 million exceptional benefits on revenue, mainly relating to tax credits in Brazil (no impact in 2018) and €2 million exceptional excise tax expenses (2018: €18 million exceptional excise tax benefit), €91 million of restructuring expenses (2018: €122 million), €85 million of impairments (2018: €183 million mainly in the DRC), €57 million net gain on disposals, mainly relating to the sale of operating entities in China and Hong Kong (2018: €4 million net gain) and €35 million of other net exceptional expenses (2018: €94 million).
- €16 million (2018: €25 million) of exceptional items in net finance expenses, mainly related to interest income over tax credits in Brazil and interest expenses over tax liabilities and pre-financing of acquisitions.
- €64 million of exceptional items and amortisation of acquisition-related intangibles included in share of profit of associates and joint ventures (2018: €50 million net benefits, 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).
- €64 million (2018: €138 million) in income tax expense, which includes the tax impact on exceptional items and amortisation of acquisition-related intangible assets of €57 million (2018: €104 million) and an exceptional income tax net benefit of €7 million (2018: €34 million).
- Total amount of eia allocated to non-controlling interests amounts to €52 million (2018: €52 million).

Update on new standards applicable as per 1 January 2019**IFRS 16**

HEINEKEN has implemented IFRS 16 'Leases' as at 1 January 2019, replacing existing guidance on leases, including IAS 17. 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 recognising a right of use (ROU) asset and a lease liability, except for short-term and low value leases. 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 as at 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 has 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 ROU asset based on the lease liability recognised

As a result of applying IFRS 16, HEINEKEN recognised €1,034 million of ROU assets, €252 million of lease receivables and €1,252 million of lease liabilities as at 1 January 2019. A net amount of €31 million of lease prepayments, lease accruals and onerous lease provisions has been included in ROU assets as at 1 January 2019. An amount of €3 million has been recorded in retained earnings. The ROU assets are included in 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. As at 1 January 2019, deferred tax assets of €291 million related to lease liabilities, and deferred tax liabilities of €291 million related to ROU assets and lease receivables have been recognised. These deferred tax positions are offset and reported on a net basis in the statement of financial position.

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

During 2019, HEINEKEN reported €238 million depreciation and impairment of ROU assets and €55 million interest costs on lease liabilities. In 2018, operating lease expenses were reported under Raw materials, consumables and services and Personnel expenses. No material impact on tax expenses.

As a result of the treatment of subleases as a finance lease, revenue decreased with approximately €54 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 are reported under 'Interest paid' (2019: €55 million) and 'Payment of lease commitments' (2019: €259 million) in the cash flow statement. In 2018, all lease payments were included in the cash flow from operations.

As at 31 December 2018, HEINEKEN reported total off-balance sheet commitments for leases of €2,013 million. The difference between the opening balance sheet impact as at 1 January 2019 and the off-balance sheet commitments is primarily due to discounting of future lease payments and low value and short-term lease commitments, which are not included in the lease liability. Refer to the table below for the reconciliation:

In millions of €	
Operating lease commitments disclosed at 31 December 2018	2,013
Impact of discounting using the incremental borrowing rate as at 1 January 2019	(615)
Short-term leases not recognised as a liability	(36)
Low value leases not recognised as a liability	(116)
Other reconciling items	6
Lease liability recognised as at 1 January 2019	1,252

Payments relating to contingent liabilities (IAS 37)

Following the IFRS Interpretations Committee agenda decision in January 2019 regarding tax deposits (relating to taxes other than income tax), 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 recognised if the recovery was virtually certain (>95%). Judgement is applied for estimating the likelihood,

determining the timing of potential cash inflows and the recoverability.

This change in accounting policy has been recognised retrospectively and increased equity as at 1 January 2018 by €157 million. The impact on 2018 profit amounts to €10 million (increase). The cash flow statement has been restated within the cash flow from operations.

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

As at 31 December 2018 (In millions of €)	2018 Reported	Change in accounting	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	84	7,242
Non-controlling interests in Heineken N.V.	7,200	83	7,283
Non-controlling interests 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

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 acquisitions and 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

Heineken Holding N.V., Heineken N.V., its subsidiaries and interests in joint ventures and associates

Net debt

Non-current and current interest bearing borrowings (incl. lease liabilities), bank overdrafts 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, 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.

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.

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.