

## Heineken Holding N.V. reports 2017 full year results

Amsterdam, 12 February 2018 – Heineken Holding N.V. (EURONEXT: HEIO; OTCQX: HKHHY) today announces:

- The net result of Heineken Holding N.V.'s participating interest in Heineken N.V. for 2017 amounts to €977 million;
- Organic revenue (beia) +5.0% with revenue (beia) per hectolitre 2.1%
- Consolidated beer volume +3.0% with growth in all regions
- Heineken® volume +4.5%
- Operating profit (beia) organic growth of +9.3%; operating margin (beia) expansion of 40 bps excluding the Brasil Kirin, Punch and Lagunitas acquisitions
- Net profit (beia) of €2,247 million, +9.3% organically
- Proposed 2017 total dividend +9.7% at €1.47 per ordinary share

### FINANCIAL SUMMARY

Key financials <sup>1</sup>	FY17	FY16	Total growth	Organic growth
<i>(in mhl or € million unless otherwise stated)</i>			%	%
Revenue (beia)	<b>21,908</b>	20,792	5.4	5.0
Revenue	<b>21,888</b>	20,792	5.3	
Revenue (beia) per hl (in €)	<b>87</b>	91	-4.6	2.1
Operating profit (beia)	<b>3,759</b>	3,540	6.2	9.3
Operating profit (beia) margin	<b>17.2%</b>	17.0%	14bps	
Net profit (beia)	<b>2,247</b>	2,098	7.1	9.3
Net profit of Heineken Holding N.V.	<b>977</b>	779	25.4	
EPS (in €)	<b>3.39</b>	2.70	25.4	
Free operating cash flow	<b>2,031</b>	1,773	14.6	
Net debt / EBITDA (beia) <sup>2</sup>	<b>2.5</b>	2.3		

<sup>1</sup> Consolidated figures are used throughout this report, unless otherwise stated; please refer to the Glossary section for an explanation of non-GAAP measures and other terms used throughout this report.

<sup>2</sup> Includes acquisitions and excludes disposals 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 2018 OUTLOOK STATEMENT

- Economic conditions are expected to remain volatile and HEINEKEN has assumed a negative impact from currency comparable to 2017.
- HEINEKEN expects further organic revenue and profit growth.
- Excluding major unforeseen macro economic and political developments HEINEKEN expects to deliver an operating profit margin expansion of around 25 bps. This includes a residual dilutive effect from the acquisition of Brasil Kirin and excludes the one-time benefit of IFRS 15 implementation.
- HEINEKEN expects an average interest rate (beia) broadly in line with 2017 (2017: 3.0%), and an effective tax rate (beia) of around 28% (2017: 27.6%).
- Capital expenditure related to property, plant and equipment should be slightly above €2 billion (2017: €1.7 billion).

## TOTAL DIVIDEND FOR 2017

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

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 ordinary share. A final dividend of €0.93 per ordinary share of €1.60 nominal value will be payable on 2 May 2018. The ex-final dividend date for both the Heineken Holding N.V. and Heineken N.V. shares will be 23 April 2018.

## BOARD OF DIRECTORS COMPOSITION

Mr. J.A. Fernández Carbajal will have completed his four-year appointment term per the end of the AGM on 19 April 2018.

A non-binding nomination for the reappointment of Mr. Fernández Carbajal as a non-executive member of the Board of Directors for a period of four years shall be submitted to the AGM. He is a representative of FEMSA (that (in)directly holds a 14.76% economic interest in the HEINEKEN group), and his appointment is based on the Corporate Governance Agreement, which was concluded between (among others) the Company and FEMSA on 30 April 2010 and which was approved by the AGM on 22 April 2010 (in connection with the acquisition by Heineken N.V. of FEMSA's beer activities).

A non-binding nomination will be submitted to the AGM in 2018 to appoint Mrs A.M. Fentener van Vlissingen and Mrs L.L.H. Brassey as non-executive members of the Board of Directors as of 19 April 2018 for a period of four years.

Further details in respect of the proposed appointments will become available on the Company's website ([www.heinekenholding.com](http://www.heinekenholding.com))

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

A proposal to amend the Articles of Association will be submitted to the AGM in 2018. This proposal is in particular driven by the wish to abolish the priority shares from the capital structure of the Company. Furthermore, the proposal to amend the Articles of Association relates to bringing these in line with the Dutch Corporate Governance Code 2016 and current provisions in Dutch law. In addition, the proposed Articles of Association include textual improvements.

## ENQUIRIES

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## INVESTOR CALENDAR HEINEKEN N.V.

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

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

## Conference call details

HEINEKEN will host an analyst and investor conference call in relation to its 2017 FY results today at 10:00 CET/ 9:00 GMT. 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](http://www.theheinekencompany.com/investors/webcasts). An audio replay service will also be made available after the conference call at the above web address. Analysts and investors can dial-in using the following telephone numbers:

Netherlands

Local line: +31(0)20 794 8426

National free phone: 0800 022 9132

United Kingdom

Local line: +44 (0)20 3003 2666

National free phone: 0808 109 0700

United States of America

National free phone: +1866 966 5335

Participation password for all countries: Heineken

**Editorial information:**

HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and speciality beers and ciders. 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 and delivers value for all stakeholders. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets. HEINEKEN employs over 80,000 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](http://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 inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

**Disclaimer:**

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

## Report of the Board of Directors

Heineken Holding N.V. has a 50.005% interest in the issued share capital (being 50.514% (2016: 50.560%) 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 year 2017 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  
Mrs C.L. de Carvalho-Heineken  
Mr M.R. de Carvalho  
Mr J.A. Fernández Carbajal  
Mrs C.M. Kwist  
Mr A.A.C. de Carvalho

Consolidated financial statements for the full year 2017

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The 2017 financial information included in the primary statements attached to this press release are derived from the Annual Report 2017. This Annual Report has been authorised for issue. The Annual Report has not yet been published by law and still has to be adopted by the Annual General Meeting of Shareholders on 19 April 2018.

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

The full Annual Report will be available for download on the website [www.heinekenholding.com](http://www.heinekenholding.com) from 19 February 2018.

**CONSOLIDATED INCOME STATEMENT**

	2017	2016
<b>For the year ended 31 December</b>		
<i>In millions of €</i>		
<b>Revenue</b>	<b>21,888</b>	20,792
<b>Other income</b>	<b>141</b>	46
Raw materials, consumables and services	<b>(13,540)</b>	(13,003)
Personnel expenses	<b>(3,550)</b>	(3,263)
Amortisation, depreciation and impairments	<b>(1,587)</b>	(1,817)
<b>Total expenses</b>	<b>(18,677)</b>	(18,083)
<b>Operating profit</b>	<b>3,352</b>	2,755
Interest income	<b>72</b>	60
Interest expenses	<b>(468)</b>	(419)
Other net finance income/(expenses)	<b>(123)</b>	(134)
<b>Net finance expenses</b>	<b>(519)</b>	(493)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	<b>75</b>	150
<b>Profit before income tax</b>	<b>2,908</b>	2,412
Income tax expense	<b>(755)</b>	(673)
<b>Profit</b>	<b>2,153</b>	1,739
Attributable to:		
Equity holders of Heineken Holding N.V. (net profit)	<b>977</b>	779
Non-controlling interests in Heineken N.V.	<b>958</b>	761
Non-controlling interests in Heineken N.V. group companies	<b>218</b>	199
<b>Profit</b>	<b>2,153</b>	1,739
Weighted average number of ordinary shares – basic	<b>288,030,168</b>	288,030,168
Weighted average number of ordinary shares – diluted	<b>288,030,168</b>	288,030,168
Basic earnings per ordinary share (€)	<b>3.39</b>	2.70
Diluted earnings per ordinary share (€)	<b>3.39</b>	2.70



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	2017	2016
<b>For the year ended 31 December</b>		
<i>In millions of €</i>		
<b>Profit</b>	<b>2,153</b>	1,739
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Actuarial gains and losses	<b>64</b>	(252)
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	<b>(1,485)</b>	(908)
Recycling of currency translation differences to profit or loss	<b>59</b>	—
Effective portion of net investment hedges	<b>26</b>	44
Effective portion of changes in fair value of cash flow hedges	<b>109</b>	6
Effective portion of cash flow hedges transferred to profit or loss	<b>(3)</b>	41
Net change in fair value available-for-sale investments	<b>68</b>	140
Share of other comprehensive income of associates/joint ventures	<b>(7)</b>	—
<b>Other comprehensive income, net of tax</b>	<b>(1,169)</b>	(929)
<b>Total comprehensive income</b>	<b>984</b>	810
Attributable to:		
Equity holders of Heineken Holding N.V.	<b>445</b>	334
Non-controlling interests in Heineken N.V.	<b>436</b>	326
Non-controlling interests in Heineken N.V. group companies	<b>103</b>	150
<b>Total comprehensive income</b>	<b>984</b>	810

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	2017	2016
<b>As at 31 December</b>		
In millions of €		
<b>Assets</b>		
Property, plant and equipment	11,117	9,232
Intangible assets	17,670	17,424
Investments in associates and joint ventures	1,841	2,166
Other investments and receivables	1,113	1,077
Advances to customers	277	274
Deferred tax assets	768	1,011
<b>Total non-current assets</b>	<b>32,786</b>	<b>31,184</b>
Inventories	1,814	1,618
Trade and other receivables	3,496	3,052
Prepayments	399	328
Current tax assets	64	47
Cash and cash equivalents	2,442	3,035
Assets classified as held for sale	33	57
<b>Total current assets</b>	<b>8,248</b>	<b>8,137</b>
<b>Total assets</b>	<b>41,034</b>	<b>39,321</b>
<b>Equity</b>		
Share capital	461	461
Share premium	1,257	1,257
Reserves	(867)	(368)
Retained earnings	5,782	5,248
Equity attributable to equity holders of Heineken Holding N.V.	6,633	6,598
Non-controlling interests in Heineken N.V.	6,688	6,640
Non-controlling interests in Heineken N.V. group companies	1,200	1,335
<b>Total equity</b>	<b>14,521</b>	<b>14,573</b>
<b>Liabilities</b>		
Loans and borrowings	12,301	10,954
Tax liabilities	—	3
Employee benefits	1,289	1,420
Provisions	970	302
Deferred tax liabilities	1,495	1,672
<b>Total non-current liabilities</b>	<b>16,055</b>	<b>14,351</b>
Bank overdrafts and commercial papers	1,265	1,669
Loans and borrowings	1,947	1,981
Trade and other payables	6,756	6,224
Current tax liabilities	310	352
Provisions	178	154
Liabilities associated with assets classified as held for sale	2	17
<b>Total current liabilities</b>	<b>10,458</b>	<b>10,397</b>
<b>Total liabilities</b>	<b>26,513</b>	<b>24,748</b>
<b>Total equity and liabilities</b>	<b>41,034</b>	<b>39,321</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Equity*	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
<b>Balance as at 1 January 2016</b>	461	1,257	(509)	(23)	61	360	5,143	6,750	6,785	1,535	15,070
Profit	—	—	—	—	—	77	702	779	761	199	1,739
Other comprehensive income	—	—	(411)	23	71	—	(128)	(445)	(435)	(49)	(929)
Total comprehensive income	—	—	(411)	23	71	77	574	334	326	150	810
Transfer to retained earnings	—	—	—	—	—	(17)	17	—	—	—	—
Dividends to shareholders	—	—	—	—	—	—	(398)	(398)	(388)	(261)	(1,047)
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	(21)	(21)	(18)	8	(31)
Share-based payments by Heineken N.V.	—	—	—	—	—	—	7	7	6	—	13
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	—	—	—	—	—	—	(74)	(74)	(71)	(144)	(289)
Changes in consolidation	—	—	—	—	—	—	—	—	—	47	47
<b>Balance as at 31 December 2016</b>	461	1,257	(920)	—	132	420	5,248	6,598	6,640	1,335	14,573
<b>Balance as at 1 January 2017</b>	461	1,257	(920)	—	132	420	5,248	6,598	6,640	1,335	14,573
Profit	—	—	—	—	—	77	900	977	958	218	2,153
Other comprehensive income	—	—	(654)	54	35	—	33	(532)	(522)	(115)	(1,169)
Total comprehensive income	—	—	(654)	54	35	77	933	445	436	103	984
Transfer to retained earnings	—	—	—	—	—	(15)	15	—	—	—	—
Dividends to shareholders	—	—	—	—	—	—	(392)	(392)	(383)	(245)	(1,020)
Purchase own shares by Heineken N.V.	—	—	—	—	—	—	—	—	—	—	—
Negative dilution	—	—	—	—	—	—	(6)	(6)	6	—	—
Share-based payments by Heineken N.V.	—	—	—	—	—	—	11	11	11	—	22
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	—	—	—	—	—	—	(23)	(23)	(22)	28	(17)
Changes in consolidation/transfers within equity by Heineken N.V.	—	—	—	4	—	—	(4)	—	—	(21)	(21)
<b>Balance as at 31 December 2017</b>	461	1,257	(1,574)	58	167	482	5,782	6,633	6,688	1,200	14,521

\* Equity attributable to equity holders of Heineken Holding N.V.

## 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).

<i>In millions of €</i>	2017	2016
<b>Operating profit (beia)</b>	<b>3,759</b>	3,540
Amortisation of acquisition-related intangible assets and exceptional items included in operating profit	(407)	(785)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	75	150
Net finance expenses	(519)	(493)
<b>Profit before income tax</b>	<b>2,908</b>	2,412
<b>Profit attributable to equity holders of Heineken Holding N.V. (net profit)</b>	<b>977</b>	779
<b>Non-controlling interests in Heineken N.V.</b>	<b>958</b>	761
	<b>1,935</b>	1,540
Amortisation of acquisition-related intangible assets included in operating profit	302	315
Exceptional items included in operating profit	105	470
Exceptional items included in net finance expenses/(income)	8	25
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	78	10
Exceptional items included in income tax expense	(142)	(196)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(39)	(66)
<b>Net profit (beia)</b>	<b>2,247</b>	2,098

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

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

**Update on new standards applicable as per 1 January 2018****IFRS 9**

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

**IFRS 15**

In May 2014, the International Accounting Standards Board issued IFRS 15 'Revenue from Contracts with Customers', which was subsequently endorsed by the European Union on 22 September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. HEINEKEN will apply the new standard as per 1 January 2018. For implementation the full retrospective method will be applied, meaning prior period financial information will be restated. HEINEKEN concluded that IFRS 15 will not impact the timing of revenue recognition. However the amount of recognised revenue will be impacted by payments to customers and excise taxes. HEINEKEN has evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on HEINEKEN's revenue recognition. The practical expedients will therefore not be applied.

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

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

To provide full transparency on the impact of the accounting for excise, HEINEKEN will present the excise tax expense on a separate line below revenue in the consolidated income statement. A new subtotal called 'Net revenue' will be added. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise taxes for those countries where the excise is borne by HEINEKEN. HEINEKEN will furthermore disclose the excise collected on behalf of third parties, which is excluded from revenue, in the notes to the consolidated financial statements.

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

## GLOSSARY

### **Acquisition-related intangible assets**

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

### **Beia**

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

### **Cash conversion ratio**

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

### **Cash flow (used in)/from operational investing activities**

This represents the total of cash flow from sale and purchase of property, plant and equipment and intangible assets, proceeds and receipts of loans to customers and other investments.

### **Consolidation changes**

Changes as a result of business combinations or disposals.

### **Depletions**

Sales by distributors to the retail trade.

### **Dividend payout**

Proposed dividend as percentage of net profit (beia).

### **Earnings per share**

#### **Basic**

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

#### **Diluted**

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

### **EBITDA**

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

### **Effective tax rate**

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

### **Eia**

Exceptional items and amortisation of acquisition-related intangible assets.

### **Exceptional items**

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

### **Free operating cash flow**

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



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

**Net profit**

Profit after deduction of non-controlling interests (profit attributable to equity holders of Heineken Holding N.V.).

**Organic growth**

Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items and amortisation of acquisition-related intangible assets.

**Organic volume growth**

Growth in volume, excluding the effect of consolidation changes.

**Price mix**

Refers to the different components that influence average revenue per hectoliter, namely the absolute price of each individual sku and the weight of different skus in the portfolio.

**Profit**

Total profit of HEINEKEN before deduction of non-controlling interests.

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**Region**

A region is defined as HEINEKEN's managerial classification of countries into geographical units.

**Volume****(Consolidated) beer volume**

100 % of beer volume produced and sold by consolidated companies.

**Group beer volume**

Consolidated beer volume plus attributable share of beer volume from joint ventures and associates.

**Licensed & non-beer volume**

HEINEKEN's brands produced and sold under licence by third parties as well as cider, soft drinks and other non-beer volume sold in consolidated companies.

**Third party products volume**

Volume of third party products sold through consolidated companies.

**Total volume**

100 % of volume produced and sold by consolidated companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of HEINEKEN's brands produced and sold under licence by third parties.

**Weighted average number of shares****Basic**

Weighted average number of outstanding shares.

**Diluted**

Weighted average number of outstanding shares and the weighted average number of ordinary shares that would be issued on conversion of the dilutive potential ordinary shares into ordinary shares as a result of HEINEKEN's share based payment plans.