

Heineken N.V. reports 2014 third quarter results

Amsterdam, 22 October 2014 – Heineken N.V. (EURONEXT: HEIA; OTCQX: HEINY) today announced its trading update for the third quarter of 2014.

HIGHLIGHTS

- Group revenue +0.7% organically, with group revenue per hectolitre up 0.9%
- Group beer volume +0.1% organically, with positive growth momentum in Asia Pacific, Africa Middle East and the Americas region, offset by lower volumes in Europe
- Heineken® premium brand +3%, with growth across all regions
- Full year outlook unchanged; expect operating profit (beia) margin expansion in 2014 to be ahead of medium term target level of around 40 basis points per annum.

CEO STATEMENT

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

“Amidst a volatile global environment and poor weather during the high selling season in Europe, we maintained top-line growth. This was led by broad-based growth across our developing markets. Our performance in the first nine months of the year underlines the benefit of sustained investments in long-term brand building, innovation and strengthened sales execution. This gives us confidence in reaffirming our full year outlook for operating profit (beia) margin expansion in 2014 to be ahead of our medium-term guidance.”

OPERATIONAL OVERVIEW

Key figures¹ (in mhl or € million)	Consolidated			Group		
	3Q14	Total growth %	Organic growth %	3Q14	Total growth %	Organic growth %
Revenue						
Heineken N.V. ²	5,101	-1.5	0.2	5,577	-1.7	0.7
Africa Middle East	607	3.6	4.1	716	3.7	
Americas	1,183	2.0	4.1	1,359	-2.7	
Asia Pacific	544	10	12	626	17	
Central & Eastern Europe	820	-8.5	-6.4	928	-7.8	
Western Europe	2,062	-4.1	-2.4	2,062	-4.1	
Beer volume						
Heineken N.V.	48.0	-0.6	-0.2	52.4	-0.2	0.1
Africa Middle East	5.7	6.7	6.5	6.7	6.5	6.3
Americas	13.5	3.3	3.2	14.3	2.9	2.9
Asia Pacific	4.7	9.0	8.7	6.1	11	9.7
Central & Eastern Europe	12.2	-6.6	-6.6	13.4	-6.3	-6.3
Western Europe	11.9	-4.7	-3.1	11.9	-4.7	-3.1

¹ Refer to the Definitions section for an explanation of non-IFRS measures and other terms used throughout this report

² Net of head office & eliminations

Group revenue increased 0.7%, organically, reflecting a total group volume decline of 0.2% and higher group revenue per hectolitre of 0.9%. **Consolidated revenue** decreased 1.5% to €5,101 million. This includes a negative net consolidation impact of 1.3% (–€67 million) mainly from the divestment of the Hartwall business in Finland in August 2013 and an unfavourable foreign currency translational effect of 0.5% (–€24 million). Organically, consolidated revenue grew 0.2%.

Group beer volume grew by 0.1% organically, led by sustained growth of the Asia Pacific, Africa Middle East and the Americas regions. Volume performance in Europe (compared to the first half of 2014) was slightly below expectations owing to unseasonably wet weather conditions.

Heineken® <i>(in mhl or %)</i>	3Q14	Organic growth %	YTD 2014	Organic growth %
Heineken® in premium segment	7.8	3.0	21.9	5.3
Africa Middle East	0.9	15	2.7	8.0
Americas	2.2	0.2	6.5	4.1
Asia Pacific	1.6	3.9	4.5	0.7
Central & Eastern Europe	0.7	5.5	1.9	5.2
Western Europe	2.3	0.3	6.3	9.0

Heineken® volume in the international premium segment grew by 3%. Heineken® brand growth was particularly strong in markets including China, Brazil, Mexico, Taiwan, Russia, Canada and the UK. This growth was supported by continued activation of the ‘Open Your World’ marketing campaign.

Reported net profit in the quarter was €460 million compared with €483 million in the third quarter of 2013. Net profit (beia) was lower compared to last year.

OUTLOOK STATEMENT

(Based on consolidated reporting)

HEINEKEN reaffirms all elements of its full year outlook for 2014 as stated in its half year 2014 earnings release dated 20 August 2014.

REGIONAL REVIEW

Africa Middle East

Consolidated revenue grew 4.1% organically with solid total volume growth of 8.1% partly offset by lower revenue per hectolitre of 4.0%, primarily reflecting the impact of negative country and product mix. Over half of the decline in revenue per hectolitre is due to the faster growth of HEINEKEN branded volume licensed to third parties. Group beer volume increased 6.3% organically, led by continued strong growth in Ethiopia, Burundi, Algeria, Cameroon and Tunisia. The beer market in Nigeria was impacted by a prolonged wet season leading to reduced consumer spending and a stable volume development. Ethiopia saw strong double-digit volume growth in the quarter as we benefited from the recent addition of a new brewery which has been operational since July. Volume in the quarter was also higher in Rwanda, Egypt and the Democratic Republic of Congo. A continued challenging economic environment in South Africa led to marginal volume decline.

Americas

Consolidated revenue grew 4.1% organically, driven by 2.9% total volume growth, and higher revenue per hectolitre of 1.2% from continued effective revenue management. Group beer volume grew by 2.9% organically in the quarter, led by ongoing growth in Mexico and higher volumes in the Caribbean. In Mexico, strong activation of marketing programmes and outlet execution drove continued portfolio growth, led by the Tecate Light and Dos Equis brands. Brazil volumes were lower due to lower consumer spending following the World Cup football event and a softening economic environment. The Heineken® brand continued to grow in the double-digits in Brazil. In the U.S, sales to retailers were positive, outperforming a declining market. This reflects continued solid growth of the Mexican beer portfolio in the U.S, with performance of the Heineken® lager also outperforming the market.

Asia Pacific

Consolidated revenue grew 11.9% organically, with total volume growth of 9.6% and revenue per hectolitre growth of 2.3%. Group beer volume was up 9.7% organically, with this improved growth momentum reflecting strong performances in India, Vietnam, China, Indonesia, New Zealand, Cambodia and the export markets of Taiwan and South Korea. Volume in Vietnam increased in the high-single digits reflecting improved consumer sentiment and the benefit of our brand portfolio strategy, resulting in further market share gains. Volume of the Tiger brand grew in the double-digits in the region led by strong growth in Vietnam and Malaysia.

Central & Eastern Europe

Consolidated revenue declined by 6.4% organically, with a total volume decline of 7.0% partly offset by higher revenue per hectolitre of 0.6%. Group beer volume declined by 6.3% organically, reflecting continued challenging trading conditions in Russia, Poland and Romania and the effect of unfavourable weather. The beer market in Russia continued to be adversely impacted by legislation and a softening economic environment. This led to a low-single digit volume decline, with lower volume of mainstream brands only partly offset by solid growth of the premium brand portfolio. Volume in Poland continued to be negatively impacted by sustained competitive pricing pressure. In Austria, volume was lower following unseasonably wet and cold weather. Volume in the quarter grew in Serbia and Germany and was marginally higher in Greece. We continue to execute against our value growth strategy in the region with a focus on pricing initiatives, investment in premium brands and innovation and ongoing cost efficiencies.

Western Europe

Consolidated revenue declined by 2.4% organically, reflecting lower total volume of 3.8%, partly offset by revenue per hectolitre growth of 1.4%. The ongoing success of innovation contributed to improved sales mix and higher revenue per hectolitre growth versus the first half of the year. Group beer volume was 3.1% lower organically, following exceptionally high levels of rainfall across the region in July and August as well as a higher comparative volume base from the prior year quarter. Volume in the UK, France and Italy all declined in the mid-single digits and was marginally lower in The Netherlands. Volume in Spain grew in the low-single digits underpinned by higher consumer confidence and improved trends in both on- and off-premise channels. The benefit of higher commercial investments focused on brand equity building, premium-led innovation and improved promotional effectiveness again led to broad-based share gains across the region.

BUSINESS DEVELOPMENT UPDATE

Below is an update of business development activity since the release of HEINEKEN's half year 2014 results on 20 August 2014:

- The disposal of the Mexican packaging business, EMPAQUE was announced on 1 September and is expected to close by the end of the year subject to customary closing conditions and required regulatory approvals.
- The acquisition of the indirect shareholding of Coca-Cola HBC in Zagorka AD, the Bulgarian brewer, will increase HEINEKEN's ownership to a controlling stake of 98.86%. Regulatory approval has been obtained and the transaction is expected to complete by the end of October 2014.
- The divestiture of an 80% shareholding in our subsidiary Brasserie Lorraine on Martinique to Antilles Glaces was completed in September 2014. HEINEKEN retains a 20% shareholding in the business.
- On 10 October, Nigerian Breweries Plc notified The Nigerian Stock Exchange that management of Nigerian Breweries Plc and Consolidated Breweries Plc have received approval of the Scheme of Merger document from the Securities & Exchange Commission for the proposed combination of the two businesses. The next step involves shareholders of both Nigerian Breweries Plc and Consolidated Breweries Plc voting at separate court-ordered EGMs (announcements to follow when dates are confirmed). The proposed merger is expected to be finalised by the end of 2014.

DEFINITIONS

Organic growth excludes the effect of foreign currency translational effects, consolidation changes, accounting policy changes, exceptional items and amortisation of acquisition-related intangibles. Beia refers to financials before exceptional items and amortisation of acquisition-related intangibles. Group figures include HEINEKEN's attributable share of joint ventures and associates. Group revenue in 2013 has been restated from the earnings release dated 23 October 2013 (with no impact on group operating profit (beia)). The license fee for the Heineken® brand has been increased since 1 January 2014. To facilitate a meaningful financial and margin comparison compared to last year, the regional impact is reported as a consolidation change in 2014.

ENQUIRIES

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HEINEKEN INVESTOR CALENDAR 2014

What's Brewing Seminar, Western Europe, London

12 November 2014

CONFERENCE CALL DETAILS

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

Netherlands

Local line: +31(0)20 713 2790

National free phone: 0800 020 2576

United Kingdom

Local line: +44(0)20 7136 2054

National free phone: 0800 279 4992

United States of America

Local line: +1718 354 1152

National free phone: 1877 280 2296

Participation/ confirmation code for all countries: 3232861

Editorial information:

HEINEKEN is a proud, independent global brewer committed to surprise and excite consumers with its brands and products everywhere. The brand that bears the founder's family name – Heineken® – is available in almost every country on the globe and is the world's most valuable international premium beer brand. The Company's aim is to be a leading brewer in each of the markets in which it operates and to have the world's most valuable brand portfolio. HEINEKEN wants to win in all markets with Heineken® and with a full brand portfolio in markets of choice. The Company is present in over 70 countries and operates more than 165 breweries. HEINEKEN is Europe's largest brewer and the world's second largest by consolidated volume. HEINEKEN is committed to the responsible marketing and consumption of its more than 250 international premium, regional, local and specialty beers and ciders. These include Heineken®, Affligem, Amstel, Anchor, Biere Larue, Bintang, Birra Moretti, Cruzcampo, Desperados, Dos Equis, Foster's, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Tiger and Zywiec. Our leading joint venture brands include Cristal and Kingfisher. The number of people employed is over 81,000. Heineken N.V. and Heineken Holding N.V. shares are listed on the NYSE Euronext in Amsterdam. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on the Reuter Equities 2000 Service under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY).

Most recent information is available on HEINEKEN's website: www.theHEINEKENcompany.com and follow us via @HEINEKENCorp

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, 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 are only relevant as of the date of this press release. HEINEKEN does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of these statements. Market share estimates contained in this press release are based on outside sources, such as specialised research institutes, in combination with management estimates.

Consolidated & Group metrics: Third Quarter 2014

	Consolidated (A)						Attributable share of joint ventures/assoc (B)		Group (C) = A + B		
(in mhl or €million unless otherwise stated)	3Q13	Currency Translation	Consolidation Impact	Organic Growth	3Q14	Organic Growth %	3Q13	3Q14	3Q13	3Q14	Organic Growth %
Africa and Middle East											
Revenue	585	-3	1	24	607	4.1	105	109	690	716	
Revenue per Hl (in €)	84			-3	81	-4.0	70	73	81	80	
Total volume	7.0		-	0.6	7.5	8.1	1.5	1.5	8.5	9.0	7.1
Beer volume	5.5		-	0.4	5.7	6.5	1.0	1.0	6.5	6.7	6.3
Licensed & non-beer volume	1.5		-	0.2	1.8	14	0.4	0.4	1.9	2.2	9.8
Third party products volume	-		-	-	-	-	0.1	0.1	0.1	0.1	-0.9
Americas											
Revenue	1.160	-21	-4	48	1.183	4.1	237	176	1.397	1.359	
Revenue per Hl (in €)	87			1	86	1.2	139	104	93	88	
Total volume	13.4		-	0.4	13.8	2.9	1.7	1.7	15.1	15.5	2.4
Beer volume	13.0		-	0.4	13.5	3.2	0.8	0.8	13.8	14.3	2.9
Licensed & non-beer volume	0.4		-	-	0.3	-8.0	0.9	0.9	1.3	1.2	-3.3
Third party products volume	-		-	-	-	-	-	-	-	-	-
Asia Pacific											
Revenue	494	-10	1	59	544	11.9	41	82	535	626	
Revenue per Hl (in €)	110			3	113	2.3	32	59	92	101	
Total volume	4.5		-0.1	0.4	4.8	9.6	1.3	1.4	5.8	6.2	10
Beer volume	4.3		-	0.4	4.7	8.7	1.2	1.4	5.5	6.1	9.7
Licensed & non-beer volume	0.1		0.1	-0.1	0.1	-15	0.1	-	0.2	0.1	-16
Third party products volume	0.1		-0.2	0.1	-	63	-	-	0.1	-	63
Central & Eastern Europe											
Revenue	895	-18	-	-57	820	-6.4	111	108	1.006	928	
Revenue per Hl (in €)	65			1	64	0.6	74	72	66	65	
Total volume	13.7		-	-1.0	12.8	-7.0	1.5	1.5	15.2	14.3	-6.6
Beer volume	13.0		-	-0.9	12.2	-6.6	1.2	1.2	14.2	13.4	-6.3
Licensed & non-beer volume	0.3		-	-	0.3	4.8	0.2	0.2	0.5	0.5	2.2
Third party products volume	0.4		-	-0.1	0.3	-32	0.1	0.1	0.5	0.4	-25

	Consolidated (A)						Attributable share of joint ventures/assoc (B)		Group (C) = A + B		
(in mhl or €million unless otherwise stated)	3Q13	Currency Translation	Consolidation Impact	Organic Growth	3Q14	Organic Growth %	3Q13	3Q14	3Q13	3Q14	Organic Growth %
Western Europe											
Revenue	2.150	28	-65	-51	2.062	-2.4			2.150	2.062	
Revenue per Hl (in €)	121			2	124	1.4			121	124	
Total volume	17.8		-0.6	-0.7	16.6	-3.8			17.8	16.6	-3.8
Beer volume	12.5		-0.2	-0.4	11.9	-3.1			12.5	11.9	-3.1
Licensed & non-beer volume	3.0		-0.3	-0.1	2.7	-2.3			3.0	2.7	-2.3
Third party products volume	2.3		-0.1	-0.2	2.0	-9.4			2.3	2.0	-9.4
Head Office & Eliminations											
Revenue	-105	-	-	-9	-114	-8.5			-105	-114	
Heineken N.V.											
Revenue	5.179	-24	-67	13	5.101	0.2	494	476	5.673	5.577	0.7
Revenue per Hl (in €)	92			1	92	0.6	84	78	91	91	0.9
Total volume	56.4		-0.7	-0.3	55.4	-0.4	5.9	6.1	62.3	61.5	-0.2
Beer volume	48.3		-0.2	-0.1	48.0	-0.2	4.2	4.4	52.5	52.4	0.1
Licensed & non-beer volume	5.3		-0.3	0.1	5.1	2.2	1.5	1.5	6.8	6.6	1.2
Third party products volume	2.8		-0.2	-0.3	2.3	-9.7	0.2	0.2	3.0	2.5	-9.4

Consolidated & Group metrics: First nine months 2014

	Consolidated (A)						Attributable share of joint ventures/assoc (B)		Group (C) = A + B		
(in mhl or €million unless otherwise stated)	YTD13	Currency Translation	Consolidation Impact	Organic Growth	YTD14	Organic Growth %	YTD13	YTD14	YTD13	YTD14	Organic Growth %
Africa and Middle East											
Revenue	1.862	-63	3	96	1.899	5.2	319	313	2.181	2.212	
Revenue per Hl (in €)	87			-2	82	-2.7	78	75	86	81	
Total volume	21.4		-	1.7	23.1	7.9	4.1	4.2	25.5	27.3	7.0
Beer volume	16.8		-	1.4	18.2	8.2	2.9	2.9	19.7	21.1	7.5
Licensed & non-beer volume	4.5		-	0.3	4.8	6.9	1.0	1.1	5.5	5.9	5.6
Third party products volume	0.1		-	-	0.1	-1.9	0.2	0.2	0.3	0.3	0.7
Americas											
Revenue	3.367	-202	-1	231	3.396	6.9	604	541	3.971	3.937	
Revenue per Hl (in €)	87			2	84	2.8	116	100	91	86	
Total volume	38.6		-	1.6	40.2	4.1	5.2	5.4	43.8	45.6	4.1
Beer volume	37.6		-	1.6	39.2	4.3	2.6	2.6	40.2	41.8	4.1
Licensed & non-beer volume	0.9		-	-	0.9	-2.3	2.6	2.8	3.5	3.7	4.0
Third party products volume	0.1		-	-	0.1	3.7	-	-	0.1	0.1	3.7
Asia Pacific											
Revenue	1.473	-91	1	93	1.476	6.3	280	262	1.753	1.738	
Revenue per Hl (in €)	114			2	110	1.3	67	60	103	98	
Total volume	12.9		-0.1	0.6	13.4	5.0	4.2	4.4	17.1	17.8	4.6
Beer volume	12.4		-	0.7	13.1	5.7	4.1	4.4	16.5	17.5	5.1
Licensed & non-beer volume	0.3		0.1	-	0.3	-10	0.1	-	0.4	0.3	-11
Third party products volume	0.2		-0.2	-	-	-10	-	-	0.2	-	-10
Central & Eastern Europe											
Revenue	2.422	-76	-8	-92	2.246	-3.8	276	282	2.698	2.528	
Revenue per Hl (in €)	66			1	65	1.9	73	72	66	65	
Total volume	36.9		-	-2.1	34.8	-5.7	3.8	3.9	40.7	38.7	-5.1
Beer volume	35.0		-	-1.9	33.1	-5.5	3.0	3.0	38.0	36.1	-5.0
Licensed & non-beer volume	0.9		-	-	0.9	7.0	0.5	0.5	1.4	1.4	4.4
Third party products volume	1.0		-	-0.2	0.8	-23	0.3	0.4	1.3	1.2	-17

	Consolidated (A)						Attributable share of joint ventures/assoc (B)		Group (C) = A + B		
(in mhl or €million unless otherwise stated)	YTD13	Currency Translation	Consolidation Impact	Organic Growth	YTD14	Organic Growth %	YTD13	YTD14	YTD13	YTD14	Organic Growth %
Western Europe											
Revenue	5.745	56	-218	130	5.713	2.3			5.745	5.713	
Revenue per Hl (in €)	124			-	126	0.2			124	126	
Total volume	46.4		-2.1	1.0	45.3	2.1			46.4	45.3	2.1
Beer volume	32.4		-0.6	0.9	32.7	2.8			32.4	32.7	2.8
Licensed & non-beer volume	8.0		-1.4	0.4	7.1	4.6			8.0	7.1	4.6
Third party products volume	6.0		-0.1	-0.3	5.5	-5.5			6.0	5.5	-5.5
Head Office & Eliminations											
Revenue	-336	-25	3	3	-355	1.0			-336	-355	
Heineken N.V.											
Revenue	14.533	-401	-220	462	14.375	3.2	1.479	1.398	16.012	15.773	3.4
Revenue per Hl (in €)	93			1	92	1.4	85	79	92	90	1.5
Total volume	156.2		-2.2	2.8	156.8	1.8	17.4	17.8	173.6	174.6	1.9
Beer volume	134.2		-0.6	2.6	136.3	2.0	12.6	12.9	146.8	149.2	2.0
Licensed & non-beer volume	14.6		-1.3	0.8	14.0	4.8	4.3	4.4	18.9	18.4	4.6
Third party products volume	7.4		-0.3	-0.6	6.5	-8.0	0.5	0.5	7.9	7.0	-7.4