



HEINEKEN MALAYSIA BERHAD

Company No. 196401000020 (5350-X)
(Incorporated in Malaysia]

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the quarter ended 31 March 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 3 MONTHS ENDED		
	31/03/2022	31/03/2021	% Change +/(–)	31/03/2022	31/03/2021	% Change +/(–)
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	698,334	547,738	27%	698,334	547,738	27%
2. Operating expenses	(542,632)	(450,167)		(542,632)	(450,167)	
3. Operating profit	155,702	97,571	60%	155,702	97,571	60%
4. Interest expense	(635)	(914)		(635)	(914)	
5. Profit before tax	155,067	96,657	60%	155,067	96,657	60%
6. Taxation	(41,684)	(23,118)		(41,684)	(23,118)	
7. Net profit for the period	<u>113,383</u>	<u>73,539</u>	54%	<u>113,383</u>	<u>73,539</u>	54%
8. Profit attributable to owners of the Company	<u>113,383</u>	<u>73,539</u>		<u>113,383</u>	<u>73,539</u>	
9. Total comprehensive income attributable to owners of the Company	<u>113,383</u>	<u>73,539</u>		<u>113,383</u>	<u>73,539</u>	
10. Earnings per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	37.53	24.34		37.53	24.34	
(b) Fully diluted	N/A	N/A		N/A	N/A	

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group’s Annual Audited Financial Statements for year ended 31 December 2021.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31 March 2022 RM'000	AUDITED AS AT 31 December 2021 RM'000
Non-current assets		
Property, plant and equipment	381,785	388,404
Intangible assets	14,590	15,657
Right-of-use asset	18,338	18,719
Deferred tax assets	-	5,782
Other receivables	1,405	1,546
	416,118	430,108
Current assets		
Inventories	148,013	151,178
Trade and other receivables	429,612	415,253
Current tax assets	14,928	15,155
Cash and cash equivalents	55,821	76,479
	648,374	658,065
Current liabilities		
Trade and other payables	472,881	481,699
Current tax liabilities	27,116	10,162
Lease liabilities	3,280	3,283
Borrowings	20,000	160,131
	523,277	655,275
Net current assets	125,097	2,790
	541,215	432,898
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	358,010	244,627
Shareholders' funds	509,059	395,676
Non-current liabilities		
Deferred tax liabilities	27,449	32,207
Lease liabilities	4,707	5,015
	32,156	37,222
	541,215	432,898
Net Assets per share attributable to owners of the Company (RM)	1.69	1.31

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's Annual Audited Financial Statements for the year ended 31 December 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	3 MONTHS ENDED 31 March 2022 RM'000	3 MONTHS ENDED 31 March 2021 RM'000
Cash flows from operating activities		
Profit before tax	155,067	96,657
Adjustments for:		
Amortisation of intangible assets	1,102	2,000
Depreciation of property, plant and equipment	15,718	15,761
Loss on disposal of property, plant and equipment	246	358
Gain on disposal of right-of-use asset	(1)	-
Amortisation of prepaid contractual promotion expenses	1,974	8,040
Interest expense	889	1,258
Interest Income	(254)	(344)
Unrealised foreign exchange differences	(16)	1,048
Operating profit before changes in working capital	174,725	124,778
Movements in working capital		
Inventories	3,165	65,586
Receivables, deposits and prepayment	(16,192)	(30,668)
Payables and accruals	(8,803)	(48,143)
Cash generated from operations	152,895	111,553
Tax paid	(23,479)	(20,306)
Interest paid	(889)	(1,258)
Net cash from operating activities	128,527	89,989
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,274)	(7,025)
Acquisition of intangible assets	(35)	(104)
Interest received	254	344
Proceeds from disposal of property, plant and equipment	41	245
Net cash used in investing activities	(8,014)	(6,540)
Cash flows from financing activity		
Lease commitment paid	(1,040)	(1,273)
Repayment of borrowings	(140,131)	(169,208)
Net cash used in financing activity	(141,171)	(170,481)
Net change in cash and cash equivalents	(20,658)	(87,032)
Cash and cash equivalents at beginning of year	76,479	131,902
Cash and cash equivalents at end of period	55,821	44,870

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Annual Audited Financial Statements for the year ended 31 December 2021.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	<i>Non-Distributable</i> Share Capital RM'000	<i>Capital</i> Reserve RM'000	<i>Distributable</i> Retained Earnings RM'000	Total RM'000
3 months ended				
<u>31 March 2022</u>				
Balance at 1 January 2022	151,049	470	244,157	395,676
Total comprehensive income for the period	-	-	113,383	113,383
Dividends paid/ payable	-	-	-	-
Balance at 31 March 2022	151,049	470	357,540	509,059
3 months ended				
<u>31 March 2021</u>				
Balance at 1 January 2021	151,049	470	197,864	349,383
Total comprehensive income for the period	-	-	73,539	73,539
Dividends paid / payable	-	-	-	-
Balance at 31 March 2021	151,049	470	271,403	422,922

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Annual Audited Financial Statements for the year ended 31 December 2021.

HEINEKEN MALAYSIA BERHAD

Company No. 196401000020 (5350-X)

Notes:

1. Basis of Preparation

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Annual Audited Financial Statements of the Company and its subsidiaries (“the Group”) as at and for the year ended 31 December 2021.

2. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2021 save for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and Interpretations, and amendments to certain MFRSs and Interpretations:

	Effective Date
Amendments to MFRS 3 Reference to Conceptual Framework, MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use and MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022

The adoption of the above amendments is not expected to have any material effect on the financial statements of the Group.

3. Audit Report on Preceding Annual Financial Statements

The Group’s Annual Audited Financial Statements for the year ended 31 December 2021 were not qualified.

4. Seasonal or Cyclical Factors

The business operations of the Group are generally affected by festive seasons.

5. Exceptional Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no exceptional items for the current financial quarter under review.

6. Changes in Estimates

There were no changes in estimates that have had any material effect on current financial quarter under review.

7. Debt and Equity Securities

There was no issuance, repayment of debt and equity securities for the current financial quarter under review, except for those as disclosed under Note 21.

8. Dividends Paid

No dividends were paid during the financial quarter under review.

9. Segmental Reporting

No segmental analysis is prepared as the Group’s business is primarily engaged in malt liquor brewing including production, packaging, marketing and distribution of its products principally in Malaysia. The Management Team of the Company reviews the financial information as a whole for decision making.

10. Property, Plant and Equipment Valuation

There were no changes in the valuation of property, plant and equipment for the current financial quarter under review.

11. Events Subsequent to the End of the Period

Between the end of the financial quarter under review and the date of this announcement, there has not been any item, transaction or event of a material and unusual nature which, in the opinion of the Directors is likely to affect substantially the results of the operations of the Group for the quarter ended 31 March 2022.

12. Changes in the Composition of the Group

There was no change to the composition of the Group during the financial period under review including business combination, acquisition or disposal of subsidiaries and long-term investments.

13. Changes in Contingent Liabilities or Contingent Assets

Other than the material litigation disclosed under Note 24 of this report, there are no other contingent liabilities for the quarter under review.

14. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2022 are as follows:

	RM'000
Property, plant and equipment Authorised and contracted for	<u>42,023</u>

15. Significant Related Party Transactions

As at the end of the quarter under review, the Group has entered into/or completed the following significant Related Party Transactions:

	Heineken N.V. and its related corporations RM'000
Sales of beverage products	-
Purchase of beverage products, manufacturing and marketing materials	6,290
Royalties paid/payable	12,048
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>9,091</u>

All Related Party Transactions had been entered into in the ordinary course of business on normal commercial terms. These transactions are within the ambit of the general mandate approved by the shareholders of the Company on 21 May 2021.

16. Review of Performance

Quarter ended 31 March 2022 versus quarter ended 31 March 2021

	3 months ended 31 March 2022 RM'000	3 months ended 31 March 2021 RM'000	% Change + / (-)
Revenue	698,334	547,738	27%
Profit before tax	155,067	96,657	60%

Group revenue grew by 27% as compared to the same quarter in 2021, mainly due to higher sales driven by easing of Covid-19 restrictions and effective commercial execution during Chinese New Year. Revenue margin growth initiatives implemented by the Group such as price adjustments for certain products in the fourth quarter of 2021 and promotional spend optimization have also contributed to the overall revenue growth in the quarter ended March 2022.

Despite pressure in input cost and increased investment in sustainable brand growth, Group profit before tax ("PBT") grew 60% to RM155 million. The growth is principally driven by revenue growth as highlighted above as well as effective cost management.

Quarter ended 31 March 2022 ("Q1 2022") versus 31 December 2021 ("Q4 2021")

	3 months ended 31 March 2022 RM'000	3 months ended 31 December 2021 RM'000	% Change + / (-)
Revenue	698,334	692,339	1%
Profit before tax	155,067	124,399	25%

Group revenue increased by 1% against the preceding quarter, mainly driven by Chinese New Year sales.

Group PBT grew 25% mainly due to revenue growth and lower marketing spend as compared to Q4 2021 where the spend was imposed due to Chinese New Year festive activation. In addition, the continuous focus on cost management initiatives by the Group also contributed to the profit growth in Q1 2022.

17. Prospects

Since 1 April 2022, Malaysia has transitioned to the endemic phase. With the gradual reopening of international borders and revival of international tourism, the hospitality and food and beverages sector is expected to further recover after two challenging years. In addition, the National Security Council's negative list which prohibited certain businesses during the Covid-19 pandemic will be abolished and all industries including entertainment outlets are allowed to operate from 15 May 2022 onwards. This is expected to further accelerate our business recovery.

The Group also expects continued pressure from global supply chain disruptions and rising input cost given the price volatility of raw and packaging materials. The Group will take appropriate measures to mitigate the impact, when necessary.

The Group will continue to focus on our EverGreen strategy (<https://www.heinekenmalaysia.com/our-strategy/>) by adapting to the new external dynamics, ensuring the safety of our people, keeping a tight rein on costs and accelerating our business recovery to emerge stronger from the Covid-19 crisis.

The Group welcomes the stance taken by the Government not to increase excise duties on beers in its Budget 2022, as any hike in excise rates will drive greater demand for illicit alcohol. The Group will remain committed to support the Government to stamp out illicit trade through holistic efforts including strengthening enforcement and raising greater awareness in the market.

18. Variance from Profit Forecast

No profit forecast was issued during the financial quarter under review.

19. Taxation

Taxation in respect of the current financial quarter comprises the following:

	3 months ended 31 March 2022 RM'000
Taxation	
Malaysian – Current	41,748
Deferred taxation	
Malaysian – Current	(64)
	<hr/>
	41,684
	<hr/>

The Finance Act 2021 gazetted on 31 December 2021 enacts the Prosperity Tax on companies that generate high income during the Year of Assessment 2022 i.e. chargeable income up to the first RM100 million will be taxed at 24% and the remaining chargeable income will be taxed at a one-off rate of 33%. Accordingly, the computation of deferred tax assets and deferred tax liabilities has been adjusted to reflect such changes.

The Group's effective tax rate for the current quarter under review is broadly in line with the statutory tax rate.

20. Status of Corporate Proposals

There were no corporate proposals which have not been completed at the date of this report.

21. Group Borrowings and Debt Securities

Total group borrowings as of 31 March 2022 are as follow:

	As at 31 March 2022 RM'000
<u>Current – Unsecured</u>	
Trade financing	<hr/> 20,000

The tenure for the above borrowings is about 4 weeks.

22. Financial Instruments

There is no outstanding derivatives for the current financial quarter under review.

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Company No. 196401000020 (5350-X)

23. Notes to the Statement of Comprehensive Income

	3 months ended 31 March 2022 RM'000
Depreciation and amortization	16,820
Provision for and write off of inventories	234
Gain on derivatives	(243)

Other than the items highlighted above which have been included in the Consolidated Statement of Comprehensive Income, there were no impairment of assets nor profits/losses on any other items and sale of quoted securities, investments and properties included in the results for the quarter ended 31 March 2022.

24. Material Litigation

Reference is made to the material litigation ("Suit") disclosed in the Financial Report for the quarter ended 31 March 2021 and the Company's announcement dated 16 April 2021.

On 10 December 2021, the Company announced that:

- (i) Heineken Marketing Malaysia Sdn Bhd ("HMMSB") had, in November 2021, terminated the contract with the Plaintiffs given that the latter were in breach of the contract and had failed, refused and neglected to remedy the breaches; and
- (ii) On 6 December 2021, the Company and HMMSB ("Companies") received another Writ of Summons and Statement of Claim, both dated 2 December 2021 filed by the Plaintiffs who claimed that the Companies have instead breached the contract and they are seeking for among others, a liquidated damages of RM58,225,544.80 ("Claim").

On 10 January 2022, the Companies have filed their defence and counterclaim against the Plaintiffs in respect of Plaintiffs' breaches of the contract and are claiming, among others, a sum of RM36,984,913.66. Case management for the Claim was held on 25 April 2022. Further case management for the Claim has been fixed for 17 May 2022.

The Board maintains its view that the Companies have a strong defence against the Suit and the Claim and hence, no provision has been made in these financial statements. The Company will make the necessary announcement on any material developments relating to the case, as and when appropriate.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Group.

25. Dividend

The Board of Directors does not recommend any dividend in respect of the quarter ended 31 March 2022.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the year ended 31 March 2022 is calculated by dividing the net profit attributable to the shareholders of RM113,383,000 by the weighted average number of ordinary stock units outstanding as at 31 March 2022 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board
Roland Bala
Managing Director

11 May 2022