



## HEINEKEN MALAYSIA BERHAD

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

### CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the third quarter and nine months ended 30 September 2020.

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 9 MONTHS ENDED		
	30/09/2020	30/09/2019	% Change +/(-)	30/09/2020	30/09/2019	% Change +/(-)
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	473,752	602,534	-21.4%	1,243,381	1,640,249	-24.2%
2. Operating expenses	(391,893)	(466,040)		(1,108,381)	(1,347,070)	
3. Operating profit	<b>81,859</b>	<b>136,494</b>	-40.0%	<b>135,000</b>	<b>293,179</b>	-54.0%
4. Interest expense	(1,384)	(409)		(3,677)	(1,178)	
5. Profit before tax	80,475	136,085	-40.9%	131,323	292,001	-55.0%
6. Taxation	(19,222)	(32,786)		(31,299)	(70,200)	
7. Net profit for the period	<u>61,253</u>	<u>103,299</u>	-40.7%	<u>100,024</u>	<u>221,801</u>	-54.9%
8. Profit attributable to owners of the Company	<u>61,253</u>	<u>103,299</u>		<u>100,024</u>	<u>221,801</u>	
9. Total comprehensive income attributable to owners of the Company	<u>61,253</u>	<u>103,299</u>		<u>100,024</u>	<u>221,801</u>	
10. Earnings per share :						
(a) Basic (based on 302,098,000 stock units) (sen)	20.28	34.19		33.11	73.42	
(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 2019.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	UNAUDITED AS AT 30 September 2020 RM'000	AUDITED AS AT 31 December 2019 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	335,979	341,302
Intangible assets	16,658	20,593
Right-of-use asset	20,142	18,499
Deferred tax assets	-	-
Other receivables	5,372	16,136
	<u>378,151</u>	<u>396,530</u>
<b>Current assets</b>		
Inventories	149,148	73,845
Trade and other receivables	404,111	599,846
Current tax assets	12,269	14,704
Cash and cash equivalents	244,124	15,068
	<u>809,652</u>	<u>703,463</u>
<b>Current liabilities</b>		
Trade and other payables	543,044	531,370
Current tax liabilities	31,733	30,697
Lease liabilities	4,322	4,303
Borrowings	270,000	98,000
	<u>849,099</u>	<u>664,370</u>
<b>Net current assets</b>	<u>(39,447)</u>	<u>39,093</u>
	<u>338,704</u>	<u>435,623</u>
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	151,049	151,049
Reserves	144,504	243,052
<b>Shareholders' funds</b>	<u>295,553</u>	<u>394,101</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	38,102	38,321
Lease liabilities	5,049	3,201
	<u>43,151</u>	<u>41,522</u>
	<u>338,704</u>	<u>435,623</u>
Net Assets per share attributable to owners of the Company (RM)	0.98	1.30

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 2019.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

	<b>9 MONTHS ENDED</b> <b>30 September 2020</b>	<b>9 MONTHS ENDED</b> <b>30 September 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	131,323	292,001
Adjustments for:		
Amortisation of intangible assets	6,035	5,217
Depreciation of property, plant and equipment	43,568	34,761
Loss on disposal of property, plant and equipment	2,600	4,395
Amortisation of prepaid contractual promotion expenses	34,662	27,402
Interest expense	7,066	2,324
Interest Income	(3,389)	(1,146)
Unrealised foreign exchange differences	306	(266)
Other non-cash item	812	-
<b>Operating profit before changes in working capital</b>	<b>222,983</b>	<b>364,688</b>
<b>Movements in working capital</b>		
Inventories	(74,898)	13,322
Receivables, deposits and prepayment	171,836	23,083
Payables and accruals	(194,052)	(18,811)
<b>Cash generated from operations</b>	<b>125,869</b>	<b>382,282</b>
Tax paid	(22,036)	(77,375)
Interest paid	(7,066)	(2,324)
<b>Net cash from operating activities</b>	<b>96,767</b>	<b>302,583</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(37,681)	(70,254)
Acquisition of intangible assets	(1,889)	(1,981)
Interest received	3,389	1,146
Proceeds from disposal of property, plant and equipment	192	404
<b>Net cash used in investing activities</b>	<b>(35,989)</b>	<b>(70,685)</b>
<b>Cash flows from financing activity</b>		
Dividend paid	-	(163,133)
Lease commitment paid	(3,722)	(3,733)
Increase in/(Repayment of) borrowings	172,000	(45,000)
<b>Net cash from/used in financing activity</b>	<b>168,278</b>	<b>(211,866)</b>
<b>Net change in cash and cash equivalents</b>	<b>229,056</b>	<b>20,032</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>15,068</b>	<b>12,583</b>
<b>Cash and cash equivalents at end of period</b>	<b>244,124</b>	<b>32,615</b>

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 2019.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to equity holders of the Company			Total RM'000
	<i>Non-Distributable</i> Share Capital RM'000	<i>Capital</i> Reserve RM'000	<i>Distributable</i> Retained Earnings RM'000	
<b>9 months ended</b>				
<b><u>30 September 2020</u></b>				
Balance at 1 January 2020	151,049	-	243,052	394,101
Total comprehensive income for the period	-	-	100,024	100,024
Effects of share-based payments	-	813	-	813
Dividends paid/ payable	-	-	(199,385)	(199,385)
<b>Balance at 30 September 2020</b>	<b>151,049</b>	<b>813</b>	<b>143,691</b>	<b>295,553</b>
<b>9 months ended</b>				
<b><u>30 September 2019</u></b>				
Balance at 1 January 2019	151,049	-	220,097	371,146
Total comprehensive income for the period	-	-	221,801	221,801
Dividends paid / payable	-	-	(290,014)	(290,014)
<b>Balance at 30 September 2019</b>	<b>151,049</b>	<b>-</b>	<b>151,884</b>	<b>302,933</b>

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 2019.

## 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 Group’s annual audited financial statements as at and for the year ended 31 December 2019.

#### 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 2019 save for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and Interpretations, and amendments to certain MFRSs and Interpretations:

	<b>Title</b>	<b>Effective Date</b>
(i)	Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
(ii)	Amendments to MFRS 3 Business Combinations – Definition of a Business	1 January 2020
(iii)	Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform.	1 January 2020
(iv)	Amendment to MFRS 16 COVID 19– Related Rent Concessions	1 June 2020

The adoption of the above amendments did not 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 2019 were not qualified.

#### 4. Seasonal or Cyclical Factors

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

#### 5. Exceptional Items

The suspension of operations of the Sungei Way Brewery from 18 March 2020 to 3 May 2020 to comply with the Movement Control Order (“MCO”) enforced by the Government had a significant adverse impact on the overall business performance of the Group.

In an effort to mitigate the impact to the Group business and to protect the Group profitability and preserve cash, the Group had embarked on various cost saving measures that include revision of commercial and marketing spend which has led to a streamlined cost base for 2020. The operating expenses for the financial quarter under review as compared to the same period of last year was lower by 16%.

#### 6. Changes in Estimates

Save for the increase in provision for write-off of inventories as disclosed in the Financial Report for the first quarter ended 31 March 2020, 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 22.

## **8. Dividends Paid**

No dividends were paid during the financial quarter ended 30 September 2020.

## **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**

The brewery resumed its operations from 4 May 2020 after the MCO was conditionally lifted. The opening of economy was further eased when the country was transiting into the Recovery MCO from 10 June 2020 onwards and this phase was supposed to last until 31 December 2020. However, given the spike of Covid-19 cases since October 2020, the Government has imposed an Enhanced MCO in several districts in Sabah and re-enforced the Conditional MCO in Selangor, Kuala Lumpur and Putrajaya. The Conditional MCO has subsequently been extended to all states in the Peninsula, except for Perlis, Pahang and Kelantan from 9 November 2020 until 6 December 2020 to contain the spread of the virus. The re-imposition of this measure is expected to impact the market recovery especially the on-trade business.

## **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**

As announced by the Company on 12 June 2020, the Company had on, 11 June 2020, resolved the matter with Royal Malaysian Customs ("Customs") in respect of the Customs' Bills of Demand dated 28 August 2015. 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 30 September 2020 are as follows:

	<b>RM'000</b>
Property, plant and equipment Authorised and contracted for	<u>9,493</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:

	<b>Heineken N.V. and its related corporations RM'000</b>
Sales of beverage products	49
Purchase of beverage products, manufacturing and marketing materials	6,173
Royalties paid/payable	18,652
Fees paid/payable for professional services relating to technical, marketing and other advisory support	15,061

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 14 August 2020.

## 16. Review of Performance

### Quarter ended 30 September 2020 versus quarter ended 30 September 2019

	<b>3 months ended 30 September 2020 RM'000</b>	<b>3 months ended 30 September 2019 RM'000</b>	<b>% Change + / (-)</b>
Revenue	473,752	602,534	-21%
Profit before tax	80,475	136,085	-41%

Group revenue contracted by 21% as compared to the same quarter in 2019, mainly due to a beer volume decline in the mid-teens as business was still in the recovery stage amidst the subdued market conditions. Correspondingly, Group profit before tax ("PBT") was 41% lower compared to the same quarter in 2019.

Despite the gradual recovery of economic activities, the Group business performance particularly in the on-trade channel continued to be affected. Certain outlets with liquor licences such as pubs and entertainment outlets that do not have restaurant licences, are still prohibited from operating whilst sales in on-trade outlets such as restaurants and coffee shops remained slow due to various restrictions and some consumers shifting towards in-home consumption.

### 9 months ended 30 September 2020 versus the same period in 2019

	<b>9 months ended 30 September 2020 RM'000</b>	<b>9 months ended 30 September 2019 RM'000</b>	<b>% Change + / (-)</b>
Revenue	1,243,381	1,640,249	-24%
Profit before tax	131,323	292,001	-55%

Group revenue declined by 24% as compared to the same period in 2019, mainly due to lower beer volume, heavily disrupted by the prolonged suspension of our brewery operations from 18 March 2020 until 3 May 2020 to comply with the MCO.

PBT dropped 55%, versus the same period in 2019, principally due to the same reasons mentioned above and the one-off settlement of the Customs' Bills of Demand amounting to RM7.2 million in June 2020.

## 16. Review of Performance (Continued)

Quarter ended 30 September 2020 ("Q3") versus 30 June 2020 ("Q2")

	3 months ended 30 September 2020 RM'000	3 months ended 30 June 2020 RM'000	% Change + / (-)
Revenue	473,752	253,742	87%
Profit/(Loss) before tax	80,475	(24,005)	437%

Group revenue rose significantly by 87%, mainly due to a sequential improvement in sales as the business in on-trade channel gradually recovered during the Recovery MCO period.

The Group registered a PBT of RM80 million as opposed to a pre-tax loss of RM24 million in the previous quarter. This was mainly due to suspension of operations during the MCO which resulted in lower revenue reported in the preceding quarter.

## 17. Prospects

Although the Group has observed a gradual recovery in the business in the third quarter, the Group remains cautious as the market is experiencing a slowdown given the economic uncertainties and challenging market environment. The re-imposition of more stringent measures to contain the resurgence of Covid-19 cases in most states across the Peninsula since October 2020 will impact the momentum of the market recovery in the fourth quarter, especially the on-trade business.

The Group will continue to proactively right-size its cost base to adapt to the new market realities, reinvest into profitable growth and strengthen its bottom line. Despite the challenges, we look forward to Malaysia coming out of this crisis stronger and we will be working closely with our customers to usher in the festive joy with our consumers in a responsible way.

It has been a challenging year for our business, the Board would like to thank the employees for their remarkable resilience and to our customers and consumers for their strong support of our brands and business.

## 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 and period ended 30 September 2020 comprises the following:

	3 months ended 30 September 2020 RM'000	9 months ended 30 September 2020 RM'000
Taxation		
Malaysian – current	19,314	31,518
Deferred taxation		
Malaysian – current	(92)	(219)
	19,222	31,299

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 borrowing as at 30 September 2020 are as follow:

	<b>As at 30 September 2020 RM'000</b>
<u>Current – Unsecured</u>	
Trade financing	60,000
Revolving credit	210,000
	<u>270,000</u>

The tenure for the above borrowings is between 4 to 26 weeks.

## 22. Financial Instruments

The outstanding derivatives at the end of the reporting period are as follows:

	<b>Notional value RM'000</b>	<b>Fair Value RM'000</b>	<b>Loss arising from fair value changes RM'000</b>
Forward foreign exchange contracts – Less than one year	779	774	5

The above forward foreign exchange contracts were entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities; in accordance with the Group's foreign currency hedging policy.

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Foreign currency differences arising from retranslation are recognised in comprehensive income, except for differences arising from the retranslation of a financial instrument designated as a hedge of currency risk, which is recognised in other comprehensive income.

There is minimal credit and market risk as the forward contracts are executed with the Group's relationship financial institutions, namely Citibank Berhad, BNP Paribas Berhad and HSBC Bank Malaysia Berhad. The Group is of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

## 23. Notes to the Statement of Comprehensive Income

	<b>9 months ended 30 September 2020 RM'000</b>
Depreciation and amortization	49,603
Provision for and write off of inventories	5,272
Loss on derivatives	<u>5</u>

### **23. Notes to the Statement of Comprehensive Income (Continued)**

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 30 September 2020

### **24. Material Litigation**

Neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or as defendant as of the date of this report.

### **25. Dividend**

In view of the current economic conditions, the Group continued to adopt a prudent approach in respect of dividend payment and hence, the Board of Directors do not recommend any interim dividend for the quarter ended 30 September 2020 due to the uncertainty around the profit base for the financial year 2020 at this time.

### **26. Earnings Per Share**

#### **(a) Basic Earnings Per Share**

Basic earnings per share for the 9 months ended 30 September 2020 is calculated by dividing the net profit attributable to the shareholders of RM61,253,000 by the weighted average number of ordinary stock units outstanding as at 30 September 2020 of 302,098,000.

#### **(b) Diluted Earnings Per Share**

Not Applicable.

For and on Behalf of the Board

**Roland Bala**  
Managing Director

26 November 2020