



HEINEKEN MALAYSIA BERHAD

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the quarter and year ended 31 December 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL PERIOD 3 MONTHS ENDED | | | CUMULATIVE PERIOD 12 MONTHS ENDED | | |
|---|-------------------------------------|----------------|----------------------|--------------------------------------|----------------|----------------------|
| | 31/12/2020 | 31/12/2019 | % Change +/(–) | 31/12/2020 | 31/12/2019 | % Change +/(–) |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| 1. Revenue | 519,015 | 680,000 | -23.7% | 1,762,396 | 2,320,249 | -24.0% |
| 2. Operating expenses | (450,363) | (558,779) | | (1,558,744) | (1,905,850) | |
| 3. Operating profit | 68,652 | 121,221 | -43.4% | 203,652 | 414,399 | -50.9% |
| 4. Interest expense | (1,259) | (1,094) | | (4,936) | (2,272) | |
| 5. Profit before tax | 67,393 | 120,127 | -43.9% | 198,716 | 412,127 | -51.8% |
| 6. Taxation | (13,220) | (28,959) | | (44,519) | (99,159) | |
| 7. Net profit for the period | <u>54,173</u> | <u>91,168</u> | -40.6% | <u>154,197</u> | <u>312,968</u> | -50.7% |
| 8. Profit attributable to owners of the Company | <u>54,173</u> | <u>91,168</u> | | <u>154,197</u> | <u>312,968</u> | |
| 9. Total comprehensive income attributable to owners of the Company | <u>54,173</u> | <u>91,168</u> | | <u>154,197</u> | <u>312,968</u> | |
| 10. Earnings per share : | | | | | | |
| (a) Basic (based on 302,098,000 stock units) (sen) | 17.93 | 30.18 | | 51.04 | 103.60 | |
| (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 31 December 2020 RM'000 | AUDITED AS AT 31 December 2019 RM'000 |
|---|--|--|
| Non-current assets | | |
| Property, plant and equipment | 341,916 | 341,302 |
| Intangible assets | 16,526 | 20,593 |
| Right-of-use asset | 21,897 | 18,499 |
| Deferred tax assets | - | - |
| Other receivables | 3,878 | 16,136 |
| | <u>384,217</u> | <u>396,530</u> |
| Current assets | | |
| Inventories | 186,593 | 73,845 |
| Trade and other receivables | 326,024 | 599,846 |
| Current tax assets | 10,721 | 14,704 |
| Cash and cash equivalents | 132,694 | 15,068 |
| | <u>656,032</u> | <u>703,463</u> |
| Current liabilities | | |
| Trade and other payables | 397,685 | 531,370 |
| Current tax liabilities | 3,800 | 30,697 |
| Lease liabilities | 4,485 | 4,303 |
| Borrowings | 250,000 | 98,000 |
| | <u>655,970</u> | <u>664,370</u> |
| Net current assets | <u>62</u> | <u>39,093</u> |
| | <u>384,279</u> | <u>435,623</u> |
| Financed by: | | |
| Capital and reserves | | |
| Share capital | 151,049 | 151,049 |
| Reserves | 198,335 | 243,052 |
| Shareholders' funds | <u>349,384</u> | <u>394,101</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 28,172 | 38,321 |
| Lease liabilities | 6,723 | 3,201 |
| | <u>34,895</u> | <u>41,522</u> |
| | <u>384,279</u> | <u>435,623</u> |
| Net Assets per share attributable to owners of the Company (RM) | 1.16 | 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

| | YEAR ENDED 31 December 2020 RM'000 | YEAR ENDED 31 December 2019 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 198,716 | 412,127 |
| Adjustments for: | | |
| Amortisation of intangible assets | 8,002 | 7,436 |
| Depreciation of property, plant and equipment | 60,845 | 49,248 |
| Loss on disposal of property, plant and equipment | 3,237 | 6,397 |
| Gain on disposal of right-of-use asset | (45) | - |
| Amortisation of prepaid contractual promotion expenses | 38,807 | 46,442 |
| Interest expense | 9,122 | 3,644 |
| Interest Income | (4,186) | (1,372) |
| Unrealised foreign exchange differences | (604) | (110) |
| Operating profit before changes in working capital | 313,894 | 523,812 |
| Movements in working capital | | |
| Inventories | (112,343) | 16,192 |
| Receivables, deposits and prepayment | 247,273 | (149,814) |
| Payables and accruals | (132,609) | 108,731 |
| Cash generated from operations | 316,215 | 498,921 |
| Tax paid | (77,582) | (83,944) |
| Interest paid | (9,122) | (3,644) |
| Net cash from operating activities | 229,511 | 411,333 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (60,104) | (101,846) |
| Acquisition of intangible assets | (3,724) | (6,735) |
| Interest received | 4,186 | 1,372 |
| Proceeds from disposal of property, plant and equipment | 211 | 483 |
| Net cash used in investing activities | (59,431) | (106,726) |
| Cash flows from financing activity | | |
| Dividend paid | (199,385) | (290,014) |
| Lease commitment paid | (5,069) | (5,108) |
| Increase in/(Repayment of) borrowings | 152,000 | (7,000) |
| Net cash used in financing activity | (52,454) | (302,122) |
| Net change in cash and cash equivalents | 117,626 | 2,485 |
| Cash and cash equivalents at beginning of year | 15,068 | 12,583 |
| Cash and cash equivalents at end of period | 132,694 | 15,068 |

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

| | 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 |
| Year ended | | | | |
| <u>31 December 2020</u> | | | | |
| Balance at 1 January 2020 | 151,049 | - | 243,052 | 394,101 |
| Total comprehensive income for the period | - | - | 154,197 | 154,197 |
| Effects of share-based payments | - | 471 | - | 471 |
| Dividends paid/ payable | - | - | (199,385) | (199,385) |
| Balance at 31 December 2020 | 151,049 | 471 | 197,864 | 349,384 |
| Year ended | | | | |
| <u>31 December 2019</u> | | | | |
| Balance at 1 January 2019 | 151,049 | - | 220,098 | 371,147 |
| Total comprehensive income for the period | - | - | 312,968 | 312,968 |
| Dividends paid / payable | - | - | (290,014) | (290,014) |
| Balance at 31 December 2019 | 151,049 | - | 243,052 | 394,101 |

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.

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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:

| | MFRS | Effective Date |
|-------|---|-----------------------|
| (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 Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

During the year, the Sungei Way Brewery suspended its operations from 18 March 2020 to 3 May 2020 to comply with the Movement Control Order (“MCO”) enforced by the Government. The brewery resumed its operations from 4 May 2020 following the easing of the MCO. However, given the spike of Covid-19 cases since October 2020, most of the states in Malaysia were placed under various levels of MCO which resulted in subdued social and economic activities. This had adversely impacted the Group business performance for 2020.

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 19%.

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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

The following dividends were paid during the current and previous year ended:

| | 31 December 2020 RM'000 | 31 December 2019 RM'000 |
|---|-------------------------------|-------------------------------|
| <u>Final Dividend</u> | | |
| For year ended 31 December 2019 | | |
| 66 sen per stock unit tax exempt paid on 12 November 2020 | 199,385 | |
| For year ended 31 December 2018 | | |
| 54 sen per stock unit tax exempt paid on 19 July 2019 | | 163,133 |
| <u>Interim Dividend</u> | | |
| For year ended 31 December 2019 | | |
| 42 sen per stock unit tax exempt paid on 25 October 2019 | | 126,881 |
| | <u>199,385</u> | <u>290,014</u> |

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

As Covid-19 infection rates continue to soar, the Government re-imposed the MCO from 13 January 2021. On 16 February 2021, the Government announced a further extension of the MCO in some key states to 4 March 2021 as well as the easing of the MCO in the remaining states across Malaysia.

The Group considers the impact of the second MCO to be a non-adjusting post balance sheet event.

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 31 December 2020 are as follows:

| | <u>RM’000</u> |
|--|---------------|
| Property, plant and equipment Authorised and contracted for | <u>5,155</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:

| | <u>Heineken N.V. and its related corporations RM’000</u> |
|--|--|
| Sales of beverage products | 132 |
| Purchase of beverage products, manufacturing and marketing materials | 10,148 |
| Royalties paid/payable | 26,897 |
| Fees paid/payable for professional services relating to technical, marketing and other advisory support | <u>20,933</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 14 August 2020.

16. Review of Performance

Quarter ended 31 December 2020 versus quarter ended 31 December 2019

| | 3 months ended 31 December 2020 RM’000 | 3 months ended 31 December 2019 RM’000 | % Change +/(–) |
|-------------------|---|---|-------------------------------|
| Revenue | 519,015 | 680,000 | –24% |
| Profit before tax | <u>67,393</u> | <u>120,127</u> | –44% |

Group revenue contracted by 24%, mainly due to lower sales impacted by the Government’s implementation of wider restrictions and stricter standard operating procedures relating to social activities in its effort to combat the rising wave of Covid-19 cases.

Group profit before tax (“PBT”) decreased by 44%, largely due to lower revenue and a one-off provision of RM14 million in December 2020 for costs associated with the organisational restructuring exercise being implemented in 2021. Nevertheless, this was partially mitigated by the cost savings measures.

16. Review of Performance (Continued)12 months ended 31 December 2020 versus the same period in 2019

| | 12 months ended 31 December 2020 RM'000 | 12 months ended 31 December 2019 RM'000 | % Change + / (-) |
|-------------------|---|---|------------------------|
| Revenue | 1,762,396 | 2,320,249 | -24% |
| Profit before tax | 198,716 | 412,127 | -52% |

Group revenue declined by 24%, impacted by the implementation of the first MCO during which the brewery suspended its operations. Despite the gradual recovery of economic activities after the second quarter, the Group's business performance particularly in the on-trade channel continued to be affected.

PBT dropped 52%, 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. Nevertheless, this was partially mitigated by the cost savings measures.

Quarter ended 31 December 2020 ("Q4") versus 30 September 2020 ("Q3")

| | 3 months ended 31 December 2020 RM'000 | 3 months ended 30 September 2020 RM'000 | % Change + / (-) |
|--------------------------|--|---|------------------------|
| Revenue | 519,015 | 473,752 | 10% |
| Profit/(Loss) before tax | 67,393 | 80,475 | -16% |

Group revenue increased by 10% amidst gradual recovery in sales as business and economic activities resumes to a new norm. However, Group PBT was 16% behind Q3 largely due to higher commercial spend incurred for year-end festive activation and the one-off provision mentioned above.

17. Prospects

The Covid-19 pandemic and perpetual lockdowns with restrictions on social activities are expected to continue impacting the business. The Group expects continued uncertainties due to the Covid-19 pandemic which will impact the speed of our business recovery. On 16 February 2021, the Government launched its National Covid-19 Immunisation Programme leading towards herd immunity (80% population) by the first quarter of 2022.

The Group will navigate the crisis while building for our future, with a strategy aimed at delivering superior growth in a fast-changing world, placing consumers and customers at the core, accelerating our digital route to consumer, as well as raising the bar on our sustainability and people agenda. The Group will also front load our agenda to implement continuous productivity improvements to drive efficiency in 2021. At the same time, we will continue to prioritise the health and wellbeing of our employees, trade partners, and consumers. Overall, we aim to create value for our stakeholders, whilst being guided by our purpose, which is to brew a sustainable future for our people, business and planet.

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 31 December 2020 comprises the following:

| | 3 months ended 31 December 2020 RM'000 | 12 months ended 31 December 2020 RM'000 |
|---------------------|--|---|
| Taxation | | |
| Malaysian – current | 23,325 | 54,843 |
| Malaysian – Prior | (175) | (175) |
| Deferred taxation | | |
| Malaysian – current | (5,237) | (5,456) |
| Malaysian – Prior | (4,693) | (4,693) |
| | 13,220 | 44,519 |

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 31 December 2020 are as follow:

| | As at 31 December 2020 RM'000 | As at 31 December 2019 RM'000 |
|----------------------------|-------------------------------------|-------------------------------------|
| <u>Current – Unsecured</u> | | |
| Trade financing | 150,000 | 98,000 |
| Revolving credit | 100,000 | – |
| | 250,000 | 98,000 |

The tenure for the above borrowings is between 4 to 8 weeks.

22. Financial Instruments

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

| | Notional value RM'000 | Fair Value RM'000 | Loss arising from fair value changes RM'000 |
|------------------------------------|--------------------------|----------------------|---|
| Forward foreign exchange contracts | | | |
| – Less than one year | 100,329 | 99,343 | 986 |

22. Financial Instruments (Continued)

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, United Overseas Bank 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

| | 3 months ended 31 December 2020 | 12 months ended 31 December 2020 |
|--|--|---|
| | RM'000 | RM'000 |
| Depreciation and amortization | 19,244 | 68,847 |
| Provision for and write off of inventories | 1,992 | 7,264 |
| Loss on derivatives | 981 | 986 |

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 December 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

The Board has proposed a first and final single tier dividend of 51 sen per stock unit for the year ended 31 December 2020 (31 December 2019: 66 sen per stock unit, single tier).

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the date of which will be announced later, the said dividend will be paid on 28 July 2021 to stockholders registered at the close of business on 30 June 2021. The entitlement date shall therefore be 30 June 2021.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 28 June 2021 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.30 p.m. on 30 June 2021 in respect of ordinary transfers; and
- (c) Shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Pursuant to FRS 110, the proposed first and final single tier dividend totaling RM154,069,980 has not been accounted for in the financial statements as at 31 December 2020.

HEINEKEN MALAYSIA BERHAD

Company No. 196401000020 (5350-X)

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the year ended 31 December 2020 is calculated by dividing the net profit attributable to the shareholders of RM54,173,000 by the weighted average number of ordinary stock units outstanding as at 31 December 2020 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

18 February 2021