HEINEKEN

HEINEKEN MALAYSIA BERHAD

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL PERIOD 3 MONTHS ENDED		% Change +/(-)	CUMULATIVE PERIOD 3 MONTHS ENDED		% Change +/(-)
		31/03/2019	**31/3/2018**		**31/03/2019**	**31/03/2018**	
		RM'000	**RM'000**		**RM'000**	**RM'000**	
1.	Revenue	525,140	433,813	21%	525,140	433,813	21%
2.	Operating expenses	(453,731)	(368,399)		(453,731)	(368,399)	
3.	Operating profit	**71,409**	**65,414**	9%	**71,409**	**65,414**	9%
4.	Interest income/(expense)	(969)	(1,261)		(969)	(1,261)	
5.	Profit before tax	70,440	64,153	10%	70,440	64,153	10%
6.	Taxation	(17,634)	(15,397)		(17,634)	(15,397)	
7.	Net profit for the period	52,806	48,756	8%	52,806	48,756	8%
8.	Profit attributable to owners of the Company	52,806	48,756		52,806	48,756	
9.	Total comprehensive income attributable to owners of the Company	52,806	48,756		52,806	48,756	
10.	Earnings per share :						
(a)	Basic (based on 302,098,000 stock units) (sen)	17.48	16.14		17.48	16.14	
(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 2018

HEINEKEN MALAYSIA BERHAD
(Company No. 5350-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31 March 2019 RM'000	AUDITED AS AT 31 December 2018 RM'000
Non-current assets		
Property, plant and equipment	292,366	292,940
Intangible assets	21,138	21,294
Right of use asset	10,081	-
Deferred tax assets	-	1,266
Other receivables	22,407	20,624
	345,992	336,124
Current assets		
Inventories	59,532	90,037
Trade and other receivables	477,401	491,986
Current tax assets	-	9,593
Cash and cash equivalents	38,040	12,583
	574,973	604,199
Current liabilities		
Trade and other payables	410,510	414,218
Current tax liabilities	4,165	16,354
Borrowings	50,000	105,000
	464,675	535,572
Net current assets	110,298	68,627
	456,290	404,751
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves		
Retained earnings	272,903	220,098
Shareholders' funds	423,952	371,147
Non-current liabilities		
Deferred tax liabilities	32,338	33,604
	32,338	33,604
	456,290	404,751
Net Assets per share attributable to owners of the Company (RM)	1.40	1.23

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 2018.

HEINEKEN

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 3 MONTHS ENDED 31 MARCH 2019

	3 MONTHS ENDED 31 March 2019 RM'000	3 MONTHS ENDED 31 March 2018 RM'000
Cash flows from operating activities		
Profit before tax	70,440	64,153
Adjustments for:		
Amortisation of intangible assets	1,433	1,587
Depreciation of property, plant and equipment	11,661	9,511
Loss/(Gain) on disposal of property, plant and equipment	1,179	(180)
Amortisation of prepaid contractual promotion expenses	11,650	22,005
Interest expense	1,256	1,451
Interest Income	(287)	(190)
Unrealised foreign exchange differences	(189)	15
Operating profit before changes in working capital	97,143	98,352
Movements in working capital		
Inventories	30,505	2,861
Receivables, deposits and prepayment	1,152	67,719
Payables and accruals	(13,629)	(43,158)
Cash generated from operations	115,171	125,774
Tax paid	(20,230)	(15,098)
Interest paid	(1,256)	(1,451)
Net cash from operating activities	93,685	109,225
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,471)	(4,631)
Acquisition of intangible assets	(20)	(85)
Interest received	287	190
Proceeds from disposal of property, plant and equipment	223	313
Net cash used in investing activities	(11,981)	(4,213)
Cash flows from financing activity		
Dividends paid	-	-
Lease commitment paid	(1,247)	-
Repayment of borrowings	(55,000)	(101,000)
Net cash used in financing activity	(56,247)	(101,000)
Net change in cash and cash equivalents	25,457	4,012
Cash and cash equivalents at beginning of year	12,583	11,305
Cash and cash equivalents at end of period	38,040	15,317

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 2018.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2019

	Attributable to equity holders of the Company			
	Non-Distributable		*Distributable*	
	Share Capital RM'000	Capital Reserve RM'000	Retained Earnings RM'000	Total RM'000
3 months ended **31 March 2019**				
Balance at 1 January 2019	151,049	-	220,097	371,146
Total comprehensive income for the period	-	-	52,806	52,806
Dividends paid / payable	-	-	-	-
Balance at 31 March 2019	**151,049**	**-**	**272,903**	**423,952**
3 months ended **31 March 2018**				
Balance at 1 January 2018	151,049	-	209,466	360,515
Total comprehensive income for the period	-	-	48,756	48,756
Dividends paid / payable	-	-	-	-
Balance at 31 March 2018	**151,049**	**-**	**258,222**	**409,271**

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 2018.

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 2018.

Effective 1 January 2019, the Group has adopted Malaysian Financial Reporting Standard 16 ("MFRS 16") "Lease" as described below:

MFRS 16 "Lease" introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 supersedes the previous lease guidance including MFRS 117 "Leases" and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under the MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group and the Company have implemented MFRS 16 effective from 1 January 2019 by applying the modified retrospective method, whereby the comparatives numbers of year 2018 stated in the financial statements for year 2019 will not be restated.

The Group will apply the following practical expedients:

Recognition
- Apply the short term (less than one year) and low value (less than RM25,000) exemptions
- Apply the option to include non-lease components from the lease liability for equipment leases.

Transition
- Use the option to grandfather the lease classification for existing contracts.
- Use the transition option for lease with a remaining contract period of less than one year, meaning that these leases will not be recorded in statements of financial position and the payments will be expensed in the statement of profit or loss and other comprehensive income.
- Measure the right-of-use asset based on the lease liability recognised.

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 2018.

3. Audit Report on Preceding Annual Financial Statements

The Group annual audited financial statements for the year ended 31 December 2018 were not qualified.

4. Seasonal or Cyclical Factors

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

5. Exceptional Items

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 22.

8. Dividends Paid

No dividends were paid during the financial quarter ended 31 March 2019.

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 2019.

12. Changes in the Composition of the Group

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

13. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets for the quarter ended 31 March 2019.

As announced by the Company on 3 September 2015, the Company received bills of demand dated 28 August 2015 from the Royal Malaysian Customs of Federal Territory of Kuala Lumpur ("Customs") demanding payment of additional excise duties and sales tax, totaling RM56.3 million.

The amounts in demand were:

- RM34,166,098.81 claimed under the Excise Act 1976, for the period of 28 August 2012 to 31 October 2013.
- RM22,159,456.40 claimed under the Sales Tax Act 1972, for the period of 1 July 2012 to 31 October 2013.

As reported in the Company's financial reports previously, Customs had imposed a new method of valuation for excise duty which came into effect on 1 November 2013. The abovementioned bills of demand are based on historic claims for excise and sales tax for the aforesaid periods. The Company's position is that all excise duties and sales tax for those periods had been paid by the Company based on valuations previously assessed and approved by Customs.

The Company maintains its previous position that the valuation method implemented on 1 November 2013 is not in line with international best practice on rules of valuation. The Company strongly believes that a retrospective application is unjustifiable.

The Company does not admit liability on the bills of demand made by Customs and will take appropriate measures to address this matter. As a result, no provision has been recognised.

The Company will make the necessary announcement on any new development relating to the above matter from time to time.

14. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2019 are as follows:

	RM'000
Property, plant and equipment	
Authorised and contracted for	47,910

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
Purchase of beverage products, manufacturing and marketing materials	1,654
Royalties paid/payable	12,437
Fees paid/payable for professional services relating to technical, marketing and other advisory support	6,777

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 11 May 2018.

16. Review of Performance

Quarter ended 31 March 2019 versus quarter ended 31 March 2018

	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	% Change +/(-)
Revenue	525,140	433,813	21%
Profit before tax	70,440	64,153	10%

Group revenue grew by 21% as compared to the same quarter in 2018 mainly driven by higher sales volume from effective execution of commercial campaigns during the Chinese New Year 2019 and the increase in sales revenue prior to the price adjustment on 1 April 2019.

Group profit before tax ("PBT") grew 10% attributed to higher sales and efficient management of commercial spend.

Quarter ended 31 March 2019 versus 31 December 2018

	3 months ended 31 March 2019 RM'000	3 months ended 31 December 2018 RM'000	% Change +/(-)
Revenue	525,140	662,281	-21%
Profit before tax	70,440	145,392	-52%

Gross revenue and PBT declined by 27% and 48% respectively, principally due to the year-end festive seasons and the earlier sell-in for Chinese New Year 2019 which took place in the 3 months ended 31 December 2018.

17. Prospects

Leveraging on the solid growth in Q1, we will continue to sharpen our focus on executing the right strategies on our inspirational brands and driving operational efficiency to drive value creation for our stakeholders and deliver satisfactory performance for 2019.

The Group acknowledges the good efforts of the Government and the Royal Malaysian Customs Department in intensifying enforcement to clamp down on illicit alcohol as this represents revenue leakages to both the Government as well as the beer industry. There have been positive results from enforcement actions and the Group will continue to work closely with relevant authorities in support of their initiatives to address this issue. The presence of contraband products in the market remains a key concern for the industry.

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 2019 RM'000
Taxation	
Malaysian - current	17,634
	17,634

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 March 2019 are as follow:

	As at 31 March 2019 RM'000
Current - Unsecured	
Trade financing	50,000
	50,000

The tenure for the above trade financing is between 2 to 3 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	664	662	2

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 Group entities at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in comprehensive income, except for differences arising on 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

	3 months ended 31 March 2019 RM'000
Depreciation and amortization	13,094
Provision for and write off of inventories	309
Loss on derivatives	2

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 2019.

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 of Directors does not recommend any dividend in respect of the quarter ended 31 March 2019.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the 3 months ended 31 March 2019 is calculated by dividing the net profit attributable to the shareholders of RM52,806,000 by the weighted average number of ordinary stock units outstanding as at 31 March 2019 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala
Managing Director

23 May 2019