



## 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 2019

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 2019.

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 9 MONTHS ENDED		
	30/09/2019	30/09/2018	% Change +/-	30/09/2019	30/09/2018	% Change +/-
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	602,534	512,009	18%	1,640,249	1,367,391	20%
2. Operating expenses	(466,040)	(413,570)		(1,347,070)	(1,130,272)	
3. Operating profit	<b>136,494</b>	<b>98,439</b>	39%	<b>293,179</b>	<b>237,119</b>	24%
4. Interest income/(expense)	(409)	(696)		(1,178)	(1,745)	
5. Profit before tax	136,085	97,743	39%	292,001	235,374	24%
6. Taxation	(32,786)	(18,875)		(70,200)	(52,850)	
7. Net profit for the period	<u>103,299</u>	<u>78,868</u>	31%	<u>221,801</u>	<u>182,524</u>	22%
8. Profit attributable to owners of the Company	<u>103,299</u>	<u>78,868</u>		<u>221,801</u>	<u>182,524</u>	
9. Total comprehensive income attributable to owners of the Company	<u>103,299</u>	<u>78,868</u>		<u>221,801</u>	<u>182,524</u>	
10. Earnings per share :						
(a) Basic (based on 302,098,000 stock units) (sen)	34.19	26.11		73.42	60.42	
(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 2018

**HEINEKEN MALAYSIA BERHAD**

Company No. 196401000020 (5350-X)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	UNAUDITED AS AT 30 September 2019 RM'000	AUDITED AS AT 31 December 2018 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	314,738	292,940
Intangible assets	19,605	21,294
Right of use assets	19,691	-
Deferred tax assets	-	1,266
Other receivables	17,454	20,624
	371,488	336,124
<b>Current assets</b>		
Inventories	76,715	90,037
Trade and other receivables	444,670	491,986
Current tax assets	534	9,593
Cash and cash equivalents	32,615	12,583
	554,534	604,199
<b>Current liabilities</b>		
Trade and other payables	530,631	414,218
Current tax liabilities	-	16,354
Borrowings	60,000	105,000
	590,631	535,572
<b>Net current (liabilities) / assets</b>	(36,097)	68,627
	335,391	404,751
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	151,049	151,049
Reserves		
Retained earnings	151,884	220,098
<b>Shareholders' funds</b>	302,933	371,147
<b>Non-current liabilities</b>		
Deferred tax liabilities	32,458	33,604
	32,458	33,604
	335,391	404,751
Net Assets per share attributable to owners of the Company (RM)	1.00	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 MALAYSIA BERHAD**

Company No. 196401000020 (5350-X)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2019**

	9 MONTHS ENDED 30 September 2019	9 MONTHS ENDED 30 September 2018
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	292,001	235,374
Adjustments for:		
Amortisation of intangible assets	5,217	4,770
Depreciation of property, plant and equipment	34,761	29,031
Loss on disposal of property, plant and equipment	4,395	979
Amortisation of prepaid contractual promotion expenses	27,402	39,030
Interest expense	2,324	2,675
Interest Income	(1,146)	(930)
Unrealised foreign exchange differences	(266)	(106)
<b>Operating profit before changes in working capital</b>	<b>364,688</b>	<b>310,823</b>
<b>Movements in working capital</b>		
Inventories	13,322	1,121
Receivables, deposits and prepayment	23,083	103,072
Payables and accruals	(18,811)	(59,990)
<b>Cash generated from operations</b>	<b>382,282</b>	<b>355,026</b>
Tax paid	(77,375)	(63,522)
Interest paid	(2,324)	(2,675)
<b>Net cash from operating activities</b>	<b>302,583</b>	<b>288,829</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(70,254)	(40,728)
Acquisition of intangible assets	(1,981)	(1,130)
Interest received	1,146	930
Proceeds from disposal of property, plant and equipment	404	992
<b>Net cash used in investing activities</b>	<b>(70,685)</b>	<b>(39,936)</b>
<b>Cash flows from financing activity</b>		
Dividends paid	(163,133)	(151,049)
Lease commitment paid	(3,733)	-
Repayment of borrowings	(45,000)	(76,000)
<b>Net cash used in financing activity</b>	<b>(211,866)</b>	<b>(227,049)</b>
<b>Net change in cash and cash equivalents</b>	<b>20,032</b>	<b>21,844</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>12,583</b>	<b>11,305</b>
<b>Cash and cash equivalents at end of period</b>	<b>32,615</b>	<b>33,149</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 2018.

**HEINEKEN MALAYSIA BERHAD**

Company No. 196401000020 (5350-X)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2019****Attributable to equity holders of the Company**

	<i>Non-Distributable</i>		<i>Distributable</i>	
	Share	Capital	Retained	Total
	Capital	Reserve	Earnings	
	RM'000	RM'000	RM'000	RM'000
<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>
<b>9 months ended</b>				
<b><u>30 September 2018</u></b>				
Balance at 1 January 2018	151,049	-	209,466	360,515
Total comprehensive income for the period	-	-	182,524	182,524
Dividends paid / payable	-	-	(271,888)	(271,888)
<b>Balance at 30 September 2018</b>	<b>151,049</b>	<b>-</b>	<b>120,102</b>	<b>271,151</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 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.

## HEINEKEN MALAYSIA BERHAD

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### 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

	9 months ended 30 September 2019 RM'000	9 months ended 30 September 2018 RM'000
<u>Final Dividend paid</u>		
For year ended 31 December 2018		
54 sen per stock unit tax exempt paid on 19 July 2019	163,133	
For year ended 31 December 2017		
50 sen per stock unit tax exempt paid on 6 June 2018		151,049
	163,133	151,049

On 20 August 2019, the Company declared a single tier Interim Dividend of 42 sen per stock unit, amounting to RM126,881,160 in respect of the financial year ending 31 December 2019. The said dividend was paid on 25 October 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 30 September 2019.

## **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**

There were no material changes in contingent liabilities or contingent assets for the quarter ended 30 September 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.

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### 14. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2019 are as follows:

	<b>RM'000</b>
Property, plant and equipment Authorised and contracted for	<u>27,177</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>
Purchase of beverage products, manufacturing and marketing materials	7,441
Sale of beverage products	355
Royalties paid/payable	27,966
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>19,962</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 24 May 2019.

### 16. Review of Performance

Quarter ended 30 September 2019 ("Q3") versus quarter ended 30 September 2018

	<b>3 months ended 30 September 2019 RM'000</b>	<b>3 months ended 30 September 2018 RM'000</b>	<b>% Change + / (-)</b>
Revenue	602,534	512,009	18%
Profit before tax	<u>136,085</u>	<u>97,743</u>	39%

Group revenue grew by 18% as compared to the same quarter in 2018, mainly driven by improved sales performance across all core brands and new product launches. Excluding the Sales and Services Tax ("SST") impact, the Group revenue grew by 11%.

Group profit before tax ("PBT") rose 39% on the back of revenue growth and improved cost efficiency as well as the timing of commercial spend for new product launches executed in Q3.



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### 16. Review of Performance (continued)

#### 9 months ended 30 September 2019 versus the same period in 2018

	9 months ended 30 September 2019 RM'000	9 months ended 30 September 2018 RM'000	% Change + / (-)
Revenue	1,640,249	1,367,391	20%
Profit before tax	292,001	235,374	24%

Group revenue increased by 20% as compared to the same period in 2018, mainly due to robust sales performance of the core brands and the new product launches in Q3. Excluding the SST impact, the Group revenue grew by 13%.

On the back of the solid revenue growth, Group PBT rose 24%, supported by improved cost efficiency.

#### Quarter ended 30 September 2019 ("Q3") versus 30 June 2019 ("Q2")

	3 months ended 30 September 2019 RM'000	3 months ended 30 June 2019 RM'000	% Change + / (-)
Revenue	602,534	512,575	17%
Profit before tax	136,085	85,476	59%

Group revenue was 17% higher compared to Q2, mainly due to higher sales and favorable brand and pack mix.

Group PBT grew 59% mainly driven by revenue growth and the timing commercial spend in Q2 for the new product launches executed in Q3.

### 17. Prospects

The Group remains cautious given the softening economic environment, competitive market conditions and continued threat from the illicit trade (duty not paid).

The fourth quarter ("Q4") is traditionally the peak selling period and the Group will continue to focus on sharpening our commercial execution in preparation for an earlier 2020 Chinese New Year festive sell-in and improving operational efficiency across the business. As a result, revenue for the final quarter is expected to be strong. However, the intensified commercial activations planned for Q4 will impact on profitability for the quarter. Overall, the Group is confident of delivering a satisfactory performance for the full year.

The Group commends the Government for its on-going efforts in addressing illicit alcohol activities which have contributed to a significant reduction in contraband beer; and its move to maintain the excise duties on beer and stout which is already the second highest in the world. The Group will continue to support the Government's move against illicit alcohol and drive awareness through proactive engagements with relevant stakeholders including consumers.

### 18. Variance from Profit Forecast

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

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### 19. Taxation

Taxation in respect of the current financial quarter and period ended 30 September 2019 comprises the following:

	3 months ended 30 September 2019 RM'000	9 months ended 30 September 2019 RM'000
Taxation		
Malaysian – current	32,660	70,080
Deferred taxation		
Malaysian – current	126	120
	<u>32,786</u>	<u>70,200</u>

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

Tax paid reported in the Consolidated Statement of Cash Flow for the financial quarter ended 30 September 2019 is higher compared to same quarter last year, mainly due to unutilised tax credit from prior years being used to offset the tax payment for 2018 where else there was none in 2019.

### 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

During the financial quarter under review, the Group fully repaid the trade financing amounted to RM45,000,000.

### 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	<u>1,350</u>	<u>1,335</u>	<u>15</u>

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.

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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 2019 RM'000</b>
Depreciation and amortization	39,978
Provision for and write off of inventories	1,730
Loss on derivatives	15

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 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 does not recommend any dividend to be paid for the quarter ended 30 September 2019.

Total dividend declared for the 9 months ended 30 September 2019 is 42 sen per stock unit comprising a single tier Interim Dividend of 42 sen per stock unit which was paid on 25 October 2019.

### 26. Earnings Per Share

#### (a) Basic Earnings Per Share

Basic earnings per share for the 9 months ended 30 September 2019 is calculated by dividing the net profit attributable to the shareholders of RM221,801,000 by the weighted average number of ordinary stock units outstanding as at 30 September 2019 of 302,098,000.

#### (b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

**Roland Bala**  
Managing Director

28 November 2019