



HEINEKEN MALAYSIA BERHAD

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the second quarter and six months ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 6 MONTHS ENDED		
	30/06/2021	30/06/2020	% Change +/(–)	30/06/2021	30/06/2020	% Change +/(–)
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	349,423	253,742	38%	897,161	769,629	17%
2. Operating expenses	(316,049)	(276,311)		(766,216)	(716,488)	
3. Operating profit/(loss)	33,374	(22,569)	248%	130,945	53,141	146%
4. Interest expense	(219)	(1,436)		(1,133)	(2,293)	
5. Profit/(loss) before tax	33,155	(24,005)	238%	129,812	50,848	155%
6. Taxation	(7,881)	5,812		(30,999)	(12,077)	
7. Net profit/(loss) for the period	<u>25,274</u>	<u>(18,193)</u>	239%	<u>98,813</u>	<u>38,771</u>	155%
8. Profit/(loss) attributable to owners of the Company	<u>25,274</u>	<u>(18,193)</u>		<u>98,813</u>	<u>38,771</u>	
9. Total comprehensive income/(loss) attributable to owners of the Company	<u>25,274</u>	<u>(18,193)</u>		<u>98,813</u>	<u>38,771</u>	
10. Earnings/(Loss) per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	8.37	(6.02)		32.71	12.83	
(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 2020.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30 June 2021 RM'000	AUDITED AS AT 31 December 2020 RM'000
Non-current assets		
Property, plant and equipment	334,764	341,916
Intangible assets	13,232	16,526
Right-of-use asset	19,763	21,897
Deferred tax assets	-	4,956
Other receivables	1,647	3,878
	<u>369,406</u>	<u>389,173</u>
Current assets		
Inventories	115,480	188,262
Trade and other receivables	180,064	326,649
Current tax assets	16,379	10,722
Cash and cash equivalents	185,664	131,902
	<u>497,587</u>	<u>657,535</u>
Current liabilities		
Trade and other payables	455,633	399,980
Current tax liabilities	-	5,155
Lease liabilities	3,545	4,485
Borrowings	80,000	249,208
	<u>539,178</u>	<u>658,828</u>
Net current assets	<u>(41,591)</u>	<u>(1,293)</u>
	<u>327,815</u>	<u>387,880</u>
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	143,077	198,334
Shareholders' funds	<u>294,126</u>	<u>349,383</u>
Non-current liabilities		
Deferred tax liabilities	28,017	31,774
Lease liabilities	5,672	6,723
	<u>33,689</u>	<u>38,497</u>
	<u>327,815</u>	<u>387,880</u>
Net Assets per share attributable to owners of the Company (RM)	0.97	1.16

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 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTHS ENDED 30 JUNE 2021

	6 MONTHS ENDED 30 June 2021 RM'000	6 MONTHS ENDED 30 June 2020 RM'000
Cash flows from operating activities		
Profit before tax	129,812	50,848
Adjustments for:		
Amortisation of intangible assets	3,940	4,105
Depreciation of property, plant and equipment	31,613	28,676
Loss on disposal of property, plant and equipment	236	1,490
Amortisation of prepaid contractual promotion expenses	12,147	14,060
Interest expense	1,825	4,312
Interest Income	(692)	(2,019)
Unrealised foreign exchange differences	967	307
Operating profit before changes in working capital	179,848	101,779
Movements in working capital		
Inventories	72,782	(18,393)
Receivables, deposits and prepayment	136,669	150,310
Payables and accruals	(99,385)	(173,046)
Cash generated from operations	289,914	60,650
Tax paid	(40,612)	(7,770)
Interest paid	(1,825)	(4,312)
Net cash from operating activities	247,477	48,568
Cash flows from investing activities		
Acquisition of property, plant and equipment	(22,783)	(19,873)
Acquisition of intangible assets	(646)	(761)
Interest received	692	2,019
Proceeds from disposal of property, plant and equipment	775	175
Net cash used in investing activities	(21,962)	(18,440)
Cash flows from financing activity		
Lease commitment paid	(2,545)	(2,536)
(Repayment of)/Increase of borrowings	(169,208)	240,000
Net cash used in/(from) financing activity	(171,753)	237,464
Net change in cash and cash equivalents	53,762	267,592
Cash and cash equivalents at beginning of year	131,902	15,068
Cash and cash equivalents at end of period	185,664	282,660

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 2020.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2021

	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	
6 months ended				
<u>30 June 2021</u>				
Balance at 1 January 2021	151,049	470	197,864	349,383
Total comprehensive income for the period	-	-	98,813	98,813
Dividends paid/ payable	-	-	(154,070)	(154,070)
Balance at 30 June 2021	151,049	470	142,607	294,126
6 months ended				
<u>30 June 2020</u>				
Balance at 1 January 2020	151,049	-	243,052	394,101
Total comprehensive income for the period	-	-	38,771	38,771
Dividends paid / payable	-	-	-	-
Balance at 30 June 2020	151,049	-	281,823	432,872

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 2020.

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 2020.

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 2020 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 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 4 Insurance Contracts and MFRS 16 Leases – Interest Rate Benchmark Reform– Phase 2	1 January 2021

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 2020 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 period under review, there were no exceptional items affecting the assets, liabilities, equity, net income or cash flows, save for the temporary suspension of the brewery operations as a result of the full lockdown imposed by the Government in June 2021 to contain the rising cases of Covid-19. The operations of some of our main customers from the on-trade channel were also disrupted during the lockdown and this has continued to impact the momentum of the market recovery.

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

In consideration of the positive developments from the National Covid-19 Immunisation Programme, the Government announced several privileges for the social and business sectors to allow, among others, dine-ins for fully vaccinated individuals and all non-essential business activities in particular for the manufacturing sector to resume operations from 16 August 2021 at an operating capacity based on the vaccination rates of the workers. In line with this, the brewery resumed operations from 16 August 2021.

Despite the easing of economic activities, on-trade outlets with liquor licence such as pubs and entertainment centres are still not allowed to reopen. This will continue to have a significant impact on the on-trade business. The Group will closely monitor the market situation and take all necessary steps to mitigate the impact to the Group 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

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 30 June 2021 are as follows:

	RM'000
Property, plant and equipment Authorised and contracted for	<hr/> 41,821 <hr/>

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	7,561
Royalties paid/payable	15,588
Fees paid/payable for professional services relating to technical, marketing and other advisory support	11,332

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 30 June 2021 versus quarter ended 30 June 2020

	3 months ended 30 June 2021 RM'000	3 months ended 30 June 2020 RM'000	% Change + / (-)
Revenue	349,423	253,742	38%
Profit/(loss) before tax	33,155	(24,005)	238%

Group revenue grew 38%, mainly driven by higher sales as businesses and consumers gradually adapted to the new normal despite the intermittent lockdowns, as compared to the corresponding quarter in 2020 when the unprecedented first nationwide lockdown was imposed.

Group profit before tax ("PBT") rose significantly by 238% to RM33 million, as opposed to a pre-tax loss of RM24 million in the same quarter of 2020, mainly attributed to revenue growth driven by effective revenue management, optimisation of marketing spend and on-going cost savings initiatives implemented by the Group; as well as the one-off settlement of the Customs' Bills of Demand of RM7.2 million in June 2020.

Six months ended 30 June 2021 versus the same period in 2020

	6 months ended 30 June 2021 RM'000	6 months ended 30 June 2020 RM'000	% Change + / (-)
Revenue	897,161	769,629	17%
Profit before tax	129,812	50,848	155%

Group revenue grew 17%, mainly due to higher sales from increased in-home consumption as business and economic activities started to recover in the beginning of the first half. The revenue growth was also due to effective execution of various commercial campaigns and easing of social and economic restrictions as compared to the first half of 2020 whereby the brewery temporarily suspended operations during the first lockdown as mentioned above.

Group PBT increased by 155%, principally due to the same reasons mentioned above.

16. Review of Performance (Continued)

Quarter ended 30 June 2021 ("Q2 2021") versus 31 March 2021 ("Q1 2021")

	3 months ended 30 June 2021 RM'000	3 months ended 31 March 2021 RM'000	% Change + / (-)
Revenue	349,423	547,738	-36%
Profit before tax	33,155	96,657	-66%

Group revenue declined by 36% against the preceding quarter, mainly due to (i) higher sales in Q1 2021 which was driven by the Chinese New Year festive period; and (ii) lower sales in June 2021 as a result of the brewery suspension of operations to comply with the full lockdown imposed by Government.

Correspondingly, Group PBT declined by 66% against the preceding quarter.

17. Prospects

The Covid-19 pandemic and the prolonged restrictions and lockdowns have adversely impacted the Group business performance and dampened the economy recovery in the country. For the second time in two years, we faced another prolonged lockdown and had to suspend our brewery operations from June 2021 to August 2021 due to the full movement control order ("MCO") imposed nationwide, and restrictions were imposed on F&B outlets. This has impeded the Group's ability to conduct its normal business operations, including being able to satisfy domestic market demand. While we are hopeful that the gradual reopening of the economy and the acceleration of the Immunisation Programme would foster market recovery, the continued rising of daily infection cases coupled with the uncertainties around the political landscape will affect the market sentiment and challenge the market recovery going forward.

On challenges, we see illicit alcohol as a growing concern and our appeal to the Government is for no further excise duty increase as this will only widen the price gap between legal duty paid products and illicit products.

Despite the negative impact from the full MCO and continued market uncertainties, we will continue our initiatives to right-size the organisation and cost base to drive productivity and efficiency across the organisation. We will also continue to invest in our brands, improve our route to consumer, accelerate our digital agenda and leverage our strong business fundamentals to win in the marketplace. Sustainability and People are also key pillars that will drive our transformation journey.

As a priority to protect the health and safety of our employees, the Company participated in the Government's vaccination programme to enable 100% of our brewery's essential workforce are vaccinated by September 2021. As of 20 August 2021, over 80% of the Company's workers are fully vaccinated.

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 30 June 2021 RM'000	6 months ended 30 June 2021 RM'000
Taxation		
Malaysian – current	7,957	31,154
Deferred taxation		
Malaysian – current	(76)	(155)
	7,881	30,999

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 June 2021 are as follow:

	As at 30 June 2021 RM'000
<u>Current – Unsecured</u>	
Trade Financing	80,000
	80,000

The tenure for the above borrowings is about 4 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	45	44	1

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.

22. Financial Instruments (continued)

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

	6 months ended 30 June 2021 RM'000
Depreciation and amortization	35,553
Provision for and write off of inventories	404
Loss on derivatives	1

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 June 2021.

24. Material Litigation

With regard to the material litigation as disclosed in the Financial Report for the first quarter ended 31 March 2021, the Directors are of the view that the Companies have a strong defence against 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 has declared a single tier interim dividend of 15 sen per stock unit for the financial year ending 31 December 2021 (Six months ended 30 June 2020 : Nil) to be paid on 18 November 2021. The entitlement date for the dividend payment is 28 October 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 26 October 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 28 October 2021 in respect of ordinary transfers; and
- (c) Shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Total dividend declared for the ix months ended 30 June 2021 is 15 sen per stock unit (Six months ended 30 June 2020 : Nil).

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 30 June 2021 is calculated by dividing the net profit attributable to the shareholders of RM98,813,000 by the weighted average number of ordinary stock units outstanding as at 30 June 2021 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

25 August 2021