



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 2022

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 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 6 MONTHS ENDED		% Change +/(–)
	30/06/2022	30/06/2021	% Change +/(–)	30/06/2022	30/06/2021	
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	644,577	349,423	84%	1,342,911	897,161	50%
2. Operating expenses	(516,908)	(316,049)		(1,059,540)	(766,216)	
3. Operating profit	127,669	33,374	283%	283,371	130,945	116%
4. Interest income/ (expense)	115	(219)		(520)	(1,133)	
5. Profit before tax	127,784	33,155	285%	282,851	129,812	118%
6. Taxation	(41,712)	(7,881)		(83,396)	(30,999)	
7. Net profit for the period	<u>86,072</u>	<u>25,274</u>	241%	<u>199,455</u>	<u>98,813</u>	102%
8. Profit attributable to owners of the Company	<u>86,072</u>	<u>25,274</u>		<u>199,455</u>	<u>98,813</u>	
9. Total comprehensive income attributable to owners of the Company	<u>86,072</u>	<u>25,274</u>		<u>199,455</u>	<u>98,813</u>	
10. Earnings per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	28.49	8.37		66.02	32.71	
(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 2021.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30 June 2022 RM'000	AUDITED AS AT 31 December 2021 RM'000
Non-current assets		
Property, plant and equipment	389,618	388,404
Intangible assets	14,296	15,657
Right-of-use asset	17,358	18,719
Deferred tax assets	-	5,782
Other receivables	1,027	1,546
	422,299	430,108
Current assets		
Inventories	142,504	151,178
Trade and other receivables	524,559	415,253
Current tax assets	13,900	15,155
Cash and cash equivalents	53,965	76,479
	734,928	658,065
Current liabilities		
Trade and other payables	685,385	481,699
Current tax liabilities	41,447	10,162
Lease liabilities	2,938	3,283
Borrowings	-	160,131
	729,770	655,275
Net current assets	5,158	2,790
	427,457	432,898
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	244,875	244,627
Shareholders' funds	395,924	395,676
Non-current liabilities		
Deferred tax liabilities	27,392	32,207
Lease liabilities	4,141	5,015
	31,533	37,222
	427,457	432,898
Net Assets per share attributable to owners of the Company (RM)	1.31	1.31

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 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTHS ENDED 30 JUNE 2022

	6 MONTHS ENDED 30 June 2022 RM'000	6 MONTHS ENDED 30 June 2021 RM'000
Cash flows from operating activities		
Profit before tax	282,851	129,812
Adjustments for:		
Amortisation of intangible assets	2,330	3,940
Depreciation of property, plant and equipment	33,916	31,613
Loss on disposal of property, plant and equipment	685	236
Gain on disposal of right-of-use asset	(1)	-
Amortisation of prepaid contractual promotion expenses	2,704	12,147
Interest expense	1,027	1,825
Interest Income	(507)	(692)
Unrealised foreign exchange differences	(29)	967
Operating profit before changes in working capital	322,976	179,848
Movements in working capital		
Inventories	8,674	72,782
Receivables, deposits and prepayment	(111,491)	136,669
Payables and accruals	4,505	(99,385)
Cash generated from operations	224,664	289,914
Tax paid	(49,889)	(40,612)
Interest paid	(1,027)	(1,825)
Net cash from operating activities	173,748	247,477
Cash flows from investing activities		
Acquisition of property, plant and equipment	(34,480)	(22,783)
Acquisition of intangible assets	(188)	(646)
Interest received	507	692
Proceeds from disposal of property, plant and equipment	59	775
Net cash used in investing activities	(34,102)	(21,962)
Cash flows from financing activity		
Lease commitment paid	(2,029)	(2,545)
Repayment of borrowings	(160,131)	(169,208)
Net cash used in financing activity	(162,160)	(171,753)
Net change in cash and cash equivalents	(22,514)	53,762
Cash and cash equivalents at beginning of year	76,479	131,902
Cash and cash equivalents at end of period	53,965	185,664

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 2021.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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
6 months ended				
<u>30 June 2022</u>				
Balance at 1 January 2022	151,049	470	244,157	395,676
Total comprehensive income for the period	-	-	199,455	199,455
Effects of share-based payments	-	178	-	178
Dividends paid/ payable	-	-	(199,385)	(199,385)
Balance at 30 June 2022	151,049	648	244,227	395,924
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

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 2021.

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 2021.

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 2021 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 3 Reference to Conceptual Framework, MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use and MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022

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 2021 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

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 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

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 June 2022.

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 2022 are as follows:

	RM'000
Property, plant and equipment Authorised and contracted for	<u>96,933</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:

	Heineken N.V. and its related corporations RM'000
Sales of beverage products	-
Purchase of beverage products, manufacturing and marketing materials	12,840
Royalties paid/payable	24,486
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>17,252</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 12 May 2022.

16. Review of Performance

Quarter ended 30 June 2022 versus quarter ended 30 June 2021 ("Q2FY2021")

	3 months ended 30 June 2022 RM'000	3 months ended 30 June 2021 RM'000	% Change + / (-)
Revenue	644,577	349,423	84%
Profit before tax	127,784	33,155	285%

Group revenue grew by 84% versus the same quarter in 2021, due to upsurge in sales following the reopening of economy and international borders, improvement in product mix and better revenue management. Additionally, Q2FY2021 was a weaker comparison due to brewery lockdown in the month of June 2021.

Group profit before tax ("PBT") grew significantly by 285% to RM128 million. The growth was driven by revenue growth as highlighted above as well as continued focus on driving the EverGreen strategy to deliver sustainable growth.

Six months ended 30 June 2022 versus the same period in 2021

	6 months ended 30 June 2022 RM'000	6 months ended 30 June 2021 RM'000	% Change + / (-)
Revenue	1,342,911	897,161	50%
Profit before tax	282,851	129,812	118%

Group revenue and PBT increased by 50% and 118% respectively versus six months ended 30 June 2021, mainly driven by robust sales performance during the festive period in the first quarter and steady recovery for the on-trade business in second quarter and continued focus on driving our EverGreen strategy to deliver sustainable growth.

Quarter ended 30 June 2022 versus quarter ended 31 March 2022

	3 months ended 30 June 2022 RM'000	3 months ended 31 March 2022 RM'000	% Change + / (-)
Revenue	644,577	698,334	-8%
Profit before tax	127,784	155,067	-18%

Group revenue declined by 8% against the preceding quarter, mainly due to higher sales in the first quarter which was driven by Chinese New Year festive period.

Group PBT declined by 18% mainly due to lower revenue and higher marketing investment incurred to support market recovery.

17. Prospects

Our strong performance in the first half of 2022 was attributed to robust performance during the festive period and the reopening of economy and international borders, improvement in product mix and better revenue management.

The Group expects continued pressure from global supply chain disruptions, rising input cost, weakening ringgit and rising inflation that will impact consumer purchasing power. The Group will remain agile in responding to the volatile business environment and the new market reality with focus on delivering our EverGreen strategy (<https://www.heinekenmalaysia.com/our-strategy/>) to future-proof the business and deliver sustainable growth.

17. Prospects (Continued)

The Group welcomes the stance taken by the Government not to increase excise duties on beers as any hike in excise rates will drive greater demand for illicit alcohol. The Group will remain committed to support the Government to stamp out illicit trade through holistic efforts including strengthening enforcement and raising greater awareness in the market.

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 2022 RM'000	6 months ended 30 June 2022 RM'000
Taxation		
Malaysian – Current	41,769	83,517
Deferred taxation		
Malaysian – Current	(57)	(121)
	<u>41,712</u>	<u>83,396</u>

The Group's effective tax rate for the quarter and six months ended 30 June 2022 were 32.6% and 29.5% respectively due to the impact of the Prosperity Tax for Year of Assessment 2022.

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

The Company fully repaid the trade financing amounted to RM160,131,000 during the period under review.

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	247	246	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 (Malaysia) Bhd 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 2022 RM'000
Depreciation and amortization	36,246
Provision for and write off of inventories	92
Gain on derivatives	(243)

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 2022.

24. Material Litigation

Reference is made to the material litigation as disclosed in the Financial Report for the first quarter ended 31 March 2022.

The Court has fixed a further case management for the matter in November 2022. The Company will make the necessary announcement on any material developments relating to this matter. The Board maintains its view that the Companies have a strong defence against the case and hence, no provision has been made in these financial statements.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any fact likely to give rise to any proceeding which might materially affect the financial position or business of the Group.

25. Dividend

The Board has declared a single tier interim dividend of 40 sen per stock unit for the financial year ending 31 December 2022 (Six months ended 30 June 2021: 15 sen) to be paid on 11 November 2022. The entitlement date for the dividend payment is 20 October 2022. Total dividend declared for the six months ended 30 June 2022 is 40 sen per stock unit (six months ended 30 June 2021: 15 sen).

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 18 October 2022 (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 20 October 2022 in respect of ordinary transfers; and
- (c) Shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the period ended 30 June 2022 is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary stock units outstanding as at 30 June 2022 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board
Roland Bala
Managing Director

12 August 2022