



HEINEKEN MALAYSIA BERHAD

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the fourth quarter and year ended 31 December 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 12 MONTHS ENDED		% Change +/(–)
	31/12/2022	31/12/2021	% Change +/(–)	31/12/2022	31/12/2021	
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	791,686	692,339	14%	2,855,065	1,979,348	44%
2. Operating expenses	(636,525)	(566,952)		(2,258,841)	(1,655,423)	
3. Operating profit	155,161	125,387	24%	596,224	323,925	84%
4. Interest expense	(955)	(988)		(1,724)	(2,498)	
5. Profit before tax	154,206	124,399	24%	594,500	321,427	85%
6. Taxation	(49,572)	(28,551)		(181,676)	(75,749)	
7. Net profit for the period	<u>104,634</u>	<u>95,848</u>	9%	<u>412,824</u>	<u>245,678</u>	68%
8. Profit attributable to owners of the Company	<u>104,634</u>	<u>95,848</u>		<u>412,824</u>	<u>245,678</u>	
9. Total comprehensive income attributable to owners of the Company	<u>104,634</u>	<u>95,848</u>		<u>412,824</u>	<u>245,678</u>	
10. Earnings per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	34.64	31.73		136.65	81.32	
(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 31 December 2022 RM'000	AUDITED AS AT 31 December 2021 RM'000
Non-current assets		
Property, plant and equipment	505,310	388,404
Intangible assets	20,530	15,657
Right-of-use asset	16,090	18,719
Deferred tax assets	2,147	5,782
Other receivables	889	1,546
	544,966	430,108
Current assets		
Inventories	188,224	151,178
Trade and other receivables	612,286	415,253
Current tax assets	17,982	15,155
Cash and cash equivalents	52,554	76,479
	871,046	658,065
Current liabilities		
Trade and other payables	701,466	481,699
Current tax liabilities	15,936	10,162
Lease liabilities	2,857	3,283
Borrowings	170,000	160,131
	890,259	655,275
Net current (liabilities) /assets	(19,213)	2,790
	525,753	432,898
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	337,404	244,627
Shareholders' funds	488,453	395,676
Non-current liabilities		
Deferred tax liabilities	34,208	32,207
Lease liabilities	3,092	5,015
	37,300	37,222
	525,753	432,898
Net Assets per share attributable to owners of the Company (RM)	1.62	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 YEAR ENDED 31 DECEMBER 2022

	YEAR ENDED 31 DECEMBER 2022	YEAR ENDED 31 DECEMBER 2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	594,500	321,427
Adjustments for:		
Amortisation of intangible assets	4,676	6,214
Depreciation of property, plant and equipment	74,096	64,490
Loss on disposal of property, plant and equipment	3,008	897
Loss/(Gain) on disposal of right-of-use asset	4	(8)
Amortisation of prepaid contractual promotion expenses	3,209	27,299
Interest expense	2,917	4,057
Interest income	(1,193)	(1,559)
Unrealised foreign exchange differences	(142)	729
Operating profit before changes in working capital	681,075	423,546
Movements in working capital		
Inventories	(37,046)	37,252
Receivables, deposits and prepayment	(199,585)	(113,571)
Payables and accruals	220,084	72,270
Cash generated from operations	664,528	419,497
Tax paid	(173,093)	(75,568)
Interest paid	(2,917)	(4,057)
Net cash from operating activities	488,518	339,872
Cash flows from investing activities		
Acquisition of property, plant and equipment	(192,828)	(98,834)
Acquisition of intangible assets	(6,653)	(5,345)
Interest received	1,193	1,559
Proceeds from disposal of property, plant and equipment	119	825
Net cash used in investing activities	(198,169)	(101,795)
Cash flows from financing activity		
Lease commitment paid	(3,919)	(4,907)
(Repayment)/ Increase of borrowings	9,869	(89,208)
Dividend paid	(320,224)	(199,385)
Net cash used in financing activity	(314,274)	(293,500)
Net change in cash and cash equivalents	(23,925)	(55,423)
Cash and cash equivalents at beginning of year	76,479	131,902
Cash and cash equivalents at end of period	52,554	76,479

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 YEAR ENDED 31 DECEMBER 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
Year ended				
<u>31 December 2022</u>				
Balance at 1 January 2022	151,049	470	244,157	395,676
Total comprehensive income for the period	-	-	412,824	412,824
Effects of share-based payments	-	177	-	177
Dividends paid/ payable	-	-	(320,224)	(320,224)
Balance at 31 December 2022	151,049	647	336,757	488,453
Year ended				
<u>31 December 2021</u>				
Balance at 1 January 2021	151,049	470	197,864	349,383
Total comprehensive income for the period	-	-	245,678	245,678
Dividends paid / payable	-	-	(199,385)	(199,385)
Balance at 31 December 2021	151,049	470	244,157	395,676

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.

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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 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.

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8. Dividends Paid

The following dividend was paid during the current and previous year ended:

	Year ended 31 December	
	2022	2021
	RM'000	RM'000
<u>Final Dividend paid</u>		
For year ended 31 December 2021		
66 sen per stock unit tax exempt paid on 28 July 2022	199,385	-
For year ended 31 December 2020		
51 sen per stock unit tax exempt paid on 28 July 2021	-	154,070
<u>Interim Dividend paid</u>		
For year ended 31 December 2022	120,839	
40 sen per stock unit tax exempt paid on 11 November 2022		
For year ended 31 December 2021		
15 sen per stock unit tax exempt paid on 18 November 2021		45,315
	<hr/>	<hr/>
	320,224	199,385

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 December 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.

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14. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2022 are as follows:

	<u>RM'000</u>
Property, plant and equipment Authorised and contracted for	29,420

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	-
Purchase of beverage products, manufacturing and marketing materials	28,197
Royalties paid/payable	53,295
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>39,642</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 PerformanceQuarter ended 31 December 2022 versus quarter ended 31 December 2021

	3 months ended 31 December 2022 RM'000	3 months ended 31 December 2021 RM'000	% Change + / (-)
Revenue	791,686	692,339	14%
Profit before tax	<u>154,206</u>	<u>124,399</u>	<u>24%</u>

Group revenue grew by 14% versus the same quarter in 2021, the revenue growth is mainly driven by sales volume from increased on-trade consumption and earlier festive sell-in for Chinese New Year 2023.

Correspondingly, Group profit before tax ("PBT") increased by 24% to RM154 million. The growth was driven by sustainable revenue growth as highlighted above, as well as efficiency gains through cost and value initiatives.

Twelve months ended 31 December 2022 versus the same period in 2021

	12 months ended 31 December 2022 RM'000	12 months ended 31 December 2021 RM'000	% Change + / (-)
Revenue	2,855,065	1,979,348	44%
Profit before tax	<u>594,500</u>	<u>321,427</u>	<u>85%</u>

Group revenue rose by 44%, mainly attributable to an increase in sales volume following the reopening of international borders, increased on-trade consumption as well as positive mix impact from premium portfolio growth. It was also driven by low volume last year as the brewery was closed for 11 weeks from 1 June 2021 to 15 August 2021 due to the Movement Control Order.

16. Review of Performance (Continued)

Group PBT increased by 85%, primarily due to strong post-COVID recovery, gradual recovery for the on-trade business, and improved revenue, productivity and cost management. The Group will continue to focus on the execution of the EverGreen strategy to drive sustainable growth.

Quarter ended 31 December 2022 versus quarter ended 30 September 2022 ('Q3')

	3 months ended 31 December 2022 RM'000	3 months ended 30 September 2022 RM'000	% Change + / (-)
Revenue	791,686	720,468	10%
Profit before tax	154,206	157,443	-2%

Group revenue increased by 10% as compared to Q3, attributed to the same reasons mentioned above.

However, Group PBT decreased by 2%, mainly due to higher commercial spend incurred for pre-Chinese New Year festive activation.

17. Prospects

The Group is pleased to see good recovery on business performance in 2022 following the full re-opening of on-trade business. However, the Group expects the business environment in 2023 to remain challenging given the continued pressure from global supply chain disruptions, recessionary pressures from leading economies, rising input costs, currency fluctuation and rising inflation that could impact consumer purchasing power.

The Group will remain responsive to the volatile business environment and new market realities, with a focus on delivering our EverGreen strategy (<https://www.heinekenmalaysia.com/our-strategy/>) in order to continue to invest behind our brands and capabilities, as well as future-proof the business to unlock efficiencies and reinvest in growth drivers. The Group will also focus on our Brew A Better World sustainability agenda, which includes making a positive impact in the environment and the communities where we operate.

The Group welcomes the stance taken by the Government not to increase excise duties on beer in its latest Budget 2023, as any hike in excise rates will drive greater demand for illicit alcohol. The Group remains committed to supporting and working closely with the authorities to address the issue of illicit alcohol holistically.

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 2022 comprises the following:

	3 months ended 31 December 2022 RM'000	12 months ended 31 December 2022 RM'000
Taxation		
Malaysian – Current	46,087	178,361
Malaysian – Prior	(2,526)	(2,526)
Deferred taxation		
Malaysian – Current	4,534	4,364
Malaysian –Prior	1,477	1,477
	49,572	181,676

The Group's effective tax rate for the quarter and twelve months ended 31 December 2022 were 32.1% and 30.5% 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

Total group borrowings as of 31 December 2022 are as follow:

	As at 31 December 2022 RM'000	As at 31 December 2021 RM'000
<u>Current – Unsecured</u>		
Trade financing	40,000	160,000
Revolving credit	130,000	–
	170,000	160,000

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	186	182	4

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

	3 months ended 31 December 2022 RM'000	12 months ended 31 December 2022 RM'000
Depreciation and amortization	21,794	78,772
Provision for and write off of inventories	(545)	1,664
Gain on derivatives	(1)	(240)

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 2022.

24. Material Litigation

For consistency purposes, definitions referred hereto shall have the same meanings as those previously defined in the Company's announcements dated 16 April 2021, 10 December 2021 and 11 January 2022.

Reference is made to the previous announcements made by the Company and updates to the material litigation as disclosed in the Company's Condensed Consolidated Financial Statements for the past quarters in 2022. The Court had vacated the initial trial dates for the first suit on 27 to 31 March 2023 until further direction from the Court whilst the trial dates for the second suit remain unchanged on 18 until 20 November 2024.

The Company will make the necessary announcement on any material developments relating to this matter.

The Directors, based on legal advice, maintain 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 proposed a single tier final dividend of 98 sen per stock unit for the year ended 31 December 2022 (31 December 2021: 66 sen per stock unit, single tier). Total dividend for the year ended 31 December 2022 is 138 sen per stock unit comprising:

- (i) a single tier interim dividend of 40 sen per stock unit which was paid on 11 November 2022; and
- (ii) a proposed single tier final dividend of 98 sen per stock unit.

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 20 July 2023. The entitlement date for the dividend payment is 21 June 2023.

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 19 June 2023 (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 21 June 2023 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 single tier final dividend totaling RM296,056,040 has not been accounted for in the financial statements as at 31 December 2022.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the year ended 31 December 2022 is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary stock units outstanding as at 31 December 2022 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

24 February 2023