



HEINEKEN MALAYSIA BERHAD

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

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 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL PERIOD 3 MONTHS ENDED | | | CUMULATIVE PERIOD 3 MONTHS ENDED | | |
|---|-------------------------------------|----------------|----------------------|-------------------------------------|----------------|----------------------|
| | 31/03/2023 | 31/03/2022 | % Change +/(–) | 31/03/2023 | 31/03/2022 | % Change +/(–) |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| 1. Revenue | 740,218 | 698,334 | 6% | 740,218 | 698,334 | 6% |
| 2. Operating expenses | (593,796) | (542,632) | | (593,796) | (542,632) | |
| 3. Operating profit | 146,422 | 155,702 | -6% | 146,422 | 155,702 | -6% |
| 4. Interest expense | (1,825) | (635) | | (1,825) | (635) | |
| 5. Profit before tax | 144,597 | 155,067 | -7% | 144,597 | 155,067 | -7% |
| 6. Taxation | (34,668) | (41,684) | | (34,668) | (41,684) | |
| 7. Net profit for the period | <u>109,929</u> | <u>113,383</u> | -3% | <u>109,929</u> | <u>113,383</u> | -3% |
| 8. Profit attributable to owners of the Company | <u>109,929</u> | <u>113,383</u> | | <u>109,929</u> | <u>113,383</u> | |
| 9. Total comprehensive income attributable to owners of the Company | <u>109,929</u> | <u>113,383</u> | | <u>109,929</u> | <u>113,383</u> | |
| 10. Earnings per share: | | | | | | |
| (a) Basic (based on 302,098,000 stock units) (sen) | 36.39 | 37.53 | | 36.39 | 37.53 | |
| (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 2022.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | UNAUDITED AS AT 31 March 2023 RM'000 | AUDITED AS AT 31 December 2022 RM'000 |
|---|---|--|
| Non-current assets | | |
| Property, plant and equipment | 507,993 | 505,309 |
| Intangible assets | 19,415 | 20,530 |
| Right-of-use asset | 15,618 | 16,091 |
| Deferred tax assets | 2,174 | 2,147 |
| Other receivables | 2,746 | 889 |
| | 547,946 | 544,966 |
| Current assets | | |
| Inventories | 136,120 | 190,684 |
| Trade and other receivables | 539,281 | 602,035 |
| Current tax assets | 21,432 | 17,982 |
| Cash and cash equivalents | 40,873 | 52,554 |
| | 737,706 | 863,255 |
| Current liabilities | | |
| Trade and other payables | 630,785 | 693,675 |
| Current tax liabilities | 15,458 | 15,936 |
| Lease liabilities | 2,835 | 2,857 |
| Borrowings | - | 170,000 |
| | 649,078 | 882,468 |
| Net current assets/(liabilities) | 88,628 | (19,213) |
| | 636,574 | 525,753 |
| Financed by: | | |
| Capital and reserves | | |
| Share capital | 151,049 | 151,049 |
| Reserves | 447,333 | 337,404 |
| Shareholders' funds | 598,382 | 488,453 |
| Non-current liabilities | | |
| Deferred tax liabilities | 35,486 | 34,208 |
| Lease liabilities | 2,706 | 3,092 |
| | 38,192 | 37,300 |
| | 636,574 | 525,753 |
| Net Assets per share attributable to owners of the Company (RM) | 1.98 | 1.62 |

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 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| | 3 MONTHS ENDED 31 MARCH 2023 RM'000 | 3 MONTHS ENDED 31 MARCH 2022 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 144,597 | 155,067 |
| Adjustments for: | | |
| Amortisation of intangible assets | 1,281 | 1,102 |
| Depreciation of property, plant and equipment | 19,282 | 15,718 |
| Loss on disposal of property, plant and equipment | 273 | 246 |
| Gain on disposal of right-of-use asset | - | (1) |
| Amortisation of prepaid contractual promotion expenses | 2,206 | 1,974 |
| Interest expense | 2,039 | 889 |
| Interest income | (214) | (254) |
| Unrealised foreign exchange differences | 306 | (16) |
| Operating profit before changes in working capital | 169,770 | 174,725 |
| Movements in working capital | | |
| Inventories | 54,564 | 3,165 |
| Receivables, deposits and prepayment | 58,691 | (16,192) |
| Payables and accruals | (63,195) | (8,803) |
| Cash generated from operations | 219,830 | 152,895 |
| Tax paid | (37,345) | (23,479) |
| Interest paid | (2,039) | (889) |
| Net cash from operating activities | 180,446 | 128,527 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (21,231) | (8,274) |
| Acquisition of intangible assets | (166) | (35) |
| Interest received | 214 | 254 |
| Proceeds from disposal of property, plant and equipment | 14 | 41 |
| Net cash used in investing activities | (21,169) | (8,014) |
| Cash flows from financing activity | | |
| Lease commitment paid | (958) | (1,040) |
| Repayment of borrowings | (170,000) | (140,131) |
| Net cash used in financing activity | (170,958) | (141,171) |
| Net change in cash and cash equivalents | (11,681) | (20,658) |
| Cash and cash equivalents at beginning of year | 52,554 | 76,479 |
| Cash and cash equivalents at end of period | 40,873 | 55,821 |

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 2022.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 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 |
| 3 months ended | | | | |
| <u>31 March 2023</u> | | | | |
| Balance at 1 January 2023 | 151,049 | 647 | 336,757 | 488,453 |
| Total comprehensive income for the period | - | - | 109,929 | 109,929 |
| Dividends paid/ payable | - | - | - | - |
| Balance at 31 March 2023 | 151,049 | 647 | 446,686 | 598,382 |
| 3 months ended | | | | |
| <u>31 March 2022</u> | | | | |
| Balance at 1 January 2022 | 151,049 | 470 | 244,157 | 395,676 |
| Total comprehensive income for the period | - | - | 113,383 | 113,383 |
| Dividends paid / payable | - | - | - | - |
| Balance at 31 March 2022 | 151,049 | 470 | 357,540 | 509,059 |

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 2022.

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 2022.

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 2022 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 17 Insurance Contracts, MFRS 101 Classification of Liabilities as Current or Non-current, MFRS 101 Disclosure of Accounting Policies, MFRS 108 Disclosure of Accounting Estimates, MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, MFRS 17 Initial Application of MFRS 9 and MFRS 17 – Comparative Information | 1 January 2023 |

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 2022 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 31 March 2023.

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 31 March 2023 are as follows:

| | |
|--|---------------|
| | RM'000 |
| Property, plant and equipment Authorised and contracted for | <u>43,880</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 | <u>-</u> |
| Purchase of beverage products, manufacturing and marketing materials | 2,532 |
| Royalties paid/payable | 14,486 |
| Fees paid/payable for professional services relating to technical, marketing and other advisory support | <u>9,581</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 31 March 2023 versus quarter ended 31 March 2022 (Q1 2022)

| | 3 months ended 31 March 2023 RM'000 | 3 months ended 31 March 2022 RM'000 | % Change + / (-) |
|-------------------|---|---|------------------------|
| Revenue | 740,218 | 698,334 | 6% |
| Profit before tax | 144,597 | 155,067 | -7% |

Group revenue grew by 6% versus the same quarter in 2022, driven by better sales mix as our premium portfolio grew, led by Heineken®, as well as price increase as a result of inflationary pressure on cost.

Group profit before tax ("PBT") declined by 7% compared to the same quarter last year. This decline was primarily due to relatively higher promotional and marketing expenses as the Group continued to invest behind its brands. Comparatively, the marketing spend in Q1 2022 was lower as the Group was still recovering from the impact of the Covid-19 pandemic.

Quarter ended 31 March 2023 versus 31 December 2022

| | 3 months ended 31 March 2023 RM'000 | 3 months ended 31 December 2022 RM'000 | % Change + / (-) |
|-------------------|---|--|------------------------|
| Revenue | 740,218 | 791,686 | -7% |
| Profit before tax | 144,597 | 154,206 | -6% |

Gross revenue and PBT declined by 7% and 6% respectively, principally due to year end festive seasons and earlier sell-in for Chinese New Year 2023 which took place in the quarter ended 31 December 2022.

17. Prospects

In the light of Bank Negara Malaysia's recent statement on the country's economic outlook (https://www.bnm.gov.my/-/ar2022_en_pr), the Group is prepared to contribute to domestic consumption growth by leveraging the expected improvement in tourism, labour market conditions, and Government policy measures to bolster our business performance. At the same time, the Group is staying vigilant against potential headwinds due to global demand volatility.

The Group will remain adaptive to the volatile business environment and new market realities. The Group takes a long term view to build a sustainable business and will continue to focus on delivering our EverGreen strategy to future proof our business.

The Group remains committed to supporting and working closely with the authorities to address the issue of illicit alcohol holistically. Illegal trade and smuggling have caused the Government to incur tax revenue losses and pose health hazards to consumers with unregulated illicit alcohol.

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 2023 RM'000 |
|---------------------|--|
| Taxation | |
| Malaysian – Current | 34,711 |
| Deferred taxation | |
| Malaysian – Current | (43) |
| | <u>34,668</u> |

The Group's effective tax rate for the 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

The company fully repaid the borrowings amounted to RM170,000,000 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 | 169 | 169 | – |

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 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 March 2023 RM'000 |
|--|--|
| Depreciation and amortization | 20,563 |
| Provision for and write off of inventories | 1,274 |
| Gain on derivatives | (3) |

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 2023.

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 material litigation as reported in previous announcements made by the Company and the Group's Annual Audited Financial Statements for the financial year 2022, there is no change to the trial dates for the second suit i.e. 18 to 20 November 2024 whilst the first suit is still pending a trial date to be fixed by the court.

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 of Directors does not recommend any dividend in respect of the quarter ended 31 March 2023.

26. Earnings Per Share**(a) Basic Earnings Per Share**

Basic earnings per share for the year ended 31 March 2023 is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary stock units outstanding as at 31 March 2023 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

11 May 2023