



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 2023

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 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 9 MONTHS ENDED		% Change +/(–)
	30/09/2023	30/09/2022	% Change +/(–)	30/09/2023	30/09/2022	
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	599,657	720,468	-17%	1,909,118	2,063,379	-7%
2. Operating expenses	(482,147)	(562,776)		(1,526,445)	(1,622,316)	
3. Operating profit	117,510	157,692	-25%	382,673	441,063	-13%
4. Interest expense	(2,177)	(249)		(3,827)	(769)	
5. Profit before tax	115,333	157,443	-27%	378,846	440,294	-14%
6. Taxation	(28,007)	(48,708)		(91,118)	(132,104)	
7. Net profit for the period	<u>87,326</u>	<u>108,735</u>	-20%	<u>287,728</u>	<u>308,190</u>	-7%
8. Profit attributable to owners of the Company	<u>87,326</u>	<u>108,735</u>		<u>287,728</u>	<u>308,190</u>	
9. Total comprehensive income attributable to owners of the Company	<u>87,326</u>	<u>108,735</u>		<u>287,728</u>	<u>308,190</u>	
10. Earnings per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	28.91	35.99		95.24	102.02	
(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 30 September 2023 RM'000	AUDITED AS AT 31 December 2022 RM'000
Non-current assets		
Property, plant and equipment	530,904	505,309
Intangible assets	20,918	20,530
Right-of-use asset	15,090	16,091
Deferred tax assets	2,060	2,147
Other receivables	3,002	889
	571,974	544,966
Current assets		
Inventories	133,795	190,684
Trade and other receivables	487,893	602,035
Current tax assets	36,710	17,982
Cash and cash equivalents	45,085	52,554
	703,483	863,255
Current liabilities		
Trade and other payables	439,433	693,675
Dividend payable	120,839	-
Current tax liabilities	-	15,936
Lease liabilities	3,194	2,857
Borrowings	315,000	170,000
	878,466	882,468
Net current liabilities	(174,983)	(19,213)
	396,991	525,753
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	208,551	337,404
Shareholders' funds	359,600	488,453
Non-current liabilities		
Deferred tax liabilities	35,461	34,208
Lease liabilities	1,930	3,092
	37,391	37,300
	396,991	525,753
Net Assets per share attributable to owners of the Company (RM)	1.19	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 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	9 MONTHS ENDED 30 SEPTEMBER 2023 RM'000	9 MONTHS ENDED 30 SEPTEMBER 2022 RM'000
Cash flows from operating activities		
Profit before tax	378,846	440,294
Adjustments for:		
Amortisation of intangible assets	4,027	3,475
Depreciation of property, plant and equipment	52,727	53,503
Loss on disposal of property, plant and equipment	489	1,250
Loss on disposal of right-of-use asset	-	4
Amortisation of prepaid contractual promotion expenses	5,342	3,059
Interest expense	4,639	1,678
Interest income	(812)	(909)
Unrealised foreign exchange differences	268	382
Operating profit before changes in working capital	445,526	502,736
Movements in working capital		
Inventories	56,889	(31,104)
Receivables, deposits and prepayment	106,687	(9,108)
Payables and accruals	(254,195)	11,006
Cash generated from operations	354,907	473,530
Tax paid	(124,442)	(81,926)
Interest paid	(4,639)	(1,678)
Net cash from operating activities	225,826	389,926
Cash flows from investing activities		
Acquisition of property, plant and equipment	(76,221)	(62,719)
Acquisition of intangible assets	(4,415)	(1,489)
Interest received	812	909
Proceeds from disposal of property, plant and equipment	250	77
Net cash used in investing activities	(79,574)	(63,222)
Cash flows from financing activity		
Lease commitment paid	(2,665)	(2,989)
Increase in/(Repayment) of borrowings	145,000	(160,131)
Dividend paid	(296,056)	(199,385)
Net cash used in financing activity	(153,721)	(362,505)
Net change in cash and cash equivalents	(7,469)	(35,801)
Cash and cash equivalents at beginning of year	52,554	76,479
Cash and cash equivalents at end of period	45,085	40,678

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 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	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	
9 months ended				
<u>30 September 2023</u>				
Balance at 1 January 2023	151,049	647	336,757	488,453
Total comprehensive income for the period	-	-	287,728	287,728
Effects of share-based payments		314	-	314
Dividends paid/ payable	-	-	(416,895)	(416,895)
Balance at 30 September 2023	151,049	961	207,590	359,600
9 months ended				
<u>30 September 2022</u>				
Balance at 1 January 2022	151,049	470	244,157	395,676
Total comprehensive income for the period	-	-	308,190	308,190
Effects of share-based payments	-	178	-	178
Dividends paid / payable	-	-	(320,223)	(320,223)
Balance at 30 September 2022	151,049	648	232,124	383,821

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.

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

The following dividend was paid during the financial quarter under review.

	9 months ended 30 September	
	2023	2022
	RM'000	RM'000
<u>Final Dividend paid</u>		
For year ended 31 December 2022		
98 sen per stock unit tax exempt paid on 20 July 2023	296,056	-
For year ended 31 December 2021		
66 sen per stock unit tax exempt paid on 28 July 2022	-	199,385
	296,056	199,385
	296,056	199,385

On 15 August 2023, the Company declared a single tier Interim Dividend of 40 sen per stock unit, amounting to RM120,839,200 in respect of the financial year ending 31 December 2023. The said dividend was paid on 10 November 2023.

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 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 30 September 2023 are as follows:

	RM'000
Property, plant and equipment	
Authorised and contracted for	33,960

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	97
Purchase of beverage products, manufacturing and marketing materials	15,231
Royalties paid/payable	39,509
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>28,342</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 2023.

16. Review of Performance

Quarter ended 30 September 2023 versus quarter ended 30 September 2022

	3 months ended 30 September 2023 RM'000	3 months ended 30 September 2022 RM'000	% Change + / (-)
Revenue	599,657	720,468	-17%
Profit before tax	115,333	157,443	-27%

Group revenue decreased by 17% as compared to the same quarter in 2022, mainly due to lower sales arising from weak consumer sentiment driven by rising cost of living and macro-economic concerns.

The Group had a strong base in the third quarter of 2022 as the market had an upsurge in sales (Revenue +85% versus the third quarter of 2021), following the re-opening of the economy and international borders at the start of the endemic phase. The Group views this quarter's performance as a continuation of the form of market correction as reported in the previous quarter's report.

Group profit before tax ("PBT") decreased by 27% alongside with lower revenue, mitigated by efficiency gains through cost and value initiatives.

Nine months ended 30 September 2023 versus the same period in 2022

	9 months ended 30 September 2023 RM'000	9 months ended 30 September 2022 RM'000	% Change + / (-)
Revenue	1,909,118	2,063,379	-7%
Profit before tax	378,846	440,294	-14%

Group revenue was 7% lower mainly due to weaker consumer sentiment attributed to growing macroeconomic concerns and strong rebound in 2022 as mentioned above, buffered by higher sales in the first quarter due to Chinese New Year festive period.

Group PBT declined by 14% principally due to lower revenue and relatively higher promotional and marketing expenses incurred during the period.

16. Review of Performance (continued)

Quarter ended 30 September 2023 versus 30 June 2023

	3 months ended 30 September 2023 RM'000	3 months ended 30 June 2023 RM'000	% Change + / (-)
Revenue	599,657	569,243	5%
Profit before tax	115,333	118,916	-3%

Group revenue increased by 5% against the preceding quarter due to relatively better sales performance.

Group PBT declined by 3% against the preceding quarter mainly due to higher repair and maintenance cost incurred for in the quarter under review.

17. Prospects

Looking ahead, the Group expects the market to remain challenging as the global economy remains highly uncertain and the weakening of currency which may have a negative impact on consumer sentiment. The trend of market correction observed in the current and previous quarters is expected to continue.

The Group will remain agile to the volatile business environment and will continue to focus on its EverGreen strategy to future-proof its business. The Group will also continue to drive efficiency through cost optimisation across the organisation. In the absence of the one-off Prosperity Tax, we look forward to a positive impact on the Group's net profit this year.

The Group welcomes the stance taken by the Government not to increase excise duties on beer in its latest Budget 2024, as any hike in excise rates will drive greater demand for illicit alcohol. The Group will continue to monitor and support the authorities in addressing this issue through comprehensive efforts and promoting greater awareness within 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 September 2023 RM'000	9 months ended 30 September 2023 RM'000
Taxation		
Malaysian - Current	27,829	91,072
Deferred taxation		
Malaysian - Current	178	46
	28,007	91,118

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

Total group borrowing as at 30 September 2023 are as follow:

	As at 30 September 2023 RM'000
<u>Current - Unsecured</u>	
Trade Financing	175,000
Revolving credit	140,000
	<u>315,000</u>

The tenure for the above borrowings is between 4 to 8 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	201	198	3

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

	9 months ended 30 September 2023 RM'000
Depreciation and amortization	56,754
Provision for and write off of inventories	6,702
Gain 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 September 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, the suits will be heard on 18 – 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 of Directors does not recommend any dividend in respect of the quarter ended 30 September 2023.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the period ended 30 September 2023 is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary stock units outstanding as at 30 September 2023 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

27 November 2023