



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 2022

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 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED		% Change +/(–)	CUMULATIVE PERIOD 9 MONTHS ENDED		% Change +/(–)
	30/09/2022	30/09/2021		30/09/2022	30/09/2021	
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	720,468	389,848	85%	2,063,379	1,287,009	60%
2. Operating expenses	(562,776)	(322,255)		(1,622,316)	(1,088,471)	
3. Operating profit	157,692	67,593	133%	441,063	198,538	122%
4. Interest expense	(249)	(377)		(769)	(1,510)	
5. Profit before tax	157,443	67,216	134%	440,294	197,028	123%
6. Taxation	(48,708)	(16,199)		(132,104)	(47,198)	
7. Net profit for the period	<u>108,735</u>	<u>51,017</u>	113%	<u>308,190</u>	<u>149,830</u>	106%
8. Profit attributable to owners of the Company	<u>108,735</u>	<u>51,017</u>		<u>308,190</u>	<u>149,830</u>	
9. Total comprehensive income attributable to owners of the Company	<u>108,735</u>	<u>51,017</u>		<u>308,190</u>	<u>149,830</u>	
10. Earnings per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	35.99	16.89		102.02	49.60	
(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 September 2022 RM'000	AUDITED AS AT 31 December 2021 RM'000
Non-current assets		
Property, plant and equipment	398,114	388,404
Intangible assets	15,050	15,657
Right-of-use asset	16,661	18,719
Deferred tax assets	-	5,782
Other receivables	911	1,546
	<u>430,736</u>	<u>430,108</u>
Current assets		
Inventories	182,282	151,178
Trade and other receivables	421,937	415,253
Current tax assets	13,498	15,155
Cash and cash equivalents	40,678	76,479
	<u>658,395</u>	<u>658,065</u>
Current liabilities		
Trade and other payables	613,748	481,699
Current tax liabilities	57,765	10,162
Lease liabilities	2,866	3,283
Borrowings	-	160,131
	<u>674,379</u>	<u>655,275</u>
Net current assets	<u>(15,984)</u>	<u>2,790</u>
	<u>414,752</u>	<u>432,898</u>
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	232,772	244,627
Shareholders' funds	<u>383,821</u>	<u>395,676</u>
Non-current liabilities		
Deferred tax liabilities	27,343	32,207
Lease liabilities	3,588	5,015
	<u>30,931</u>	<u>37,222</u>
	<u>414,752</u>	<u>432,898</u>
Net Assets per share attributable to owners of the Company (RM)	1.27	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 NINE MONTHS ENDED 30 SEPTEMBER 2022

	9 MONTHS ENDED 30 September 2022	9 MONTHS ENDED 30 September 2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	440,294	197,028
Adjustments for:		
Amortisation of intangible assets	3,475	5,007
Depreciation of property, plant and equipment	53,503	47,485
Loss on disposal of property, plant and equipment	1,250	467
Loss/(Gain) on disposal of right-of-use asset	4	(8)
Amortisation of prepaid contractual promotion expenses	3,059	15,219
Interest expense	1,678	2,692
Interest income	(909)	(1,182)
Unrealised foreign exchange differences	382	226
Operating profit before changes in working capital	502,736	266,934
Movements in working capital		
Inventories	(31,104)	50,990
Receivables, deposits and prepayment	(9,108)	(52,812)
Payables and accruals	11,006	(110,054)
Cash generated from operations	473,530	155,058
Tax paid	(81,926)	(58,233)
Interest paid	(1,678)	(2,692)
Net cash from operating activities	389,926	94,133
Cash flows from investing activities		
Acquisition of property, plant and equipment	(62,719)	(35,339)
Acquisition of intangible assets	(1,489)	(1,465)
Interest received	909	1,182
Proceeds from disposal of property, plant and equipment	77	780
Net cash used in investing activities	(63,222)	(34,842)
Cash flows from financing activity		
Lease commitment paid	(2,989)	(3,801)
(Repayment)/ Increase of borrowings	(160,131)	68,792
Dividend paid	(199,385)	(154,070)
Net cash used in financing activity	(362,505)	(89,079)
Net change in cash and cash equivalents	(35,801)	(29,788)
Cash and cash equivalents at beginning of year	76,479	131,902
Cash and cash equivalents at end of period	40,678	102,114

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 NINE MONTHS ENDED 30 SEPTEMBER 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
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
9 months ended				
<u>30 September 2021</u>				
Balance at 1 January 2021	151,049	470	197,864	349,383
Total comprehensive income for the period	-	-	149,830	149,830
Dividends paid / payable	-	-	(199,385)	(199,385)
Balance at 30 September 2021	151,049	470	148,309	299,828

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

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

	9 months ended 30 September	
	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
	199,385	154,070
	199,385	154,070

On 12 August 2022, 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 2022. The said dividend will be paid on 11 November 2022.

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 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 September 2022 are as follows:

	RM'000
Property, plant and equipment	
Authorised and contracted for	97,449

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	21,850
Royalties paid/payable	38,467
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>26,307</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 September 2022 versus quarter ended 30 September 2021

	3 months ended 30 September 2022 RM'000	3 months ended 30 September 2021 RM'000	% Change + / (-)
Revenue	720,468	389,848	85%
Profit before tax	157,443	67,216	134%

Group revenue grew by 85%, mainly due to strong post-COVID recovery following the reopening of international borders, increased on-trade consumption as well as positive mix impact from our premium portfolio growth.

Group profit before tax ("PBT") grew significantly by 134% to RM157 million. The growth was driven by revenue growth as highlighted above as well as driving efficiency through cost and value initiatives whilst the Group continued to invest behind its brands and capabilities in line with our EverGreen strategy.

Nine months ended 30 September 2022 versus the same period in 2021

	9 months ended 30 September 2022 RM'000	9 months ended 30 September 2021 RM'000	% Change + / (-)
Revenue	2,063,379	1,287,009	60%
Profit before tax	440,294	197,028	123%

Group revenue and PBT increased by 60% and 123% respectively, mainly driven by low volume last year as the brewery was closed due to the Movement Control Order. In addition, our performance was enhanced by strong CNY/festive period, steady recovery for the on-trade business, better revenue and cost management.

HEINEKEN MALAYSIA BERHAD

Company No. 196401000020 (5350-X)

16. Review of Performance (Continued)

Quarter ended 30 Sept 2022 versus quarter ended 30 June 2022

	3 months ended 30 September 2022 RM'000	3 months ended 30 June 2022 RM'000	% Change + / (-)
Revenue	720,468	644,577	12%
Profit before tax	157,443	127,784	23%

Group revenue increased by 12%, mainly due to recovery of the on-trade business, better product mix and price adjustment implemented on selected products effective 1 August 2022.

As a result, Group PBT increased by 23%.

17. Prospects

The Group continues to be cautious on the macroeconomic outlook. The market condition remains challenging given the continued pressure from global supply chain disruptions, recessionary pressures from leading economies, rising input cost, weakening ringgit and rising inflation that could 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 continue to invest behind our brands and capabilities. The Group will also drive its sustainability agenda on creating a positive impact where it operates by taking on a responsibility towards people, planet and performance.

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 period under review comprises the following:

	3 months ended 30 September 2022 RM'000	9 months ended 30 September 2022 RM'000
Taxation		
Malaysian – Current	48,757	132,274
Deferred taxation		
Malaysian – Current	(49)	(170)
	48,708	132,104

The Group's effective tax rate for the quarter and nine months ended 30 September 2022 were 30.9% and 30% 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.

HEINEKEN MALAYSIA BERHAD

Company No. 196401000020 (5350-X)

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	1,442	1,437	5

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 2022 RM'000
Depreciation and amortization	56,978
Provision for and write off of inventories	2,209
Gain on derivatives	(239)

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 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.

The material litigation as disclosed in the Company's Condensed Consolidated Financial Statements for the first quarter ended 31 March 2022 and second quarter ended 30 June 2022 is currently undergoing case management. Trial for the Suit and the Claim has been fixed for 27 to 31 March 2023 and 18 to 20 November 2024 respectively.

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 2022.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the period ended 30 September 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 September 2022 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

8 November 2022