



HEINEKEN MALAYSIA BERHAD

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2023

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 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED			CUMULATIVE PERIOD 12 MONTHS ENDED		% Change +/(–)
	31/12/2023	31/12/2022		31/12/2023	31/12/2022	
	RM'000	RM'000		RM'000	RM'000	
1. Revenue	728,623	791,686	-8%	2,637,741	2,855,065	-8%
2. Operating expenses	(592,985)	(636,525)		(2,119,430)	(2,258,841)	
3. Operating profit	135,638	155,161	-13%	518,311	596,224	-13%
4. Interest expense	(3,604)	(955)		(7,431)	(1,724)	
5. Profit before tax	132,034	154,206	-14%	510,880	594,500	-14%
6. Taxation	(32,962)	(49,572)		(124,080)	(181,676)	
7. Net profit for the period	<u>99,072</u>	<u>104,634</u>	-5%	<u>386,800</u>	<u>412,824</u>	-6%
8. Profit attributable to owners of the Company	<u>99,072</u>	<u>104,634</u>		<u>386,800</u>	<u>412,824</u>	
9. Total comprehensive income attributable to owners of the Company	<u>99,072</u>	<u>104,634</u>		<u>386,800</u>	<u>412,824</u>	
10. Earnings per share:						
(a) Basic (based on 302,098,000 stock units) (sen)	32.80	34.64		128.04	136.65	
(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 December 2023 RM'000	AUDITED AS AT 31 December 2022 RM'000
Non-current assets		
Property, plant and equipment	576,464	505,309
Intangible assets	20,357	20,530
Right-of-use asset	18,848	16,091
Deferred tax assets	1,742	2,147
Other receivables	2,663	889
	620,074	544,966
Current assets		
Inventories	116,794	190,684
Trade and other receivables	438,000	602,035
Current tax assets	29,912	17,982
Cash and cash equivalents	43,318	52,554
	628,024	863,255
Current liabilities		
Trade and other payables	610,932	693,675
Current tax liabilities	-	15,936
Lease liabilities	3,906	2,857
Borrowings	135,000	170,000
	749,838	882,468
Net current liabilities	(121,814)	(19,213)
	498,260	525,753
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves	307,623	337,404
Shareholders' funds	458,672	488,453
Non-current liabilities		
Deferred tax liabilities	34,567	34,208
Lease liabilities	5,021	3,092
	39,588	37,300
	498,260	525,753
Net Assets per share attributable to owners of the Company (RM)	1.52	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 YEAR ENDED 31 DECEMBER 2023

	YEAR ENDED 31 DECEMBER 2023 RM'000	YEAR ENDED 31 DECEMBER 2022 RM'000
Cash flows from operating activities		
Profit before tax	510,880	594,500
Adjustments for:		
Amortisation of intangible assets	5,689	4,676
Depreciation of property, plant and equipment	69,323	74,096
Loss on disposal of property, plant and equipment	563	3,008
Loss on disposal of right-of-use asset	-	4
Amortisation of prepaid contractual promotion expenses	6,959	3,209
Interest expense	8,585	2,917
Interest income	(1,154)	(1,193)
Unrealised foreign exchange differences	19	(142)
Operating profit before changes in working capital	600,864	681,075
Movements in working capital		
Inventories	73,890	(37,046)
Receivables, deposits and prepayment	155,302	(199,585)
Payables and accruals	(82,447)	220,084
Cash generated from operations	747,609	664,528
Tax paid	(151,182)	(173,093)
Interest paid	(8,585)	(2,917)
Net cash from operating activities	587,842	488,518
Cash flows from investing activities		
Acquisition of property, plant and equipment	(137,322)	(192,828)
Acquisition of intangible assets	(5,516)	(6,653)
Interest received	1,154	1,193
Proceeds from disposal of property, plant and equipment	260	119
Net cash used in investing activities	(141,424)	(198,169)
Cash flows from financing activity		
Lease commitment paid	(3,759)	(3,919)
(Repayment) /Increase of borrowings	(35,000)	9,869
Dividend paid	(416,895)	(320,224)
Net cash used in financing activity	(455,654)	(314,274)
Net change in cash and cash equivalents	(9,236)	(23,925)
Cash and cash equivalents at beginning of year	52,554	76,479
Cash and cash equivalents at end of period	43,318	52,554

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 YEAR ENDED 31 DECEMBER 2023

	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 2023</u>				
Balance at 1 January 2023	151,049	647	336,757	488,453
Total comprehensive income for the period	-	-	386,800	386,800
Effects of share-based payments		314	-	314
Dividends paid/ payable	-	-	(416,895)	(416,895)
Balance at 31 December 2023	151,049	961	306,662	458,672
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

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 current and previous year ended:

	Year ended 31 December	
	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
<u>Interim Dividend paid</u>		
For year ended 31 December 2023	120,839	
40 sen per stock unit tax exempt paid on 10 November 2023		
For year ended 31 December 2022		120,839
40 sen per stock unit tax exempt paid on 11 November 2022		
	416,895	320,224

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 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.

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14. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2023 are as follows:

	<u>RM'000</u>
Property, plant and equipment Authorised and contracted for	20,445

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	97
Purchase of beverage products, manufacturing and marketing materials	28,099
Royalties paid/payable	53,023
Fees paid/payable for professional services relating to technical, marketing and other advisory support	<u>39,119</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 PerformanceQuarter ended 31 December 2023 versus quarter ended 31 December 2022

	3 months ended 31 December 2023 RM'000	3 months ended 31 December 2022 RM'000	% Change + / (-)
Revenue	728,623	791,686	-8%
Profit before tax	132,034	154,206	-14%

Group revenue decreased by 8% 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.

Group profit before tax ("PBT") decreased by 14% primarily driven by lower revenue. However, the Group's net profit for the quarter decreased by 5% due to the absence of the one-off Prosperity Tax in the current year.

Twelve months ended 31 December 2023 versus the same period in 2022

	12 months ended 31 December 2023 RM'000	12 months ended 31 December 2022 RM'000	% Change + / (-)
Revenue	2,637,741	2,855,065	-8%
Profit before tax	510,880	594,500	-14%

16. Review of Performance (continued)

Group revenue was 8% lower mainly due to weak consumer sentiment attributed to growing macroeconomic concerns in 2023. Comparatively, the Group had a strong base in 2022 following the re-opening of the economy at the end of the Covid-19 pandemic. Post the strong rebound in 2022, the Group views its 2023 performance as a form of market correction.

Group PBT declined by 14% principally due to lower revenue. Comparatively, the Group's net profit for the year decreased by 6% due to the absence of the one-off Prosperity Tax in the current year.

Quarter ended 31 December 2023 versus 30 September 2023

	3 months ended 31 December 2023 RM'000	3 months ended 30 September 2023 RM'000	% Change + / (-)
Revenue	728,623	599,657	22%
Profit before tax	132,034	115,333	14%

Group revenue increased by 22% against the preceding quarter, mainly attributed to higher sales driven by festive seasons and supported by Chinese New Year festive sell-in in the quarter under review.

Group PBT increased by 14% against the preceding quarter mainly due to growth in revenue, offset partially by higher commercial expenses incurred for pre-Chinese New Year festive activation.

17. Prospects

After a soft beer market in 2023, the Group remains cautious and expects the business environment to remain challenging in 2024 due to rising cost of living, geopolitical uncertainties and weakening Ringgit which could have a negative impact on consumer sentiment and spending.

The Group will continue to adopt an agile approach to the volatile business environment and will focus on its EverGreen strategy to deliver its 2024 ambition. As a responsible brewer, the Group will continue to deliver on its Brew a Better World sustainability agenda.

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 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 and period ended 31 December 2023 comprises the following:

	3 months ended 31 December 2023 RM'000	12 months ended 31 December 2023 RM'000
Taxation		
Malaysian – Current	32,507	123,579
Malaysian – Prior	449	449
Deferred taxation		
Malaysian – Current	357	403
Malaysian – Prior	(351)	(351)
	32,962	124,080

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 31 December 2023 are as follow:

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
<u>Current – Unsecured</u>		
Trade Financing	90,000	40,000
Revolving credit	45,000	130,000
	135,000	170,000

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	Gain arising from fair value changes RM'000
Forward foreign exchange contracts – Less than one year	251	254	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.

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 2023 RM'000	12 months ended 31 December 2023 RM'000
Depreciation and amortization	18,258	75,012
Provision for and write off of inventories	1,478	8,180
Gain on derivatives	(6)	(7)

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 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 has proposed a single tier final dividend of 88 sen per stock unit for the year ended 31 December 2023 (31 December 2022: 98 sen per stock unit, single tier). Total dividend for the year ended 31 December 2023 is 128 sen per stock unit comprising:

- (i) a single tier interim dividend of 40 sen per stock unit which was paid on 10 November 2023; and
- (ii) a proposed single tier final dividend of 88 sen per stock unit.

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25. Dividend (continued)

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 25 July 2024. The entitlement date for the dividend payment is 28 June 2024.

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 26 June 2024 (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 28 June 2024 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 RM265,846,240 has not been accounted for in the financial statements as at 31 December 2023.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the year ended 31 December 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 December 2023 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Roland Bala

Managing Director

27 February 2024