



Carlsberg Brewery Malaysia Berhad

Company No. 9210-K
(Incorporated in Malaysia)

Interim Financial Report
31 March 2017

Interim Financial Report for the Quarter Ended 31 March 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Quarter Ended 31 March 2017

	3 months ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	502,636	455,721	502,636	455,721
Operating expenses	(412,111)	(375,626)	(412,111)	(375,626)
Other operating income	4,713	356	4,713	356
Profit from operations	95,238	80,451	95,238	80,451
Finance income	513	159	513	159
Finance costs	(1,829)	(1,380)	(1,829)	(1,380)
Share of loss of equity accounted associate, net of tax	(5,919)	(1,170)	(5,919)	(1,170)
Profit before taxation	88,003	78,060	88,003	78,060
Taxation	(19,480)	(14,019)	(19,480)	(14,019)
Profit for the period	68,523	64,041	68,523	64,041
Profit attributable to:				
Owner of the Company	67,389	62,941	67,389	62,941
Non-controlling interests	1,134	1,100	1,134	1,100
Profit for the period	68,523	64,041	68,523	64,041
Profit for the period	68,523	64,041	68,523	64,041
Other comprehensive expenses				
Foreign currency translation differences for foreign operations	(396)	(13,114)	(396)	(13,114)
Total comprehensive income for the period	68,127	50,927	68,127	50,927
Total comprehensive income attributable to:				
Owner of the Company	66,993	49,827	66,993	49,827
Non-controlling interests	1,134	1,100	1,134	1,100
Total comprehensive income for the period	68,127	50,927	68,127	50,927
EPS - Basic (sen)	22.04	20.59	22.04	20.59
- Diluted (sen)	N/A	N/A	N/A	N/A

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Quarter Ended 31 March 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	AS AT 31.03.17 RM'000	AS AT 31.12.16 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant & equipment	166,515	172,287
Other intangible assets	4,001	4,344
Investment in an associate	65,235	73,074
Deferred tax assets	3,312	3,087
	239,063	252,792
<u>Current assets</u>		
Inventories	49,877	96,283
Receivables, deposits and prepayments	204,580	270,065
Current tax assets	9,476	6,112
Cash & cash equivalents	170,849	36,270
	434,782	408,730
TOTAL ASSETS	673,845	661,522
EQUITY		
Total equity attributable to equity holders of the Company		
Share capital	154,039	154,039
Reserves	234,677	167,650
	388,716	321,689
Non-controlling interests	9,492	8,358
Total Equity	398,208	330,047
LIABILITIES		
<u>Non-current liabilities</u>		
Deferred tax liabilities	16,383	15,201
Payables and accruals	2,082	1,698
	18,465	16,899
<u>Current liabilities</u>		
Payables and accruals	216,407	252,121
Current tax liabilities	40,765	29,016
Loans and borrowings	-	33,439
	257,172	314,576
TOTAL LIABILITIES	275,637	331,475
TOTAL EQUITY AND LIABILITIES	673,845	661,522
Net assets per share (RM)	1.30	1.08

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Quarter Ended 31 March 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Quarter Ended 31 March 2017

Group	-----Attributable to Equity Holders of the Company-----								-----Non-distributable-----		-----Distributable-----	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Share Option Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total RM'000	
At 1 January 2016	154,039	(12,043)	7,367	19,587	3,931	(451)	(780)	163,925	335,575	7,013	342,588	
Total comprehensive income for the year	-	-	-	928	-	-	-	204,978	205,906	5,687	211,593	
Dividends to owner of the Company	-	-	-	-	-	-	-	(220,139)	(220,139)	-	(220,139)	
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,342)	(4,342)	
Others	-	-	-	-	-	347	-	-	347	-	347	
At 31 December 2016	154,039	(12,043)	7,367	20,515	3,931	(104)	(780)	148,764	321,689	8,358	330,047	
At 1 January 2017	154,039	(12,043)	7,367	20,515	3,931	(104)	(780)	148,764	321,689	8,358	330,047	
Total comprehensive income for the period	-	-	-	(396)	-	-	-	67,389	66,993	1,134	68,127	
Others	-	-	-	-	-	34	-	-	34	-	34	
At 31 March 2017	154,039	(12,043)	7,367	20,119	3,931	(70)	(780)	216,153	388,716	9,492	398,208	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Quarter Ended 31 March 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Quarter Ended 31 March 2017

	3 months ended 31 March	
	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	88,003	78,060
Adjustments for:		
Non-cash items	13,005	11,855
Finance costs	1,829	1,380
Finance income	(513)	(159)
Operating profit before working capital changes	102,324	91,136
Changes in working capital:		
Inventories	46,272	25,604
Receivables, deposits and prepayments	65,603	10,153
Payables and accruals	(35,329)	(15,697)
Cash generated from operations	178,870	111,196
Tax paid	(10,222)	(17,044)
Net cash generated from operating activities	168,648	94,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,929)	(7,332)
Interest received	513	159
Proceeds from disposal of property, plant and equipment	185	75
Net cash used in investing activities	(1,231)	(7,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,829)	(1,380)
Reimbursement to ultimate holding company for share options granted	(22)	-
Net repayment of short-term borrowings	(29,488)	(7,309)
Net cash used in financing activities	(31,339)	(8,689)
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,078	78,365
Effect of exchange rate fluctuations on cash held	2,452	(9,023)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	32,319	39,812
CASH AND CASH EQUIVALENTS AT 31 MARCH	170,849	109,154

Cash and cash equivalents comprise the following amounts:

	3 months ended 31 March	
	2017 RM'000	2016 RM'000
Deposits with licensed banks	86,295	1,200
Cash and bank balances	84,554	122,962
Bank overdraft	170,849	124,162
	-	(15,008)
	170,849	109,154

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Notes :
1. Basis of Preparation

This Interim Financial Report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134, *Interim Financial Reporting* issued by Malaysian Accounting Standards Board, and International Accounting Standard (IAS) 34, *Interim Financial Reporting* issued by International Accounting Standards Board and paragraph 9.22 together with Part A, Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2016.

1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued But Not Yet Effective

At the date of authorisation of these interim financial report, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual period beginning on or after
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

1. Basis of Preparation (continued)

1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued But Not Yet Effective

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual period beginning on or after
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 140	Investment Property – Transfers of Investment Property	1 January 2018
MFRS 16	Leases	1 January 2019

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group's level of operations are generally affected by the festive seasons.

4. Unusual Items affecting the assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows during the current financial period under review.

5. Changes in Estimates

There were no significant changes in estimates that have had a material effect in the current financial period under review.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period under review.

Share Buyback

During the period, there was no purchase of shares by the Company.

All shares bought back in 1999 were retained as treasury shares for the current quarter and financial year-to-date.

7. Dividends Paid

There were no dividends paid during the current financial period under review.

8. Operating Segments

The Group concluded that the operating segments determined in accordance with MFRS/ IFRS 8 are the same as the geographical segments as previously adopted.

Segment assets and liabilities are not included in the internal management reports nor provided regularly to the Group's Managing Director. Hence no disclosure is made.

Quarter Ended 31 March 2017	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	341,138	161,498	-	502,636
Inter segment revenue	22,264	-	(22,264)	-
Total revenue	363,402	161,498	(22,264)	502,636
Profit from operations	68,947	26,252	39	95,238

Quarter Ended 31 March 2016	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	319,682	136,039	-	455,721
Inter segment revenue	18,154	-	(18,154)	-
Total revenue	337,836	136,039	(18,154)	455,721
Profit from operations	60,755	20,001	(305)	80,451

9. Material Contracts

No new material contracts were concluded during current financial period under review.

10. Property, Plant and Equipment

There were no changes to the valuation of property, plant and equipment since the previous audited financial statements.

11. Subsequent Events

The Board is not aware of any material event or transaction during the current financial period under review to the date of this announcement, which affects substantially the results of the operation of the Group.

12. Changes in Contingent Liabilities and Contingent Assets

On 23 September 2014, the Board of Directors of the Company has announced to the Bursa Malaysia that the Company has on 19 September 2014 received two bills of demand both dated 17 September 2014 from the Selangor State Director of Royal Malaysian Customs (“State Customs”) for the following:

- (i) Excise duty amounting to RM35,698,219.81 for period of 1 July 2011 to 14 January 2014;
- (ii) Sales tax amounting to RM13,763,381.02 and penalty amounting to RM6,881,690.56 for period of 1 July 2011 to 14 January 2014.

The Company has not agreed to the demands made by the State Customs. Based on legal advice sought, there are reasonable grounds to object the basis of the bills of demand issued by the State Customs. At this stage, the Directors believe that it is not probable that a future sacrifice of economic benefits will be required.

13. Capital Commitments

Capital commitments for property, plant and equipment and intangible assets not provided for in the financial statements as at 31 March 2017 are as follows:

	RM'000
Approved and contracted for	12,141
Approved but not contracted for	32,706
	44,847

14. Financial Instruments

Derivatives

The outstanding derivative as at the end of the current period is as follows:

Aluminium Hedging Contract	Contract Value (RM'000)	Fair Value (RM'000)	Difference (RM'000)
- Less than 1 year	11,695	14,853	3,158
- 2 to 5 years	-	-	-
	11,695	14,853	3,158

15. Holding Company

The Directors regard Carlsberg Breweries A/S, a company incorporated in Denmark, as the holding company.

16. Significant Related Party Transactions

**3 months
ended
31 March 2017
RM'000**

Transactions with holding company:

Purchases of materials and products	331
Purchases of services	583
Royalties payables	10,755

Transactions with related companies:

Management fees payables	1,923
Purchases of materials and products	5,440
Purchases of services	827
Sales of goods	12,545
Others	298

These transactions had been entered in the ordinary course of business and based on normal commercial terms.

17. Review of Performance

Current Quarter Performance

Group revenue increased by 10.3% as compared to the same quarter last year contributed by higher volume in both Malaysia and Singapore and a price increase in 2016. Correspondingly, Group profit from operations increased by 18.4% to RM95.2 million.

Malaysia operations total revenue increased by 7.6% as compared to the same period last year due to higher sales in the local market and a price increase in response to duty increases in March 2016. Operating profits increased by RM8.2 million or 13.5% following the higher revenue as well as from effective cost management.

Singapore revenue increased by 18.7% as compared to the same period last year due mainly to higher sales. Operating profits increased by RM6.3 million or 31.3% due to higher revenue and effective costs management.

The Group registered a higher share of losses in its associate company in Sri Lanka, Lion Brewery (Ceylon) PLC (“LBCP”) of RM5.9 million versus RM1.2 million in the corresponding quarter last year. This was mainly due to impairment losses on the Miller Brewery Limited brands in Sri Lanka which was acquired by LBCP in 2014 and business losses as LBCP still recovers from the flood at its brewery in 2016. These negative factors were mitigated by higher deferred tax assets attributable to its business losses and write back of fixed assets impacted by the flood.

18. Variation of Result against the Preceding Quarter

The Group’s revenue increased by 15.6% or RM68.0 million against the preceding quarter due to higher sales in both Malaysia and Singapore during the Chinese New Year festive period.

The Group’s profit before tax increased by RM6.8 million to RM88.0 million mainly due to the higher revenue, partially offset by a higher share of loss from associated company, Lion Brewery (Ceylon) PLC.

19. Prospects

The 2017 market conditions are expected to remain challenging. Nevertheless, the Group is confident to meet the challenges and deliver a satisfactory performance.

20. Profit Forecast

Not applicable as no profit forecast was published.

21. Taxation

	3 months ended 31 March	
	2017 RM'000	2016 RM'000
<u>Taxation</u>		
- Malaysia	13,736	10,306
- Outside Malaysia	4,790	3,713
	18,526	14,019
<u>Deferred tax</u>		
- Malaysia	954	-
Tax expense	19,480	14,019

The Group's effective tax rate is higher than the same quarter in preceding year due to one-off tax adjustments relating to prior periods in 2016.

22. Realised and Unrealised Profits/ Losses

	Group as at 31 March 2017 RM'000	Group as at 31 March 2016 RM'000
Total retained earnings of the Company and its subsidiaries :		
- Realised	566,250	571,800
- Unrealised	(10,878)	(12,276)
Total retained earnings of an associate :		
- Realised	49,578	54,575
- Unrealised	(17,363)	(16,810)
Less : Consolidation adjustments	(371,434)	(370,423)
	216,153	226,866

23. Corporate Proposals

There were no corporate proposals announced at the date of this announcement.

24. Borrowing and Debt Securities

During the period under review, the Group has fully repaid its bank overdraft and revolving credit amounting to RM33,439,000.

25. Material Litigation

There was no material litigation action since the last annual balance sheet date to the date of this report.

26. Earnings Per Share
Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Company:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Net Profit attributable to shareholders (RM'000)	67,389	62,941
Weighted average number of ordinary shares in issue ('000)	305,748	305,748
Basic earnings per share (sen)	22.04	20.59

Diluted earnings per share

Not applicable.

27. Notes to the Statement of Comprehensive Income

	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2016 RM'000
Depreciation and amortisation	(7,863)	(9,118)
Gain on disposal of property, plant and equipment	233	3
Reversal of impairment loss on receivables	118	-
Recovery of upfront payments	1,520	531
Inventories written off	(59)	(32)
Allowance for inventories obsolescence	(75)	(75)
Net foreign exchange loss	148	(2,328)

Other than the above and disclosed in the Statement of Comprehensive Income, there were no gain or loss on disposal of quoted or unquoted investment for the current quarter.

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 May 2017.