



Carlsberg Brewery Malaysia Berhad

Company No. 9210-K
(Incorporated in Malaysia)

Interim Financial Report
30 September 2017

Interim Financial Report for the Quarter Ended 30 September 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Quarter Ended 30 September 2017

	3 months ended 30 September		9 months ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	423,507	393,305	1,338,285	1,244,851
Operating expenses	(368,257)	(336,649)	(1,110,706)	(1,041,739)
Other operating income	715	4,596	5,407	5,400
Profit from operations	55,965	61,252	232,986	208,512
Finance income	498	131	1,974	753
Finance costs	(1,749)	(1,741)	(5,227)	(4,765)
Share of profit/(loss) of equity accounted associate, net of tax	623	(1,700)	(2,919)	(1,886)
Profit before taxation	55,337	57,942	226,814	202,614
Taxation	(10,288)	(12,871)	(46,945)	(40,635)
Profit for the period	45,049	45,071	179,869	161,979
Profit attributable to:				
Owner of the Company	42,847	43,609	171,159	157,910
Non-controlling interests	2,202	1,462	8,710	4,069
Profit for the period	45,049	45,071	179,869	161,979
Profit for the period	45,049	45,071	179,869	161,979
Other comprehensive expenses				
Cash flow hedge	739	-	841	-
Foreign currency translation differences for foreign operations	(1,035)	3,089	(5,752)	(5,556)
Total comprehensive income for the period	44,753	48,160	174,958	156,423
Total comprehensive income attributable to:				
Owner of the Company	42,551	46,698	166,248	152,354
Non-controlling interests	2,202	1,462	8,710	4,069
Total comprehensive income for the period	44,753	48,160	174,958	156,423
EPS - Basic (sen)	14.01	14.26	55.98	51.65
- 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 30 September 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	AS AT 30.09.17 RM'000	AS AT 31.12.16 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant & equipment	165,519	172,287
Other intangible assets	3,580	4,344
Investment in an associate	64,405	73,074
Deferred tax assets	3,847	3,087
	237,351	252,792
<u>Current assets</u>		
Inventories	52,229	96,283
Receivables, deposits and prepayments	240,835	270,065
Current tax assets	13,373	6,112
Cash & cash equivalents	87,429	36,270
	393,866	408,730
TOTAL ASSETS	631,217	661,522
EQUITY		
Total equity attributable to equity holders of the Company		
Share capital	149,363	154,039
Reserves	103,226	167,650
	252,589	321,689
Non-controlling interests	10,945	8,358
Total Equity	263,534	330,047
LIABILITIES		
<u>Non-current liabilities</u>		
Deferred tax liabilities	17,697	15,201
Payables and accruals	-	1,698
Provision	336	-
	18,033	16,899
<u>Current liabilities</u>		
Payables and accruals	288,121	252,121
Current tax liabilities	29,543	29,016
Loans and borrowings	31,986	33,439
	349,650	314,576
TOTAL LIABILITIES	367,683	331,475
TOTAL EQUITY AND LIABILITIES	631,217	661,522
Net assets per share (RM)	0.86	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 30 September 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Quarter Ended 30 September 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	Cash flow Hedge 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	-	-	-	(5,752)	841	-	-	-	171,159	166,248	8,710	174,958
Dividends to owner of the Company	-	-	-	-	-	-	-	-	(235,426)	(235,426)	-	(235,426)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,123)	(6,123)
Treasury shares cancelled	(12,043)	12,043	-	-	-	-	-	-	-	-	-	-
Transfer pursuant to Companies Act 2016	7,367	-	(7,367)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	78	-	-	78	-	78
At 30 September 2017	149,363	-	-	14,763	841	3,931	(26)	(780)	84,497	252,589	10,945	263,534

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 30 September 2017

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Quarter Ended 30 September 2017

	9 months ended 30 September	
	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	226,814	202,614
Adjustments for:		
Non-cash items	26,491	27,873
Finance costs	5,227	4,765
Finance income	(1,974)	(753)
Operating profit before working capital changes	256,558	234,499
Changes in working capital:		
Inventories	43,800	23,882
Receivables, deposits and prepayments	30,190	32,341
Payables and accruals	3,727	(1,134)
Cash generated from operations	334,275	289,588
Tax paid	(51,917)	(51,446)
Net cash generated from operating activities	282,358	238,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(16,871)	(23,289)
Acquisition of intangible assets	(30)	(155)
Interest received	1,974	753
Proceeds from disposal of property, plant and equipment	2,021	95
Dividends received from associate	-	1,478
Net cash used in investing activities	(12,906)	(21,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders of the Company	(204,851)	(204,851)
Dividend paid to non-controlling interests of subsidiary	(6,123)	(4,341)
Interest paid	(5,227)	(4,765)
Reimbursement to ultimate holding company for share options granted	(22)	-
Net proceeds from short-term borrowings	40	12,969
Net cash used in financing activities	(216,183)	(200,988)
NET DECREASE IN CASH AND CASH EQUIVALENTS	53,269	16,036
Effect of exchange rate fluctuations on cash held	(617)	(1,713)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	32,319	39,812
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	84,971	54,135

Cash and cash equivalents comprise the following amounts:

	9 months ended 30 September	
	2017 RM'000	2016 RM'000
Deposits with licensed banks	1,200	1,200
Cash and bank balances	86,229	68,986
Bank overdraft	87,429	70,186
	(2,458)	(16,051)
	84,971	54,135

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 (continued)

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
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

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 which were retained as treasury shares were cancelled on 17 May 2017.

7. Dividends Paid

The amount of dividends paid during the financial period ended 30 September 2017 was as follows:-

In respect of the financial year ended 31 December 2016 as reported in the directors' report of the year:

	<u>RM'000</u>
Final and special single tier dividend of 67.0 sen per RM0.50 share, paid on 19 May 2017	204,851
	<u>204,851</u>

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 30 September 2017	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	286,852	136,655	-	423,507
Inter segment revenue	13,769	-	(13,769)	-
Total revenue	300,621	136,655	(13,769)	423,507
Profit from operations	50,972	4,359	634	55,965

8. Operating Segments (continued)

Quarter Ended 30 September 2016	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Geographical Segments:				
Total external revenue	243,307	149,998	-	393,305
Inter segment revenue	18,555	-	(18,555)	-
Total revenue	261,862	149,998	(18,555)	393,305
Profit from operations	35,214	26,367	(329)	61,252

9 Months Ended 30 September 2017	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Geographical Segments:				
Total external revenue	880,035	458,250	-	1,338,285
Inter segment revenue	55,172	-	(55,172)	-
Total revenue	935,207	458,250	(55,172)	1,338,285
Profit from operations	162,552	69,984	450	232,986

9 Months Ended 30 September 2016	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Geographical Segments:				
Total external revenue	820,264	424,587	-	1,244,851
Inter segment revenue	51,810	-	(51,810)	-
Total revenue	872,074	424,587	(51,810)	1,244,851
Profit from operations	134,395	73,619	498	208,512

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 30 September 2017 are as follows:

	<u>RM'000</u>
Approved and contracted for	14,131
Approved but not contracted for	6,956
	21,087

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 one year	11,092	13,015	1,924

15. Holding Company

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

16. Significant Related Party Transactions

	9 months ended 30 September 2017 RM'000
Transactions with holding company:	
Purchases of materials and products	626
Purchases of services	3,147
Royalties payables	26,865
Transactions with related companies:	
Management fees payables	5,402
Purchases of materials and products	20,007
Purchases of services	2,397
Sales of goods	40,327
Others	875

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 7.7% to RM423.5 million as compared to the same quarter last year contributed by higher sales volumes offset by trade offer adjustments in Singapore. Group profit from operations declined by 8.6% to RM56.0 million due to the trade offer adjustments but mitigated by a strong performance in Malaysia operations. The adjustments in Singapore relate to provisions for trade offers amounting to RM18.2 million, of which RM14.2 million relates to prior years.

Malaysia total external revenue increased by 17.9% as compared to the same quarter last year driven by higher sales of the Group's flagship brand Carlsberg Green Label and Carlsberg Smooth Draught. Premium brands like Kronenbourg 1664 Blanc, Somersby Cider and Connor's Stout Porter continued to deliver double-digit growth in sales. Profit from operations increased by RM16.7 million or 47.9% in this quarter arising from better product mix as well as effective cost management.

Singapore revenue declined by 8.9% whilst profit from operations decreased by RM12.1 million or 83.5% as compared to the same period last year mainly due to the above mentioned trade offer adjustments.

The Group registered a share of profit from its associate company in Sri Lanka, Lion Brewery (Ceylon) PLC ("LBCP") of RM0.6 million in the quarter as compared to a share of loss of RM1.7 million in the previous year's quarter which was attributed to the floods in May 2016. Profit in LBCP improved by RM2.3 million mainly due to the recovery in LBCP's operational performance.

Year-to-date Performance

For the first nine months ended 30 September 2017, the Group reported revenue of RM1,338.3 million, which represented a growth of 7.5% over the same period last year. Profit from operations of the Group increased by 11.7% or RM24.5 million to RM233.0 million after taking into account the trade offer adjustments in Singapore as mentioned above. The strong operating results underlines the solid performance in Malaysia and Singapore operations which, excluding the Singapore adjustments, would have recorded a Group profit from operations of RM242.0 million, a 19.2% increase over the previous period last year.

Malaysia total external revenue for the first nine months ended 30 September 2017 increased by 7.3% to RM880.0 million driven by higher price and better portfolio premiumization, particularly by our flagship brands Carlsberg Green Label and Carlsberg Smooth Draught, as well as our premium brands, Kronenbourg 1664 Blanc, Somersby Cider and Connor's Stout Porter. Profit from operations improved by RM28.1 million or 20.8% contributed by the increase in revenue and effective cost management.

17. Review of Performance (continued)Year-to-date Performance (continued)

In Singapore, revenue for the first nine months ended 30 September 2017 grew by 7.9% to RM458.3 million but profit from operations declined by 4.9% to RM70.0 million due to the trade offer adjustments mentioned above.

The Group reported a higher share of loss from Lion Brewery (Ceylon) PLC of RM2.9 million for first nine months ended 30 September 2017 as compared to a share of loss of RM1.9 million over the same period last year. This was mainly due to the impairment losses on the Miller brands recognised in the March 2017 quarter but mitigated by insurance compensation and write back of fixed assets that was impacted by the floods last year.

18. Variation of Result against the Preceding Quarter

Despite the trade offer adjustments in Singapore, the Group's revenue increased by 2.8% or RM11.4 million against the preceding quarter mainly contributed by higher sales volume in Malaysia and better portfolio premiumization.

The Group's profit before tax decreased by RM28.1 million to RM55.3 million mainly due to the above mentioned trade offer adjustments in Singapore and a lower share of profit from associated company, Lion Brewery (Ceylon) PLC in this quarter, with insurance compensation relating to the 2016 flood incident received in preceding quarter.

19. Prospects

The market conditions 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

	9 months ended 30 September	
	2017 RM'000	2016 RM'000
<u>Taxation</u>		
- Malaysia	32,472	27,368
- Outside Malaysia	12,727	13,267
	45,199	40,635
<u>Deferred tax</u>		
- Malaysia	1,746	-
Tax expense	46,945	40,635

The Group's effective tax rate has remained relatively constant as compare to the same period in preceding year.

22. Realised and Unrealised Profits/ Losses

	Group as at 30 September 2017 RM'000	Group as at 30 September 2016 RM'000
Total retained earnings of the Company and its subsidiaries :		
- Realised	429,143	461,887
- Unrealised	(14,935)	(15,172)
Total retained earnings of an associate :		
- Realised	50,348	60,972
- Unrealised	(17,362)	(21,314)
Less : Consolidation adjustments	(362,697)	(369,389)
	84,497	116,984

23. Corporate Proposals

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

24. Borrowing and Debt Securities

Group borrowings and debt securities are as follows:

Short term - Unsecured loans	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
Revolving credit	29,528	29,488
Other bank loan	2,458	3,951
Total short term loans	31,986	33,439

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:

	9 months ended 30 September 2017	9 months ended 30 September 2016
Net Profit attributable to shareholders (RM'000)	171,159	157,910
Weighted average number of ordinary shares in issue ('000)	305,748	305,748
Basic earnings per share (sen)	55.98	51.65*

Diluted earnings per share

Not applicable.

* Basic earnings per share in preceeding year was 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. Treasury shares were cancelled on 17 May 2017.

27. Notes to the Statement of Comprehensive Income

	9 months ended 30 September 2017 RM'000	9 months ended 30 September 2016 RM'000
Depreciation and amortisation	(24,221)	(25,564)
Gain on disposal of property, plant and equipment	1,655	23
Property, plant and equipment written off	(184)	-
Reversal of impairment loss on receivables	118	-
Recovery of upfront payments	3,196	2,415
Inventories written off	(29)	(1,347)
Allowance for inventories obsolescence	(225)	(225)
Net foreign exchange loss	(1,252)	(1,657)

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 30 November 2017.