



Carlsberg Brewery Malaysia Berhad

Company No. 9210-K
(Incorporated in Malaysia)

Interim Financial Report
30 September 2016

Interim Financial Report for the Quarter Ended 30 September 2016

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Quarter Ended 30 September 2016

	3 months ended 30 September		9 months ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	393,305	405,656	1,244,851	1,237,437
Operating expenses	(336,649)	(327,931)	(1,041,739)	(1,060,409)
Other operating income	4,596	467	5,400	4,355
Profit from operations	61,252	78,192	208,512	181,383
Interest income	131	196	753	960
Interest expense	(1,741)	(2,399)	(4,765)	(5,335)
Share of (loss)/profit of equity accounted associate, net of tax	(1,700)	4,345	(1,886)	10,875
Profit before taxation	57,942	80,334	202,614	187,883
Taxation	(12,871)	(16,616)	(40,635)	(43,349)
Profit for the period	45,071	63,718	161,979	144,534
Profit attributable To:				
Owner of the Company	43,609	62,494	157,910	141,429
Non-controlling interests	1,462	1,224	4,069	3,105
Profit for the period	45,071	63,718	161,979	144,534
Profit for the period	45,071	63,718	161,979	144,534
Other comprehensive (expenses)/income				
Foreign currency translation differences for foreign operations	3,089	13,224	(5,556)	19,480
Total comprehensive income for the period	48,160	76,942	156,423	164,014
Total comprehensive income attributable to:				
Owner of the Company	46,698	75,718	152,354	160,909
Non-controlling interests	1,462	1,224	4,069	3,105
Total comprehensive income for the period	48,160	76,942	156,423	164,014
EPS - Basic (sen)	14.26	20.44	51.65	46.26
- 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 2015 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Quarter Ended 30 September 2016

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	AS AT 30.09.16 RM'000	AS AT 31.12.15 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant & equipment	161,592	162,243
Other intangible assets	4,025	5,214
Investment in an associate	71,240	80,165
Deferred tax assets	3,402	3,402
	240,259	251,024
<u>Current assets</u>		
Inventories	52,718	78,173
Receivables, deposits and prepayments	255,206	285,134
Current tax assets	15,614	6,466
Cash & cash equivalents	70,186	40,968
	393,724	410,741
TOTAL ASSETS	633,983	661,765
EQUITY		
Total equity attributable to equity holders of the Company		
Share capital	154,039	154,039
Reserves	129,482	181,536
	283,521	335,575
Non-controlling interests	6,740	7,013
Total Equity	290,261	342,588
LIABILITIES		
<u>Non-Current Liabilities</u>		
Deferred tax liabilities	13,562	13,563
Accruals	1,299	-
	14,861	13,563
<u>Current Liabilities</u>		
Payables and accruals	247,904	250,722
Current tax liabilities	21,588	23,386
Loans and borrowings	59,369	31,506
	328,861	305,614
TOTAL LIABILITIES	343,722	319,177
TOTAL EQUITY AND LIABILITIES	633,983	661,765
Net assets per share (RM)	0.95	1.12

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Quarter Ended 30 September 2016

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Quarter Ended 30 September 2016

Group	<i>Attributable to Equity Holders of the Parent</i>										Non-controlling Interests RM'000	Total RM'000
	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	Put Option Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000		
At 1 January 2015	154,039	(12,043)	7,367	4,379	3,931	760	(10,591)	(780)	165,093	312,155	18,966	331,121
Total comprehensive income for the year	-	-	-	15,208	-	-	-	-	215,913	231,121	4,325	235,446
Dividends to owner of the Company	-	-	-	-	-	-	-	-	(217,081)	(217,081)	-	(217,081)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,516)	(2,516)
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(13,762)	(13,762)
De-recognised of put option	-	-	-	-	-	-	10,591	-	-	10,591	-	10,591
Others	-	-	-	-	-	(1,211)	-	-	-	(1,211)	-	(1,211)
At 31 December 2015	154,039	(12,043)	7,367	19,587	3,931	(451)	-	(780)	163,925	335,575	7,013	342,588
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	-	-	-	(5,556)	-	-	-	-	157,910	152,354	4,069	156,423
Dividends to owner of the Company	-	-	-	-	-	-	-	-	(204,851)	(204,851)	-	(204,851)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,341)	(4,341)
Others	-	-	-	-	-	442	-	-	-	442	-	442
At 30 September 2016	154,039	(12,043)	7,367	14,031	3,931	(9)	-	(780)	116,984	283,520	6,741	290,261

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Quarter Ended 30 September 2016

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Quarter Ended 30 September 2016

	9 months ended 30 September	
	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	202,614	187,883
Adjustments for:		
Non-cash items	27,873	37,850
Interest income	(753)	(960)
Interest expense	4,765	5,335
Operating profit before working capital changes	234,499	230,108
Changes in working capital:		
Inventories	23,882	(28,857)
Receivables, deposits and prepayments	32,341	(45,239)
Payables and accruals	(1,134)	24,037
Cash generated from operations	289,588	180,049
Income tax paid	(51,446)	(42,428)
Net cash generated from operating activities	238,142	137,621
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	95	761
Proceeds from disposal of subsidiary, net of cash and cash equivalents disposed of	-	708
Acquisition of property, plant and equipment	(23,289)	(19,930)
Acquisition of intangible assets	(155)	(1,012)
Interest received	753	960
Dividend received from associate	1,478	2,237
Net cash used in investing activities	(21,118)	(16,276)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders of the Company	(204,851)	(201,794)
Dividend paid to non-controlling interests of subsidiary	(4,341)	(2,516)
Interest paid	(4,765)	(5,335)
Net (repayment of)/proceeds from short term borrowings	12,969	33,879
Net cash used in financing activities	(200,988)	(175,766)
NET DECREASE IN CASH AND CASH EQUIVALENTS	16,036	(54,421)
Effect of exchange rate fluctuations on cash held	(1,713)	(217)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	39,812	87,993
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	54,135	33,355

Cash and cash equivalents comprise the following amounts:

	9 months ended 30 September	
	2016 RM'000	2015 RM'000
Deposits with licensed banks	1,200	17,045
Cash and bank balances	68,986	16,310
Bank overdraft	(16,051)	-
	54,135	33,355

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2015.

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

At the date of authorisation of these financial statements, 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 107	Disclosure Initiative	1 January 2017
MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 15	Clarifications to MFRS 15	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 2015 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

The amount of dividends paid during the financial period ended 30 September 2016 was as follows:-

In respect of the financial year ended 31 December 2015 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 20 May 2016	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 2016	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated 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

Quarter Ended 30 September 2015	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	263,181	142,475	-	405,656
Inter segment revenue	16,157	-	(16,157)	-
Total revenue	279,338	142,475	(16,157)	405,656
Profit from operations	42,009	35,996	187	78,192

9 Months Ended 30 September 2016	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated 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 Months Ended 30 September 2015	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	853,488	383,949	-	1,237,437
Inter segment revenue	49,861	-	(49,861)	-
Total revenue	903,349	383,949	(49,861)	1,237,437
Profit from operations	111,178	69,683	522	181,383

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 does not admit liability on the demands made by the State Customs, has taken advice on that matter and is having ongoing discussion with the State Customs.

As a result, no provision has been recognised and no material changes in contingent liabilities or contingent assets for the year ended 30 September 2016 and this will be reassessed during the next quarter ended 31 December 2016.

13. Capital Commitments

Capital commitments for property, plant and equipment and intangible assets not provided for in the financial statements as at 30 September 2016 are as follows:

	RM'000
Approved and contracted for	7,970
Approved but not contracted for	16,810
	24,780

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	17,263	18,621	1,358
- 2 to 5 years	1,654	1,789	135
	18,917	20,410	1,493

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 2016 RM' million
Transactions with:	
a) Holding company:	
Carlsberg Breweries A/S	
Reimbursement of expenses	5.3
Royalties payable	24.5
Purchase of materials and services	0.1
b) Related companies:	
i) Danish Malting Group A/S	
Purchase of materials	2.6
ii) Carlsberg Vietnam Breweries	
Purchase of materials and products	23.1
Reimbursement of expenses	2.5
iii) Carlsberg Supply Company AG	
Purchases of materials and services	1.2
iv) CB Distribution Co. Ltd	
Sale of goods and services	3.3
v) Carlsberg Brewery Hong Kong	
Provision of administrative support services	1.6
Reimbursement of expenses	6.3
Management fees	4.3
vi) Carlsberg Taiwan Trading	
Sales of goods and services	1.5
vii) Carlsberg Hong Kong Ltd.	
Sales of goods and services	43.4
viii) Carlsberg Business Solutions	
Purchase of services	0.1
ix) Slowdonia Strzegom Sp. z.o.o.	
Purchases of materials and products	0.1
x) Carlsberg Supply Company Asia Ltd	
Reimbursement of expenses	1.5
xi) Carlsberg Croatia d.o.o	
Purchases of materials and products	1.5
Reimbursement of expenses	0.1

16. Significant Related Party Transactions (continued)

	9 months ended 30 September 2016 RM' million
Transactions with:	
b) Related companies (continued):	
xii) Kronenbourg Supply Company Reimbursement of expenses	0.1
xiii) Lao Brewery Co. Ltd. Sale of goods and services	0.5
xiv) Lion Brewery Ceylon Ltd. Sale of goods and services	9.1

17. Review of Performance

Current Quarter Performance

Group revenue for the quarter ended 30 September 2016 contracted marginally by 0.2% to RM393.3 million as compared to the same quarter last year, after adjusting for Luen Heng F&B Sdn Bhd (LHFB) which was divested in August 2015, due mainly to weaker consumer sentiments. Group profit from operations declined more sharply by 20.6% to RM61.3 million after adjusting for LHFB, due to lower contributions from both Malaysia and Singapore operations.

Malaysia operations organic revenue declined by 3.3% as compared to the same quarter last year mainly due to weaker consumer sentiments. Operating profits declined by RM5.7 million or 14.0%, after adjusting for LHFB, following the lower revenue as well as higher marketing costs relating to the Euro 2016 campaign.

Singapore operations recorded a revenue increase of 5.3% as compared to the same quarter last year from higher sales volume. Operating profits however declined by RM9.6 million or 26.8% due to greater price discounts to clear some old stocks and higher marketing expenses.

Group profit before tax was also adversely affected by business disruption in our associated company Lion Brewery (Ceylon) PLC (LBCP) in Sri Lanka, which was caused by severe flooding in May 2016. For the 2016 quarter, the Group's share of LBCP's results was a loss of RM1.7 million as compared to a profit of RM4.3 million in the previous year's quarter, a variation of RM6.0 million.

Year-to-date Performance

The Group recorded revenue of RM1,245 million for the nine months ended 30 September 2016, which represents an organic growth of 6.7% after adjusting for the LHFB divestment in August 2015. Group profit from operations increased by 8.6% after adjusting for the LHFB impairment loss of RM12.5 million in 2015. The profit improvement was mainly due to higher revenue as well as effective cost management for the period under review.

Malaysia revenue increased by 4.9% to RM820.3 million, after adjusting for the LHFB divestment in 2015 due to higher domestic sales as well as export sales. Profit from operations increased by 8.1% after adjusting for the LHFB impairment loss on 2015, driven primarily by more effective cost management this year.

In Singapore, revenue grew by 10.6% to RM424.6 million whilst operating profit improved by 5.6% to RM73.6 million. This was attributed to stronger sales volume for the year to date, effective cost management and higher profits from subsidiary company, MayBev Pte Ltd.

Group profit before tax was also adversely affected by business disruption in our associated company LBCP in Sri Lanka which was caused by severe flooding as mentioned above. For the nine month ended 30 September 2016, the Group's share of LBCP's performance was a loss of RM1.9 million as compared to a profit of RM10.9 million in the previous year, a variation of RM12.8 million.

18. Variation of Result against the Preceding Quarter

The Group's revenue declined marginally by 0.6% or RM2.5 million against the preceding quarter due to weaker consumer sentiments.

The Group's profit before tax declined by RM8.7 million to RM57.9 million mainly due to lower revenue and share of loss from associated company, Lion Brewery (Ceylon) PLC.

19. Prospects

The 2016 market conditions are expected to remain challenging. Nevertheless, the Group is confident to meet the challenges and deliver satisfactory performance.

20. Profit Forecast

Not applicable as no profit forecast was published.

21. Taxation

	9 months ended 30 September	
	2016 RM'000	2015 RM'000
<u>Taxation</u>		
- Malaysia	27,368	31,151
- Outside Malaysia	13,267	12,155
	40,635	43,306
<u>Deferred tax</u>		
- Outside Malaysia	-	43
Tax expense	40,635	43,349

The effective tax rate differs from the statutory tax rate of Malaysia mainly due to the consolidation of financial results from the Singapore business, which has a lower statutory tax rate.

22. Realised and Unrealised Profits/ Losses

	Group as at 30 September 2016 RM'000	Group as at 31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries :		
- Realised	461,887	505,967
- Unrealised	(15,172)	(10,603)
Total retained earnings of an associate :		
- Realised	60,972	59,216
- Unrealised	(21,314)	(17,781)
Less : Consolidation adjustments	(369,389)	(372,874)
	116,984	163,925

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 2016 RM'000
Revolving credit	43,318
Bank overdraft	16,051
Total short term loans	59,369

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:

	9 months ended 30 September 2016	9 months ended 30 September 2015
Net Profit attributable to shareholders (RM'000)	157,910	141,429
Weighted average number of ordinary shares in issue ('000)	305,748	305,748
Basic earnings per share (sen)	51.65	46.26

Diluted earnings per share

Not applicable.

27. Notes to the Statement of Comprehensive Income

	9 months ended 30 September 2016 RM'000	9 months ended 30 September 2015 RM'000
Depreciation and amortisation	(25,564)	(22,212)
Gain on disposal of property, plant and equipment	23	343
Net impairment recoverable on receivables	2,415	1,565
Inventories written off	(1,347)	(1,553)
Allowance for inventories obsolescence	(225)	(3,416)
Net foreign exchange (loss)/gain	(1,657)	(9,740)
Loss on disposal of subsidiary	-	(12,611)

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 28 November 2016.