



Carlsberg Brewery Malaysia Berhad

Company No. 9210-K
(Incorporated in Malaysia)

Interim Financial Report
30 September 2018

Interim Financial Report for the Period Ended 30 September 2018

The Board of Directors of Carlsberg Brewery Malaysia Berhad is pleased to announce the following unaudited interim results of the Group for financial period ended 30 September 2018.

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third quarter ended		Financial period ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Revenue	492,770	423,507	1,456,693	1,338,285
Operating expenses	(412,497)	(368,257)	(1,198,058)	(1,110,706)
Other operating income	2,800	715	4,317	5,407
Profit from operations	83,073	55,965	262,952	232,986
Finance income	156	498	1,160	1,974
Finance costs	(2,295)	(1,749)	(5,827)	(5,227)
Share of profit/(loss) of equity accounted associate, net of tax	3,753	623	14,713	(2,919)
Profit before taxation	84,687	55,337	272,998	226,814
Taxation	(17,025)	(10,288)	(56,418)	(46,945)
Profit for the period	67,662	45,049	216,580	179,869
Profit attributable to:				
Owners of the Company	64,979	42,847	209,702	171,159
Non-controlling interests	2,683	2,202	6,878	8,710
Profit for the period	67,662	45,049	216,580	179,869
Other comprehensive expenses				
Cash flow hedge	(1,655)	739	(3,139)	841
Foreign currency translation differences for foreign operations	(2,178)	(1,035)	(5,487)	(5,752)
Total comprehensive income for the period	63,829	44,753	207,954	174,958
Total comprehensive income attributable to:				
Owners of the Company	61,146	42,551	201,076	166,248
Non-controlling interests	2,683	2,202	6,878	8,710
Total comprehensive income for the period	63,829	44,753	207,954	174,958
EPS - Basic (sen)	21.25	14.01	68.59	55.98
- 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 2017 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Period Ended 30 September 2018

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant & equipment	177,073	177,799
Other intangible assets	3,188	3,421
Investment in an associate	72,013	64,309
Deferred tax assets	4,057	2,694
	256,331	248,223
<u>Current assets</u>		
Inventories	56,965	68,412
Receivables, deposits and prepayments	207,491	248,199
Tax recoverable	5,947	11,599
Cash and cash equivalents	65,416	74,992
	335,819	403,202
TOTAL ASSETS	592,150	651,425
EQUITY		
Total equity attributable to equity holders of the Company		
Share capital	149,363	149,363
Reserves	7,498	149,655
	156,861	299,018
Non-controlling interests	9,145	13,448
TOTAL EQUITY	166,006	312,466
LIABILITIES		
<u>Non-current liabilities</u>		
Deferred tax liabilities	17,201	19,262
Provision	327	327
	17,528	19,589
<u>Current liabilities</u>		
Payables and accruals	305,612	276,497
Current tax liabilities	33,004	26,096
Loans and borrowings	70,000	16,777
	408,616	319,370
TOTAL LIABILITIES	426,144	338,959
TOTAL EQUITY AND LIABILITIES	592,150	651,425
Net assets per share (RM)	0.54	1.02

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Period Ended 30 September 2018

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210 -K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	/-----Attributable to Equity Holders of the Company-----/									Total RM'000	Non- controlling Interests RM'000	Total RM'000
	/-----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			
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 owners 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
At 1 January 2018	149,363	-	-	10,673	1,438	3,931	(110)	-	133,723	299,018	13,448	312,466
Total comprehensive income for the period	-	-	-	(5,487)	(3,139)	-	-	-	209,702	201,076	6,878	207,954
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(344,577)	(344,577)	-	(344,577)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(11,181)	(11,181)
Effects of share-based payments	-	-	-	-	-	-	1,344	-	-	1,344	-	1,344
At 30 September 2018	149,363	-	-	5,186	(1,701)	3,931	1,234	-	(1,152)	156,861	9,145	166,006

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Interim Financial Report for the Period Ended 30 September 2018

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No.: 9210-K)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Financial period ended	
	30 September 2018	30 September 2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	272,998	226,814
Adjustments for:		
Non-cash items	28,690	23,572
Share of results in associate, net of tax	(14,713)	2,919
Finance costs	5,827	5,227
Finance income	(1,160)	(1,974)
Operating profit before working capital changes	291,642	256,558
Changes in working capital:		
Inventories	10,990	43,800
Receivables, deposits and prepayments	37,612	30,190
Payables and accruals	(18,887)	3,727
Cash generated from operations	321,357	334,275
Tax paid	(47,866)	(51,917)
Net cash generated from operating activities	273,491	282,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(27,131)	(16,871)
Acquisition of intangible assets	(210)	(30)
Dividends received from an associate	1,772	-
Interest received	1,160	1,974
Proceeds from disposal of property, plant and equipment	3	2,021
Net cash used in investing activities	(24,406)	(12,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders of the Company	(296,575)	(204,851)
Dividend paid to non-controlling interests of subsidiary	(11,181)	(6,123)
Interest paid	(5,827)	(5,227)
Advance from /(Reimbursement to) ultimate holding company for share options granted	264	(22)
Net proceeds from short-term borrowings	57,885	40
Net cash used in financing activities	(255,434)	(216,183)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,349)	53,269
Effect of exchange rate fluctuations on cash held	1,435	(617)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	70,330	32,319
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	65,416	84,971

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 9210-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Cash and cash equivalents comprise the following amounts:

	As at	
	30 September 2018	30 September 2017
	RM'000	RM'000
Deposits with licensed banks	-	1,200
Cash at bank	65,288	86,024
Cash held on hand	128	205
	65,416	87,429
Bank overdraft	-	(2,458)
	65,416	84,971

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2017.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the Group's audited financial statements for the financial year ended 31 December 2017.

The MFRSs, Amendments to MFRSs and IC Interpretation that were issued and effective for financial year beginning on or after 1 January 2018 have been adopted by the Group. None of these is expected to have a significant effect on the unaudited condensed financial statements of the Group, except the following set out below:

1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective

- **MFRS 15 'Revenue from Contracts with Customers'**

MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and related interpretations.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

The implementation of MFRS 15 'Revenue from Contracts with Customers' will impact the Group's financials and revenue stream to the extent that the related costs of the marketing activities with customers need to be recognised as a discount to revenue. MFRS 15 thus affects only changes in classification and does not have an impact on the timing of revenue recognition of the Group.

MFRS 15 requires the entity to account for consideration payable to a customer as a reduction of the revenue unless the payment to the customer is in exchange for distinct goods or services that the customer transfer to the entity.

Accordingly, related costs of the supporting marketing activities provided for or organised together with the Group's customers will be considered as part of the customer relationship and the related costs will be recognised as discounts, not as marketing expenses.

1. Basis of Preparation (continued)
1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective (continued)

- **MFRS 15 ‘Revenue from Contracts with Customers’ (continued)**

When applying the new policy, judgement is required to decide whether the related costs of an activity with a customer should be classified as a discount or a marketing expense, taking into account the drivers behind and the purpose of the activity. Generally, if the purpose of marketing activities is to increase sales with the individual customer, the related costs of the activities should be seen as a reduction of the transaction price and therefore classified as discount.

The Group has adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The table below shows the impact on the 2017 comparatives from the implementation of MFRS 15 on the condensed consolidated statement of comprehensive income had the Group applied MFRS 15.

	Quarter ended 30 September 2017		Financial period ended 30 September 2017	
	Reported RM'000	After MFRS 15 impact RM'000	Reported RM'000	After MFRS 15 impact RM'000
Revenue – Transferred at a point in time	423,507	414,607	1,338,285	1,311,583
Operating expenses	(368,257)	(359,357)	(1,110,706)	(1,084,004)

This was merely a reclassification of marketing expenses to revenue, and there was no impact to profit before taxation except for some financial ratios.

The adoption of MFRS 15 does not have any impact on the Group’s unaudited condensed consolidated statement of financial position as at 30 September 2018.

- **MFRS 9 ‘Financial Instruments’**

MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 ‘Financial Instruments: Recognition and Measurement’.

1. Basis of Preparation (continued)**1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective (continued)****• MFRS 9 ‘Financial Instruments’ (continued)**

MFRS 9 introduces new hedge-accounting rules and a new impairment model: the expected credit loss (ECL) model that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new hedge accounting rules imply that it will generally be easier to apply hedge accounting, as the new rules are more in line with the Group’s risk management practice. Based on an assessment of the Group’s current hedge arrangements, primarily aluminium hedges, an increased portion will qualify for hedge accounting, resulting in an increased portion of the fair value adjustment being recognised in other comprehensive income. The change in accounting policies applies to all hedging instruments.

The new impairment model requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as is the case under current practice. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes.

The stages determine how impairment losses are measured and the effective interest is applied. For trade receivables, the Group applies the simplified approach, which permits the use of lifetime ECL. Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

The overall principle of the current impairment policy of the Group is that impairment losses are based on an individual review of the need for impairment, taking into consideration the customers’ creditworthiness and expected ability to pay, customer insolvency or anticipated insolvency, and past due amounts as well as collateral received. However, when no objective indication of individual impairment exists, management assesses the need to recognise the impairment for a portfolio of receivables. The analysis is based on customer segments, historical information on payment patterns, terms of payment and concentration maturity, as well as information about the general economic situation in the markets.

On the date of initial application of MFRS 9, it is assessed that the determination of ECL will have a relatively insignificant impact on trade receivables and profit before taxation as the current policy on hedge accounting and impairment of trade receivables are considered reasonably consistent with MFRS 9.

The Group has adopted MFRS 9 retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

1. Basis of Preparation (continued)

1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective (continued)

- **IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’**

IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

The Group has adopted the standard prospectively and there are no significant effects on the unaudited interim financial report.

1. Basis of Preparation (continued)
1.2 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
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 119	Employee Benefits (Plan Amendment, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2	Share Based Payments (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to MFRS 3	Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to MFRS 14	Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020

1. Basis of Preparation (continued)
1.2 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 101	Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendments to MFRS 134	Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to MFRS 138	Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to IC Interpretation 12	Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020
Amendments to IC Interpretation 132	Intangible Assets—Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards)	1 January 2020

1. Basis of Preparation (continued)

1.2 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
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 2017 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, repurchases, resale and repayments of debt and equity securities during the current financial period under review, except for those as disclosed under Note 23.

Share Buyback

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

7. Dividends Paid

The amount of dividends paid during the financial period ended 30 September 2018:-

Date of payment	Dividends paid	Amount (Sen per ordinary share)	Amount (RM'000)
18 May 2018	Final single tier dividend 2017	66.0	201,794
18 May 2018	Special single tier dividend 2017	11.0	33,632
3 July 2018	FIRST quarter single tier interim dividend 2018	20.0	61,149
	Total		296,575

The Board of Directors has declared on 16 August 2018 a SECOND quarter single tier interim dividend of 15.7 sen per share for the year ending 31 December 2018, in respect of the second quarter profits to 30 June 2018. The total amount of RM48.0 million was paid on 17 October 2018.

Refer to Note 26 for THIRD quarter single tier interim dividend declared for the third quarter ended 30 September 2018.

8. Operating Segment

The Group concluded that the operating segments determined in accordance with MFRS 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 who is considered as the Group's chief operating decision maker. Hence no such disclosures are provided below.

Quarter Ended 30 September 2018	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	350,533	142,237	-	492,770
Inter segment revenue	15,802	-	(15,802)	-
Total revenue	366,335	142,237	(15,802)	492,770
Profit from operations	59,803	23,454	(184)	83,073

8. Operating Segment (continued)

Quarter Ended 30 September 2017	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	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

Financial Period Ended 30 September 2018	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Geographical Segments:				
Total external revenue	1,035,096	421,597	-	1,456,693
Inter segment revenue	47,929	-	(47,929)	-
Total revenue	1,083,025	421,597	(47,929)	1,456,693
Profit from operations	198,607	63,854	491	262,952

Financial Period 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. 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

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

12. Changes in Contingent Liabilities and Contingent Assets

On 23 September 2014, the Board of Directors of the Company had announced to the Bursa Malaysia that the Company had 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 2018 are as follows:

	<u>RM'000</u>
Approved and contracted for	14,469
Approved but not contracted for	14,430
	28,889

14. Financial Instruments

Derivatives

The outstanding derivative as at 30 September 2018 is as follows:

Aluminium Hedging Contract	Contract Value (RM'000)	Fair Value (RM'000)	Difference (RM'000)
Less than one year	23,524	23,026	(498)
One to five years	4,439	4,298	(141)
	27,963	27,324	(639)

Changes in the portion of fair value of derivative financial instruments designated as and qualifying as a cash flow hedge and which effectively hedge changes in value of the hedged item, are recognised in other comprehensive income.

15. Holding Company

The Directors regard Carlsberg Breweries A/S and Carlsberg A/S as the immediate and ultimate holding companies respectively during the financial period. Both companies are incorporated in Denmark.

16. Significant Related Party Transactions

	Financial period ended 30 September 2018 RM'000
Transactions with holding company:	
Purchases of materials and products	262
Purchases of services	4,263
Royalties payable	30,307
Net settlements in respect of gain from hedging contracts	(1,220)
Transactions with related companies:	
Management fees payable	4,774
Purchases of materials and products	13,071
Purchases of services	2,981
Sales of goods	37,348

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

17. Review of Performance
Current Quarter Performance

Key Financials (RM '000)	Third Quarter ended 30 September 2018	Third Quarter ended 30 September 2017 *	% Change
Revenue	492,770	414,607	18.9%
Profit from operations	83,073	55,965	48.4%
Share of profit in associate company	3,753	623	502.4%
Net profit	64,979	42,847	51.7%

**Restated on MFRS 15 basis*

The Group's revenue grew 18.9% to RM492.8 million as compared to the same quarter last year, whilst profit from operations increased by 48.4% to RM83.1 million.

Malaysia total external revenue grew by 23.6% to RM350.5 million whilst profit from operations increased by 15.5% to RM59.6 million due primarily to higher sales in the current quarter. Malaysia operations sustained its growth momentum driven by double-digit improvements across its main product segments particularly its premium brands. Carlsberg Smooth Draught continued its robust growth riding on the POP Cap innovation and successful execution of consumer promotions.

Singapore reported an increase of 8.6% in revenue to RM142.2 million whilst profit from operations grew by 438.1% to RM23.5 million as compared to the same quarter last year. The significant improvement in operating profits was due to the provision of trade offer adjustments of RM18.2m in last year's third quarter results. If we exclude the trade offer adjustments, the operating profits in Singapore would have increased by 4.0% compared to the same quarter last year.

The Group also registered a higher share of profit in its associate company, Lion Brewery (Ceylon) PLC ("LBCEP") of RM3.8 million compared to a share of profit of RM0.6 million in the corresponding quarter last year. This was driven by improved operational performance and higher sales growth as the company has essentially recovered from the floods in 2016 which had impacted its sales performance in 2017.

The Group's net profit for the quarter grew by 51.7% to RM65.0 million as compared to the same quarter last year driven by strong results from Malaysia operations, better performance in LBCEP and relatively higher profits from Singapore operations attributed to the provision for trade offer adjustments as mentioned above.

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

Key Financials (RM '000)	Financial Period ended 30 September 2018	Financial Period ended 30 September 2017*	% Change
Revenue	1,456,693	1,311,583	11.1%
Profit from operations	262,952	232,986	12.9%
Share of profit/(loss) in associate company	14,713	(2,919)	N/A
Net profit	209,702	171,159	22.5%

**Restated on MFRS 15 basis*

For the first nine months ended 30 September 2018, the Group reported a revenue of RM1,456.7 million, which represented a growth of 11.1% over the same period last year. Profit from operations of the Group increased by 12.9% to RM263.0 million.

Malaysia total external revenue for the first nine months in 2018 increased by 19.1% to RM1,035.1 million. Profit from operations improved by RM36.1 million or 22.1% to RM199.1 million contributed by double-digit growth across most product segments. The Group's strategies to grow in mainstream through its flagship brand Carlsberg Green Label and Carlsberg Smooth Draught, as well as in premium brands like Kronenbourg 1664 Blanc, Somersby Cider, Asahi and Connor's Stout Porter continued to contribute to strong improvement in both sales and profitability.

In Singapore, revenue for the first nine months in 2018 declined by 4.7% to RM421.6 million whilst profit from operations dropped by 8.8% to RM63.9 million. This was mainly attributable to lower sales and an unfavourable foreign exchange movement.

The Group also recorded a turnaround in its share of associated company, LBCP's profits of RM14.7 million for the nine months ended 30 September 2018 versus a loss of RM2.9 million in the corresponding period last year. This was driven by improved operational performance, higher sales growth, net insurance recoveries received and the absence of charges relating to the 2016 floods which impacted its 2017 results.

The Group's net profit recorded a 22.5% increase to RM209.7 million over the same period last year driven by higher profit contribution from Malaysia operations and the turnaround in the share of profits of LBCP which mitigated the lower performance in Singapore.

18. Variation of Result against the Preceding Quarter

Key Financials (RM '000)	Third Quarter ended 30 September 2018	Second Quarter ended 30 June 2018	% Change
Revenue	492,770	415,454	18.6%
Profit from operations	83,073	79,592	4.4%
Net profit	64,979	63,911	1.7%

The Group's revenue increased by RM77.3 million or 18.6%, against the preceding quarter mainly due to higher sales in Malaysia. Revenues for Malaysia and Singapore grew by RM71.7 million or 25.7% and RM5.6 million or 4.1% respectively, against the preceding quarter.

The Group's profit from operations increased by RM3.5 million or 4.4% against the preceding quarter mainly due to higher revenue in both Malaysia and Singapore.

The Group's net profit increased by RM1.1 million or 1.7% against the preceding quarter mainly due to the higher revenue in both Malaysia and Singapore.

19. Prospects

In Malaysia, market competition is expected to intensify and the implementation of Sales and Service Tax (SST) on 1 September 2018 will have a negative impact on consumer spending on beer. Contraband beer continue to cloud the Malaysian market and depress the legitimate tax paying beer market, but we would acknowledge the positive effects of better enforcement that has been ongoing by the Royal Malaysian Customs and other law enforcement agencies.

In Singapore, the anticipated introduction of the European Free Trade Agreement in the second quarter of 2019 will pose a further challenge from cheaper imports.

In spite of the challenging market conditions as well as intense competition, we will continue our focus in product innovation and quality execution of our SAIL'22 strategy to hopefully deliver further satisfactory performance.

20. Profit Forecast

Not applicable as no profit forecast was published.

21. Taxation

	Financial period ended 30 September	
	2018 RM'000	2017 RM'000
<u>Taxation</u>		
- Malaysia	49,866	32,472
- Outside Malaysia	10,581	12,727
	60,447	45,199
<u>Deferred tax</u>		
- Malaysia	(4,029)	1,746
Tax expense	56,418	46,945
Profit before taxation	272,998	226,814
Share of (profit)/loss of equity accounted associate, net of tax	(14,713)	2,919
Profit before taxation excluding share of (profit)/loss of equity accounted associate, net of tax	258,285	229,733
Effective tax rate	21.8%	20.4%

The Group's effective tax rate for current financial period was higher mainly due to the recognition of over provision of tax pertaining to Year Assessment 2016 in the corresponding period in 2017.

22. Corporate Proposals

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

23. Borrowing and Debt Securities

Group borrowings and debt securities are as follows:

Short term - Unsecured loans	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Revolving credits	70,000	12,115
Bank overdraft	-	4,662
Total short term loans	70,000	16,777

24. Material Litigation

There have been no material litigation action since the last annual audited financial statements up to the date of this report.

25. 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:

	Financial period ended	
	30 September 2018	30 September 2017
Net Profit attributable to shareholders (RM'000)	209,702	171,159
Weighted average number of ordinary shares in issue ('000)	305,748	305,748
Basic earnings per share (sen)	68.59	55.98*

* Basic earnings per share in preceeding corresponding period 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. The treasury shares were cancelled on 17 May 2017.

Diluted earnings per share

Not applicable.

26. Dividends

The Board of Directors has declared on this date a THIRD quarter single tier interim dividend of 16.0 sen per share for the year ending 31 December 2018, in respect of the third quarter profits to 30 September 2018 (2017: no interim dividend declared in respect of the third quarter profits to 30 September 2017). The total amount payable is RM48.9 million.

Accordingly, the total single tier interim dividends declared for the financial period ended 30 September 2018 is 51.7 sen per share, based on 305,748,000 ordinary shares (2017: 10.0 sen per share, based on 305,748,000 ordinary shares for the financial period ended 30 September 2017).

27. Notes to the Statement of Comprehensive Income

	Financial period ended	
	30 September 2018	30 September 2017
	RM'000	RM'000
Depreciation and amortisation	(28,027)	(24,221)
Gain on disposal of property, plant and equipment	946	1,655
Property, plant and equipment written off	(15)	(184)
Impairment loss on/reversal of impairment loss on receivables	(43)	118
Inventories written off	(232)	(29)
Allowance for inventories written down	(225)	(225)
Net foreign exchange gain/(loss)	127	(1,252)

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 2018.