



Carlsberg Brewery Malaysia Berhad

Company No. 196901000792 (9210-K)
(Incorporated in Malaysia)

Interim Financial Report
31 March 2020

The Board of Directors of Carlsberg Brewery Malaysia Berhad is pleased to announce the following unaudited interim results of the Group for financial quarter and period ended 31 March 2020.

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 196901000792)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter Ended		Financial Period Ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Revenue	589,872	659,921	589,872	659,921
Operating expenses	(498,724)	(550,278)	(498,724)	(550,278)
Other operating income	832	1,948	832	1,948
Profit from operations	91,980	111,591	91,980	111,591
Finance income	429	196	429	196
Finance costs	(2,270)	(2,707)	(2,270)	(2,707)
Share of profit of equity accounted associate, net of tax	5,107	4,736	5,107	4,736
Profit before taxation	95,246	113,816	95,246	113,816
Taxation	(21,067)	(24,554)	(21,067)	(24,554)
Profit for the financial period	74,179	89,262	74,179	89,262
Profit attributable to:				
Owners of the Company	72,956	87,603	72,956	87,603
Non-controlling interests	1,223	1,659	1,223	1,659
Profit for the financial period	74,179	89,262	74,179	89,262
Other comprehensive (expenses)/income				
Cash flow hedge	(2,575)	1,069	(2,575)	1,069
Foreign currency translation differences for foreign operations	17	1,564	17	1,564
Total comprehensive income for the period	71,621	91,895	71,621	91,895
Total comprehensive income attributable to:				
Owners of the Company	70,398	90,236	70,398	90,236
Non-controlling interests	1,223	1,659	1,223	1,659
Total comprehensive income for the period	71,621	91,895	71,621	91,895
EPS - Basic (sen)	23.86	28.65	23.86	28.65
- 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 2019 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 196901000792)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant & equipment	209,764	207,073
Right-of-use assets	13,636	14,147
Other intangible assets	7,119	7,998
Investment in an associate	89,981	84,720
Deferred tax assets	491	504
	320,991	314,442
<u>Current assets</u>		
Inventories	56,758	66,869
Receivables, deposits and prepayments	210,662	217,285
Tax recoverable	1,720	2,166
Cash and cash equivalents	94,242	78,617
	363,382	364,937
TOTAL ASSETS	684,373	679,379
EQUITY		
Total equity attributable to equity holders of the Company		
Share capital	149,363	149,363
Reserves	17,779	(879)
	167,142	148,484
Non-controlling interests	9,447	8,224
TOTAL EQUITY	176,589	156,708
LIABILITIES		
<u>Non-current liabilities</u>		
Deferred tax liabilities	26,470	25,418
Provision	327	329
Lease liabilities	5,344	5,834
	32,141	31,581
<u>Current liabilities</u>		
Payables and accruals	370,200	379,781
Current tax liabilities	38,607	34,474
Lease liabilities	1,836	1,835
Loans and borrowings	65,000	75,000
	475,643	491,090
TOTAL LIABILITIES	507,784	522,671
TOTAL EQUITY AND LIABILITIES	684,373	679,379
Net assets per share (RM)	0.58	0.51

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 196901000792)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

/-----Attributable to Owners of the Company-----/
 /-----Non-distributable-----/ Distributable

Group	Share Capital RM'000	Exchange Reserve RM'000	Cash flow Hedge Reserve RM'000	Capital Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total RM'000
At 1 January 2019	149,363	174	(2,427)	3,931	707	17,379	169,127	11,870	180,997
Total comprehensive income for the period	-	1,564	1,069	-	-	87,603	90,236	1,659	91,895
Dividends to owners of the Company	-	-	-	-	-	(50,754)	(50,754)	-	(50,754)
Effects of share-based payments	-	-	-	-	552	-	552	-	552
At 31 March 2019	149,363	1,738	(1,358)	3,931	1,259	54,228	209,161	13,529	222,690
At 1 January 2020	149,363	(312)	(911)	3,931	2,624	(6,211)	148,484	8,224	156,708
Total comprehensive income for the period	-	17	(2,575)	-	-	72,956	70,398	1,223	71,621
Dividends to owners of the Company	-	-	-	-	-	(51,977)	(51,977)	-	(51,977)
Effects of share-based payments	-	-	-	-	237	-	237	-	237
At 31 March 2020	149,363	(295)	(3,486)	3,931	2,861	14,768	167,142	9,447	176,589

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No.: 196901000792)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	First Quarter Ended	
	31 March 2020 RM'000	31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	95,246	113,816
Adjustments for:		
Non-cash items	12,269	12,815
Share of profit of equity accounted associate, net of tax	(5,107)	(4,736)
Finance costs	2,270	2,707
Finance income	(429)	(196)
Operating profit before working capital changes	104,249	124,406
Changes in working capital:		
Inventories	10,111	39,968
Receivables, deposits and prepayments	4,267	(54,515)
Payables and accruals	(11,845)	(16,488)
Cash generated from operations	106,782	93,371
Tax paid	(15,281)	(20,876)
Net cash generated from operating activities	91,501	72,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(11,767)	(8,644)
Acquisition of intangible assets	(75)	-
Interest received	428	196
Proceeds from disposal of property, plant and equipment	85	-
Net cash used in investing activities	(11,329)	(8,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of short-term borrowings	(10,000)	(10,000)
Repayment of lease liability	(385)	(404)
Dividends paid to owners of the Company	(51,977)	(48,920)
Interest paid	(2,196)	(2,707)
Reimbursement to ultimate holding company for share options granted	-	(206)
Net cash used in financing activities	(64,558)	(62,237)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,614	1,810
Effect of exchange rate fluctuations on cash held	11	(253)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	78,617	96,612
CASH AND CASH EQUIVALENTS AT 31 MARCH	94,242	98,169

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD

(Company No.: 196901000792)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Cash and cash equivalents comprise the following amounts:

	As at	
	31 March 2020	31 March 2019
	RM'000	RM'000
Deposits with licensed banks	-	30,000
Cash at bank	94,129	68,145
Cash held on hand	113	24
	94,242	98,169

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2019.

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 2019.

The Group has also adopted the following amendments to MFRS and IC Interpretation that came into effect on 1 January 2020 which did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Amendments to MFRS 101 and 108 ‘Definition of material’
- Amendments to MFRS 3 ‘Definition of a business’
- Amendments to MFRS 9, 139 and 7 ‘Interest rate benchmark reform’
- The Conceptual Framework for Financial Reporting

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
Amendment to MFRS 101	Classification of liabilities as current or non-current	1 January 2022

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2019 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

Other than disclosed in Note 11, 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 quarter ended 31 March 2020:-

Date of payment	Dividends paid	Amount (Sen per ordinary share)	Amount (RM'000)
22 January 2020	THIRD quarter single tier interim dividend 2019	17.0	51,977
	Total		51,977

The Board of Directors declared on 21 February 2020 a FOURTH quarter single tier interim dividend of 17 sen per share for the year ended 31 December 2019. The total amount of RM52 million was paid on 10 April 2020.

A FINAL single tier dividend of 23.6 sen per share and a special single tier dividend of 4.8 sen per share in respect of the financial year ended 31 December 2019 had been recommended and amended by the Board of Directors on 21 February 2020 and 13 May 2020 respectively. The total dividends amounting to RM86.8 million will require shareholders' approval during the forthcoming Annual General Meeting.

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 31 March 2020	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Geographical Segments:				
Total external revenue	445,371	144,501	-	589,872
Inter segment revenue	16,184	-	(16,184)	-
Total revenue	461,555	144,501	(16,184)	589,872
Profit from operations	72,651	17,732	1,597	91,980

8. Operating Segment (continued)

Quarter Ended 31 March 2019	Malaysia	Singapore	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Geographical Segments:				
Total external revenue	501,869	158,052	-	659,921
Inter segment revenue	18,101	-	(18,101)	-
Total revenue	519,970	158,052	(18,101)	659,921
Profit from operations	90,273	20,724	594	111,591

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. Material and Subsequent Events

On 18 March 2020, the Malaysian Government implemented the Movement Control Order (“MCO”) in its efforts to contain the COVID-19 pandemic. The MCO required by law that all private premises are prohibited from operating except for those providing essential services. The Company complied fully with the Government’s MCO with the suspension of the production and distribution operations from 18 March 2020 as beer was not included within the list of essential consumer items.

On 4 May 2020, the Company resumed its operations after the Government lifted the MCO and implemented a Conditional MCO (“CMCO”) to ease the partial lockdown that had been in place since 18 March 2020.

In Singapore, the Circuit Breaker (“CB”) measures was implemented on 7 April 2020 which has resulted in the closure of all on trade premises, schools and social distancing measures in malls.

This report for the quarter ended 31 March 2020 has incorporated the effects of the MCO and COVID-19 on the Group’s results for the quarter. Nevertheless, the full impact of COVID-19 on the Group’s financial and operating performance going forward is still being assessed at this time.

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.

On 13 February 2020, the Company had received a letter from the State Customs confirming that the bill of demand for sales tax amounting to RM13,763,381.02 and the penalty amounting to RM6,881,690.56 for period of 1 July 2011 to 14 January 2014 has been cancelled.

Based on legal advice sought, there are reasonable grounds to object the basis of the bill of demand for excise duty issued by the State Customs. The Company will continue to engage State Customs to seek a resolution to resolve this matter soonest possible. The Company will make the necessary announcement on any material developments relating to this matter, as and when appropriate.

13. Capital Commitments

Capital commitments for property, plant and equipment and intangible assets not provided for in the financial statements as at 31 March 2020 are as follows:

	<u>RM’000</u>
Approved and contracted for	10,049
Approved but not contracted for	43,833
	<u>53,882</u>

14. Financial Instruments

Derivatives

The outstanding derivative as at 31 March 2020 are as follows:

Aluminium Hedging Contract	Contract Value (RM'000)	Fair Value (RM'000)	Difference (RM'000)
Less than one year	28,478	24,299	(4,179)
One to five years	4,559	4,151	(408)
	33,037	28,450	(4,587)

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 year. Both companies are incorporated in Denmark.

16. Significant Related Party Transactions

**First Quarter
Ended
31 March 2020
RM'000**

Transactions with holding company:

Purchases of materials and products	104
Purchases of services	1,088
Royalties payable	10,512
Net settlements in respect of loss from hedging contracts	664

Transactions with related companies:

Management fees payable	2,624
Purchases of materials and products	4,726
Purchases of services	1,539
Sales of goods	(9,888)

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)	First Quarter Ended 31 March 2020	First Quarter Ended 31 March 2019	% Change
Revenue	589,872	659,921	-10.6%
Profit from operations	91,980	111,591	-17.6%
Share of profit in an associate	5,107	4,736	7.8%
Profit attributable to Owners of the Company ("Net profit")	72,956	87,603	-16.7%

The Group's revenue decreased by 10.6% to RM589.9 million compared to the same quarter last year, whilst profit from operations decreased by 17.6% to RM92.0 million due to lower sales following the suspension of production and distribution operations during the MCO period that was caused by the outbreak of COVID-19 which impacted sales especially in the On Trade channel; and also an earlier Chinese New Year (CNY) trade loading in December 2019.

Total revenue for Malaysia decreased by 11.3% to RM445.4 million whilst profit from operations decreased by 18.3% to RM74.2 million due to the earlier CNY trade loading in December last year, absence of trade loading in March this year and lower sales following the MCO that commenced on 18 March 2020.

Singapore reported a decrease of 8.6% in revenue to RM144.5 million whilst its profit from operations decreased by 14.4% to RM17.7 million compared to the same quarter last year due to lower sales as a result of the outbreak of COVID-19 and the earlier CNY trade loading in December last year.

The Group registered a higher share of profit in its associated company, Lion Brewery (Ceylon) PLC ("LBCP") of RM5.1 million compared to a share of profit of RM4.7 million in the corresponding quarter last year.

The Group's net profit for the quarter decreased by 16.7% to RM73.0 million compared to the same quarter last year due to lower profits in both the Malaysia and Singapore operations.

18. Variation of Result against the Preceding Quarter

Key Financials (RM'000)	First Quarter Ended 31 March 2020	Fourth Quarter Ended 31 December 2019	% Change
Revenue	589,872	573,916	2.8%
Profit from operations	91,980	92,828	-0.9%
Net profit	72,956	68,999	5.7%

The Group's revenue increased by RM16.0 million or 2.8%, against the preceding quarter mainly due to higher sales in Malaysia which benefited from the Chinese New Year festival in the month of January.

The Group's profit from operations marginally decreased by RM0.8 million or 0.9% against the preceding quarter mainly due to lower revenue in Singapore.

The Group's net profit increased by 5.7% due to higher profits in Malaysia as well as share of profits in LBCP offset by lower profits in Singapore.

19. Prospects

The Board is taking a cautious view over the outlook for the remainder of 2020 due to unprecedented levels of uncertainty and volatility caused by the COVID-19 pandemic. This crisis has brought immense challenges for consumers, regulators, and businesses; it is changing the way we live and work.

COVID-19 has severely impacted our operations in Malaysia and Singapore, as well as our investment in Sri Lanka and will have an adverse impact on our business and financial performance in 2020. In Malaysia, our brewery was closed as a result of the MCO imposed by the Malaysian Government from 18 March 2020 to 3 May 2020. The disruption from the closure of the brewery have also affected our distribution during this period plus inability to fulfill our export customers requirements. Together with the regulations set during the MCO and Conditional MCO in Malaysia and Circuit Breaker "CB" in Singapore, these factors have taken a heavy toll on on-trade sales and consumer sentiment and will remain a major overhang to the local beer industry for some time. We anticipate a slow recovery in on-trade sales due to reduced capacity, social distancing, health and safety guidelines and deteriorating macroeconomic conditions.

19. Prospects (continued)

To ensure we are able to cope with these challenges to our bottom line and cash flow, we have put in place numerous measures to mitigate the profits impact and preserve cash. Our focus on the SAIL'22 corporate strategy remains unchanged. Additionally, during this crisis we are guided by the Carlsberg Group's COVID-19 leadership triangle that balances between "Situational Leadership", "Defend Operating Profit and Cash" and "Prepare for the Rebound". In anticipation of uncertainties in macroeconomics and socio-politics, we are committed to be even more agile and disciplined in implementing our SAIL'22 priorities, especially Fund the Journey initiatives, with greater focus on cost control. Besides, we are also focussing on cash flow and optimisation of our trade working capital to ensure sufficient liquidity during this period. Under such difficult circumstances, the Board has decided to suspend the quarterly dividend payments for the financial year ending 31 December 2020 to ensure more prudent focus on preserving cash and liquidity, and with the intent to strike a balance between the long-term health of our organisation and dividends to shareholders. We will also work closely with our business partners to support their business recovery and to activate various consumer promotions to increase consumer traffic in the on-trade channel, especially in bars and restaurants.

20. Profit Forecast

Not applicable as no profit forecast was published.

21. Taxation

	First Quarter Ended 31 March	
	2020 RM'000	2019 RM'000
<u>Taxation</u>		
- Malaysia	16,838	17,053
- Outside Malaysia	3,044	4,697
	19,882	21,750
<u>Deferred tax</u>		
- Malaysia	1,185	3,174
- Outside Malaysia	-	(370)
Tax expense	21,067	24,554
Profit before taxation	95,246	113,816
Share of profit of equity accounted associate, net of tax	(5,107)	(4,736)
Profit before taxation excluding share of profit of equity accounted associate, net of tax	90,139	109,080
Effective tax rate	23.37%	22.51%

The Group's effective tax rate was higher compared to the corresponding quarter last year due to under provision of deferred tax in prior year.

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 31 March 2020 RM'000	As at 31 December 2019 RM'000
Revolving credits	65,000	75,000
Total short term loans	65,000	75,000

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 profit attributable to owners of the Company for the period by the weighted average number of ordinary shares outstanding during the period:

	First Quarter Ended	
	31 March 2020	31 March 2019
Profit attributable to owners of the Company (RM'000)	72,956	87,603
Weighted average number of ordinary shares in issue ('000)	305,748	305,748
Basic earnings per share (sen)	23.86	28.65

Diluted earnings per share

Not applicable.

26. Dividends

No interim dividend has been declared or proposed for the year ending 31 December 2020 (2019: 21.5 sen per share).

27. Notes to the Statement of Comprehensive Income

	First Quarter Ended	
	31 March 2020 RM'000	31 March 2019 RM'000
Inventories written down	-	(509)
Depreciation and amortisation	(12,182)	(11,504)
Loss on disposal of property, plant and equipment	(24)	-
Net foreign exchange (loss)/gain	(1,426)	440
Property, plant and equipment written off	(37)	-
Reversal of impairment loss on receivables	433	387

28. Reclassification

The Group reclassified an account in the comparative to conform with the current year's presentation. This only impact the presentation of the Group's consolidated statement of comprehensive income with no impact to other statements.

Impact to the consolidated Statement of Comprehensive Income

First Quarter Ended 31 March 2019	Before reclassification (RM'000)	Reclassification (RM'000)	After reclassification (RM'000)
Operating expenses	(549,127)	(1,151)	(550,278)
Other operating income	797	1,151	1,948

As a result of initiative to standardize the financial statements mapping, reversal of loss allowance on receivables has been reclassified from operating expenses to other operating income.

29. 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 29 May 2020.