



HEINEKEN MALAYSIA BERHAD
 (formerly known as Guinness Anchor Berhad)
 (Company No. 5350-X)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2016**

The Board of Directors of Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) (“the Company”) wishes to announce the unaudited results of the Group for the quarter and period ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED 31 December 2016 RM'000	CUMULATIVE PERIOD 18 MONTHS ENDED 31 December 2016 RM'000
1. Revenue	577,519	2,810,308
2. Operating expenses	(454,410)	(2,259,257)
3. Operating profit	123,109	551,051
4. Interest income/(expense)	(734)	(1,828)
5. Profit before tax	122,375	549,223
6. Taxation	(17,697)	(121,963)
7. Net profit for the period	104,678	427,260
8. Profit attributable to owners of the Company	104,678	427,260
9. Total comprehensive income attributable to owners of the Company	104,678	427,260
10. Earnings per share :		
(a) Basic (based on 302,098,000 stock units) (sen)	34.65	141.43
(b) Fully diluted (based on stock units) (sen)	N/A	N/A

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The current financial reporting period are for a period of 3 months and 18 months, made up from 1 October 2016 to 31 December 2016 and from 1 July 2015 to 31 December 2016 respectively. As such, there are no comparative figures for the preceding corresponding periods.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group’s Annual Audited Financial Statements for the year ended 30 June 2015.

HEINEKEN MALAYSIA BERHAD

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(Company No. 5350-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31 December 2016 RM'000	AUDITED AS AT 30 June 2015 RM'000
Non-current assets		
Property, plant and equipment	221,687	219,581
Intangible assets	33,509	33,317
Deferred tax assets	10,371	-
Other receivables	21,609	27,005
	<u>287,176</u>	<u>279,903</u>
Current assets		
Inventories	61,892	49,049
Trade and other receivables	447,977	296,269
Current tax assets	12,551	15,138
Cash and cash equivalents	4,045	52,294
	<u>526,465</u>	<u>412,750</u>
Current liabilities		
Trade and other payables	292,279	193,007
Current tax liabilities	16,326	-
Borrowings	74,000	25,000
	<u>382,605</u>	<u>218,007</u>
Net current assets	<u>143,860</u>	<u>194,743</u>
	<u>431,036</u>	<u>474,646</u>
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves		
Retained earnings	241,506	225,099
Shareholders' funds	<u>392,555</u>	<u>376,148</u>
Non-current liabilities		
Deferred tax liabilities	38,481	48,498
Borrowings	-	50,000
	<u>38,481</u>	<u>98,498</u>
	<u>431,036</u>	<u>474,646</u>
Net Assets per share attributable to owners of the Company (RM)	1.30	1.25

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The current financial reporting period is made up to 31 December 2016.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Annual Audited Financial Statements for the year ended 30 June 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 18 MONTHS ENDED 31 DECEMBER 2016

	18 MONTHS ENDED 31 December 2016 RM'000	12 MONTHS ENDED 30 June 2015 RM'000
Cash flows from operating activities		
Profit before tax	549,223	292,399
Adjustments for:		
Amortisation of intangible assets	17,308	10,758
Depreciation of property, plant and equipment	52,017	30,968
Loss on disposal of property, plant and equipment	13,270	1,894
Amortisation of prepaid contractual promotion expenses	92,203	46,489
Interest expense	4,784	5,593
Interest income	(2,956)	(2,631)
Unrealised foreign exchange differences	(70)	(40)
Operating profit before changes in working capital	725,779	385,430
Movements in working capital		
Inventories	(12,843)	(9,074)
Receivables, deposits and prepayment	(238,515)	(36,089)
Payables and accruals	99,342	45,427
Cash generated from operations	573,763	385,694
Tax paid	(123,438)	(85,084)
Interest paid	(4,784)	(5,593)
Net cash from operating activities	445,541	295,017
Cash flows from investing activities		
Acquisition of property, plant and equipment	(69,695)	(32,930)
Acquisition of intangible assets	(17,500)	(5,499)
Interest received	2,956	2,631
Proceeds from disposal of property, plant and equipment	2,302	1,125
Net cash used in investing activities	(81,937)	(34,673)
Cash flows from financing activity		
Dividends paid	(410,853)	(194,854)
Repayment of borrowings	(1,000)	(75,000)
Net cash used in financing activity	(411,853)	(269,854)
Net change in cash and cash equivalents	(48,249)	(9,510)
Cash and cash equivalents at beginning of year	52,294	61,804
Cash and cash equivalents at end of period	4,045	52,294

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The current financial reporting period is for a period of 18 months, made up from 1 July 2015 to 31 December 2016. As such, there are no comparative figures for the preceding corresponding period.

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Group's Annual Audited Financial Statements for the year ended 30 June 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 18 MONTHS ENDED 31 DECEMBER 2016

	Attributable to equity holders of the Company			
	<i>Non-Distributable</i>	<i>Non-Distributable</i>	<i>Distributable</i>	Total RM'000
Share Capital RM'000	Capital Reserve RM'000	Retained Earnings RM'000		
18 months ended 31 December 2016				
Balance at 1 July 2015	151,049	-	225,099	376,148
Total comprehensive income for the period	-	-	427,260	427,260
Dividends paid / payable	-	-	(410,853)	(410,853)
Balance at 31 December 2016	151,049	-	241,506	392,555
12 months ended 30 June 2015				
Balance at 1 July 2014	151,049	-	205,760	356,809
Total comprehensive income for the period	-	-	214,193	214,193
Dividends paid / payable	-	-	(194,854)	(194,854)
Balance at 30 June 2015	151,049	-	225,099	376,148

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The current reporting financial period will be for a period of 18 months, made up from 1 July 2015 to 31 December 2016. As such, there are no comparative figures for the preceding year corresponding period.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Annual Audited Financial Statements for the year ended 30 June 2015.

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Notes:

1. Basis of Preparation

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's annual audited financial statements as at and for the year ended 30 June 2015.

Certain comparatives were restated to conform with the disclosure for current reporting period.

On 25 November 2015, the Company announced that the Board of Directors approved the change of the Company's financial year end from 30 June to 31 December. This is to coincide with the financial year of Heineken N.V., the ultimate holding company, and to comply with Section 168(1) of the Companies Act, 1965. The next audited financial statements of the Company shall be for a period of eighteen (18) months, made up from 1 July 2015 to 31 December 2016. Thereafter, the subsequent financial years of the Company shall end on 31 December. The change of financial year end shall apply to the Company and its subsidiaries.

2. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2015.

3. Realised and Unrealised Profits/Losses

	As at 31 December 2016 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries :	
– Realised	265,042
– Unrealised	(29,033)
	236,009
Less: consolidation adjustment	5,497
Total group retained profits / (accumulated losses) as per consolidated accounts	241,506

4. Audit Report on Preceding Annual Financial Statements

The Group annual audited financial statements for the year ended 30 June 2015 were not qualified.

5. Seasonal or Cyclical Factors

The business operations of the Group are generally affected by festive seasons.

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6. Exceptional Items

There were no exceptional items for the current financial quarter under review.

7. Changes in Estimates

There were no changes in estimates that have had any material effect on current financial quarter under review.

8. Debt and Equity Securities

There was no issuance, repayment of debt and equity securities for the current financial quarter under review, save for those as disclosed under Note 22.

9. Dividends Paid

	18 months ended 31 December 2016 RM'000
<u>Final Dividend Paid – 31 December 2015</u> 2015 – 51 sen per share tax exempt	154,070
<u>Interim Dividend Paid – 15 April 2016</u> 2016 – 20 sen per share tax exempt	60,420
<u>Special Dividend Paid – 15 April 2016</u> 2016 – 30 sen per share tax exempt	90,629
<u>Second Interim Dividend Paid – 7 October 2016</u> 2016 – 35 sen per share tax exempt	105,734
	<u>410,853</u>

10. Segmental Reporting

No segmental analysis is prepared as the Group's business is focused only in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. The Management Team of the Company reviews the financial information as a whole for decision making.

11. Property, Plant and Equipment Valuation

There were no changes in the valuation of property, plant and equipment for the current financial quarter under review.

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12. Events Subsequent to the End of the Period

Between the end of the financial quarter under review and the date of this announcement, there has not been any item, transaction or event of a material and unusual nature which, in the opinion of the Directors is likely to affect substantially the results of the operations of the Group for the quarter ended 31 December 2016.

13. Changes in the Composition of the Group

There was no change to the composition of the Group during the financial period under review including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations save for the following:

On 19 May 2016, Malayan Breweries (Malaya) Sdn. Bhd. ("MBM") received a notice dated 6 May 2016 pursuant to Section 308(4) of the Companies Act, 1965 from the Companies Commission of Malaysian ("CCM") that its name had been struck-off from the register of companies of CCM. The deregistration of MBM did not result in any material impact on the net assets and earnings per share of the Group.

14. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets for the quarter ended 31 December 2016.

As announced by the Company on 3 September 2015, the Company received bills of demand dated 28 August 2015 from the Royal Malaysian Customs of Federal Territory of Kuala Lumpur ("Customs") demanding payment of additional excise duties and sales tax, totaling RM56.3 million.

The amounts in demand were:

- RM34,166,098.81 claimed under the Excise Act 1976, for the period of 28 August 2012 to 31 October 2013.
- RM22,159,456.40 claimed under the Sales Tax Act 1972, for the period of 1 July 2012 to 31 October 2013.

As reported in the Company's financial report previously, Customs had imposed a new method of valuation for excise duty which came into effect on 1 November 2013. The abovementioned bills of demand are based on historic claims for excise and sales tax for the aforesaid periods. The Company's position is that all excise duties and sales tax for those periods had been paid by the Company based on valuations previously assessed and approved by Customs.

The Company maintains its previous position that the valuation method implemented on 1 November 2013 is not in line with international best practice on rules of valuation. The Company strongly believes that a retrospective application is unjustifiable.

The Company does not admit liability on the bills of demand made by Customs and will take appropriate measures to address this matter. As a result, no provision has been recognised.

The Company will make the necessary announcement on any new development relating to the above matter from time to time.

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15. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2016 are as follows:

	<u>RM'000</u>
Property, plant and equipment	
Authorised but not contracted for	548
Authorised and contracted for	<u>11,568</u>
	<u>12,116</u>

16. Significant Related Party Transactions

As at the end of the period under review, the Group has entered into/or completed the following significant Related Party Transactions:

	<u>Heineken N.V. and its related corporations RM'000</u>	<u>Diageo Plc and its related corporations RM'000</u>
Purchase of goods	30,547	14,562
Sale of products	-	20,557
Royalties paid/payable	52,459	11,877
Marketing and technical services fees paid/payable	5,062	-
Marketing and advertising services fee received/receivable	<u>37,712</u>	<u>-</u>

All Related Party Transactions had been entered into in the ordinary course of business on normal commercial terms. These transactions are within the ambit of the general mandate approved by the shareholders of the Company on 25 November 2015.

Diageo Plc was an indirect major shareholder of the Company by virtue of its indirect shareholding in GAPL Pte Ltd ("GAPL"). Diageo Plc ceased to be an indirect major shareholder of the Company following the disposal of its entire stake in GAPL to Heineken N.V. on 7 October 2015. Pursuant to the Bursa Malaysia's Listing Requirements, the Company reports significant related party transactions entered into by the Group with the Diageo Group only up to 7 April 2016.

17. Review of Performance

For purpose of reference, the Company has provided an analysis on the performance for the following periods:

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17. Review of Performance (Continued)Quarter ended 31 December 2016 versus the same quarter in 2015

	3 months ended 31 December 2016 RM'000	3 months ended 31 December 2015 RM'000
Revenue	577,519	524,547
Profit before tax	122,375	118,011

Group revenue grew by 10.1% to RM578 million driven by strong portfolio performance with growth in premium brands of Heineken and Guinness, effective sales execution and strong growth in the Modern Off-Trade segment, mostly driven by earlier timing of Chinese New Year. The Group's results were also supported by the stabilization of the Malaysian consumer market, although consumer sentiment remains weak.

Group Profit before tax ("PBT") improved by 3.7% mainly due to the increase in revenue, efficient and effective commercial spend and supported by supply chain cost efficiencies through global procurement initiatives.

18 months ended 31 December 2016 versus the same period in 2015

	18 months ended 31 December 2016 RM'000	18 months ended 31 December 2015 RM'000
Revenue	2,810,308	2,678,432
Profit before tax	549,223	494,542

Group revenue was higher by 4.9% due to continuous volume growth and improved brand portfolio performance during the period despite a challenging market environment.

Group PBT grew 11.1% underpinned by revenue growth, improved cost efficiency in commercial spend and gains from strategic procurement initiatives. The Group has also benefitted from improved route to market execution and greater agility in the market following the transition to a fully integrated IT system that optimizes the entire value chain from the brewery to the trade.

Quarter ended 31 December 2016 versus 30 September 2016

	3 months ended 31 December 2016 RM'000	3 months ended 30 September 2016 RM'000
Revenue	577,519	384,816
Profit before tax	122,375	74,885

Group revenue increased by 50.1% principally driven by higher volumes from festive demand in the current quarter under review, improved brand portfolio performance and the stabilization of the market following lower volumes observed in the previous quarter.

Group PBT was higher by 63.4% on the back of increased revenue and timing of commercial spend.

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18. Prospects

The Group expects the external environment to remain challenging due to global and domestic economic uncertainties as well as the increase in regulatory requirements.

Despite the above, the Group is determined to continue leading the market by delivering key strategies in its business through expanding its award winning portfolio of brands, strengthening its commercial strategies and investing in its people. At the same time, Heineken Malaysia Berhad will be leveraging on the integrated global supply chain of the HEINEKEN Group to further improve efficiencies and implement long-term cost saving measures to stay ahead of the game.

19. Variance from Profit Forecast

No profit forecast was issued during the financial quarter under review.

20. Taxation

Taxation in respect of the current financial period comprises the following:

	3 months ended 31 December 2016 RM'000	18 months ended 31 December 2016 RM'000
Taxation		
Malaysian – current	20,142	132,532
– prior year	4,283	9,819
	<hr/> 24,425	<hr/> 142,351
Deferred taxation		
Malaysian – current	6,706	(6,954)
– prior year	(13,434)	(13,434)
	<hr/> (6,728)	<hr/> (20,388)
	<hr/> <hr/> 17,697	<hr/> <hr/> 121,963

The Group's effective tax rate for the current year to date under review is slightly lower than the statutory tax rate mainly due to timing of temporary differences from property, plant and equipment and other items.

21. Status of Corporate Proposals

There were no corporate proposals which have not been completed at the date of this report.

On 15 March 2016, the Board of Directors of the Company announced that the Company proposed to change its name from "Guinness Anchor Berhad" to "Heineken Malaysia Berhad" ("Proposed Change of Name"). The Proposed Change of Name is to reflect the corporate identity and branding of the Company and its relationship with the Heineken Group of Companies. The Proposed Change of Name has been approved by the Company's shareholders at the Extraordinary General Meeting on 20 April 2016. The change of name took effect from 21 April 2016, the date of the Certificate of Incorporation on Change of Name issued by the Companies Commission of Malaysia to the Company.

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22. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2016 are as follows:

<u>Current – Unsecured</u>	<u>RM'000</u>
Revolving credit & trade financing	74,000

23. Financial Instruments

Forward foreign exchange contracts are entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities; in accordance with the Group's foreign currency hedging policy. However, as of 31 December 2016, there were no open hedging contracts.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in comprehensive income, except for differences arising on the retranslation of a financial instrument designated as a hedge of currency risk, which is recognised in other comprehensive income.

There is minimal credit and market risk as the forward contracts are executed with creditworthy financial institutions. The Group is of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

At the end of the reporting period, the Group does not have any outstanding derivatives.

24. Notes to the Statement of Comprehensive Income

	<u>3 months ended 31 December 2016 RM'000</u>	<u>18 months ended 31 December 2016 RM'000</u>
Depreciation and amortisation	13,473	69,325
Provision for and write-off of inventories	5,108	13,887

Other than the items highlighted above which have been included in the Consolidated Statement of Comprehensive Income, there were no impairment of assets nor profits/losses on any other items and sale of quoted securities, investments and properties included in the results for the quarter ended 31 December 2016.

25. Material Litigation

Neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or as defendant as of the date of this report.

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26. Dividend

The Board has proposed a final single tier dividend of 60 sen per 50 sen stock unit for the 18 months period ended 31 December 2016 (12 months period ended 30 June 2015 : 51 sen per 50 sen stock unit, single tier). Subject to approval of the shareholders at the forthcoming Annual General Meeting, the date of which will be announced later, the final single tier dividend will be paid on 16 May 2017 to stockholders registered at the close of business on 25 April 2017. The entitlement date shall therefore be 25 April 2017.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 21 April 2017 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 25 April 2017 in respect of ordinary transfers; and
- (c) Shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Pursuant to FRS 110, the proposed final single tier dividend totaling RM181,258,800 has not been accounted for in the financial statements as at 31 December 2016.

Total dividend for the 18 months ended 31 December 2016 is 145 sen per 50 sen stock unit comprising:

- (i) a single tier interim dividend of 20 sen and a single tier special dividend of 30 sen per 50 sen stock unit, which were paid on 15 April 2016;
- (ii) a second single tier interim dividend of 35 sen per 50 sen stock unit, paid on 7 October 2016; and
- (iii) a proposed final single tier dividend of 60 sen per 50 sen stock unit.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the 18 months period under review is calculated by dividing the net profit attributable to the shareholders of RM427,260,000 by the weighted average number of ordinary stock units outstanding as at 31 December 2016 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Hans Essaadi
Managing Director

15 February 2017