



HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2017**

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the quarter and period ended 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED 30 JUNE 2017 RM'000	CUMULATIVE PERIOD 6 MONTHS ENDED 30 JUNE 2017 RM'000
1. Revenue	406,577	807,690
2. Operating expenses	(325,279)	(661,202)
3. Operating profit	81,298	146,488
4. Interest income/(expense)	(367)	(1,073)
5. Profit before tax	80,931	145,415
6. Taxation	(19,350)	(34,861)
7. Net profit for the period	<u>61,581</u>	<u>110,554</u>
8. Profit attributable to owners of the Company	<u>61,581</u>	<u>110,554</u>
9. Total comprehensive income attributable to owners of the Company	<u>61,581</u>	<u>110,554</u>
10. Earnings per share :		
(a) Basic (based on 302,098,000 stock units) (sen)	20.38	36.60
(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 last audited financial statements were for an 18-month reporting period from 1 July 2015 to 31 December 2016. As such, there are no comparative figures for the preceding year corresponding periods.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group’s Annual Audited Financial Statements for the 18 months financial period ended 31 December 2016.

HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30 June 2017 RM'000	AUDITED AS AT 31 December 2016 RM'000
Non-current assets		
Property, plant and equipment	214,800	221,687
Intangible assets	27,652	33,509
Deferred tax assets	-	10,371
Other receivables	15,328	21,609
	257,780	287,176
Current assets		
Inventories	49,266	61,892
Trade and other receivables	312,986	447,977
Current tax assets	-	12,551
Cash and cash equivalents	11,266	4,045
	373,518	526,465
Current liabilities		
Trade and other payables	190,688	292,279
Current tax liabilities	10,048	16,326
Borrowings	100,000	74,000
	300,736	382,605
Net current assets	72,782	143,860
	330,562	431,036
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves		
Retained earnings	170,801	241,506
Shareholders' funds	321,850	392,555
Non-current liabilities		
Deferred tax liabilities	8,712	38,481
	330,562	431,036
	330,562	431,036
Net Assets per share attributable to owners of the Company (RM)	1.07	1.30

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(Company No. 5350-X)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 6 MONTHS ENDED 30 JUNE 2017

	6 MONTHS ENDED 30 June 2017 RM'000	18 MONTHS ENDED 31 December 2016 RM'000
Cash flows from operating activities		
Profit before tax	145,415	549,223
Adjustments for:		
Amortisation of intangible assets	7,615	17,308
Depreciation of property, plant and equipment	17,474	52,017
Loss on disposal of property, plant and equipment	5,414	13,272
Amortisation of prepaid contractual promotion expenses	20,388	92,203
Interest expense	1,663	4,784
Interest income	(590)	(2,956)
Reversal of impairment losses	-	(272)
Unrealised foreign exchange differences	18	(70)
Operating profit before changes in working capital	197,397	725,509
Movements in working capital		
Inventories	12,626	(12,843)
Receivables, deposits and prepayment	120,884	(238,243)
Payables and accruals	(101,609)	99,342
Cash generated from operations	229,298	573,765
Tax paid	(47,986)	(123,438)
Interest paid	(1,663)	(4,784)
Net cash from operating activities	179,649	445,543
Cash flows from investing activities		
Acquisition of property, plant and equipment	(17,290)	(69,695)
Acquisition of intangible assets	(688)	(17,500)
Interest received	590	2,956
Proceeds from disposal of property, plant and equipment	219	2,300
Net cash used in investing activities	(17,169)	(81,939)
Cash flows from financing activity		
Dividends paid	(181,259)	(410,853)
Repayment of borrowings	26,000	(1,000)
Net cash used in financing activity	(155,259)	(411,853)
Net change in cash and cash equivalents	7,221	(48,249)
Cash and cash equivalents at beginning of year	4,045	52,294
Cash and cash equivalents at end of period	11,266	4,045

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HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2017

	Attributable to equity holders of the Company			
	<i>Non- Distributable</i>	<i>Distributable</i>	<i>Distributable</i>	Total RM'000
	Share Capital RM'000	Capital Reserve RM'000	Retained Earnings RM'000	
6 months ended				
<u>30 June 2017</u>				
Balance at 1 January 2017	151,049	-	241,506	392,555
Total comprehensive income for the period	-	-	110,554	110,554
Dividends paid / payable	-	-	(181,259)	(181,259)
Balance at 30 June 2017	151,049	-	170,801	321,850
18 months ended				
<u>31 December 2016</u>				
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

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The last audited financial statements were for an 18-month reporting period from 1 July 2015 to 31 December 2016. As such, there are no comparative figures for the preceding year corresponding period.

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HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

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 18-month period ended 31 December 2016.

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

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 18-month period ended 31 December 2016.

3. Realised and Unrealised Profits/Losses

	As at 30 June 2017 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries :	
– Realised	195,506
– Unrealised	(31,591)
	<hr/> 163,915
Less: consolidation adjustment	6,886
Total group retained profits / (accumulated losses) as per consolidated accounts	<hr/> <hr/> 170,801

4. Audit Report on Preceding Annual Financial Statements

The Group annual audited financial statements for the 18-month period ended 31 December 2016 were not qualified.

5. Seasonal or Cyclical Factors

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

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.

HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

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

	6 months ended 30 June 2017 RM'000
<u>Final Dividend paid on 16 May 2017</u> 2016 - 60 sen per stock unit tax exempt	181,259
	<u>181,259</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.

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 30 June 2017.

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.

14. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets for the quarter ended 30 June 2017.

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.

HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

14. Changes in Contingent Liabilities or Contingent Assets (Continued)

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.

15. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2017 are as follows:

	<u>RM'000</u>
Property, plant and equipment	
Authorised but not contracted for	47,886
Authorised and contracted for	32,550
	<u>80,436</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:

	Heineken N.V. and its related corporations
	<u>RM'000</u>
Purchase of goods	10,224
Sale of products	1,655
Royalties paid/payable	14,079
Fees paid/payable for professional services	4,166
Marketing and advertising services fee received/receivable	<u>10,250</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 13 April 2017.

HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

17. Review of Performance

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

Quarter ended 30 June 2017 versus the same quarter in 2016

	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000
Revenue	406,577	459,512
Profit before tax	80,931	79,618

Group revenue decreased by 12% as compared to the same quarter in 2016 primarily due to higher sales made in anticipation of price increase implemented on 1 July 2016. In addition, the soft market sentiment continues to weigh down the Group's sales performance. This was buffered by revenue growth for premium brands driven by commendable performance in Strongbow Apple Ciders and the launch of Guinness Bright in May 2017.

Despite the decrease in Group revenue, Group Profit before tax ("PBT") grew by 2% as a result of effective cost management derived from the implementation of a procurement process that synergizes with the HEINEKEN Global Procurement systems and increased productivity as a result of automation in route to market.

6 months ended 30 June 2017 versus the same period in 2016

	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
Revenue	807,690	918,426
Profit before tax	145,415	149,820

Group revenue was 12% lower mainly due to higher sales made in anticipation of price increase implemented on 1 July 2016 and an earlier Chinese New Year in 2017 which resulted in higher deliveries in end 2016. In the period under review, persisting weak consumer sentiment continued to affect the sales performance of the Group.

PBT showed a marginal decrease of 3% as a result of lower revenue; mitigated by effective cost management within the Group.

Quarter ended 30 June 2017 versus 31 March 2017

	3 months ended 30 June 2017 RM'000	3 months ended 31 March 2017 RM'000
Revenue	406,577	401,114
Profit before tax	80,931	64,484

HEINEKEN MALAYSIA BERHAD

(Company No. 5350-X)

17. Review of Performance (Continued)

Group revenue increased by 1% as compared to the preceding quarter driven by growth in Premium and Cider products as well as innovation launches. Commercial investments made in the second quarter under review were also lower compared to the preceding quarter where peak promotional spend was made for the Chinese New Year festive period.

Group PBT grew strongly by 26% due to effective execution of key strategies whilst optimising our costs and commercial spend.

18. Prospects

The Group expects the market outlook to remain challenging due to cautious consumer spending amidst worries of rising cost of living and economic uncertainties, and the continued threat from contraband in the Malaysian market.

However, the Group will continue to leverage on its portfolio of iconic brands as well as the robust execution of commercial strategies and strive to deliver stronger performance for the remaining period of the year.

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 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
Taxation		
Malaysian – current	23,984	39,495
Deferred taxation		
Malaysian – current	(4,634)	(4,634)
	<u>19,350</u>	<u>34,861</u>

The Group's effective tax rate for the current year to date under review is broadly in line with the statutory tax rate.

21. Status of Corporate Proposals

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

22. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2017 are as follows:

<u>Current – Unsecured</u>	<u>RM'000</u>
Revolving credit & trade financing	<u>100,000</u>



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 30 June 2017, 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

	6 months ended 30 June 2017 RM'000
Depreciation and amortisation	25,089
Provision for and write-off of inventories	3,373

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 30 Jun 2017.

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.

26. Dividend

The Board has declared a single tier interim dividend of 40 sen per stock unit for the financial year ending 31 December 2017 (6 months financial period ended 30 June 2016 : 35 sen interim dividend), payable on **9 October 2017** to stockholders registered at the close of business on **15 September 2017**. The entitlement date shall therefore be **15 September 2017**.

Net dividend payable to stockholders will be at 40 sen per stock unit (6 months financial period ended 30 June 2016 : 35 sen interim dividend).

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(Company No. 5350-X)

26. Dividend (Continued)

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 13 September 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 15 September 2017 in respect of ordinary transfers; and
- (c) Shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Total dividend declared for the 6 months period ended 30 June 2017 is 40 sen per stock unit.

27. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the 6 months period under review is calculated by dividing the net profit attributable to the shareholders of RM61,581,000 by the weighted average number of ordinary stock units outstanding as at 30 June 2017 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Hans Essaadi
Managing Director

26 July 2017