HEINEKEN

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 30 SEPTEMBER 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 30 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL PERIOD 3 MONTHS ENDED 30 September 2016 RM'000	CUMULATIVE PERIOD 15 MONTHS ENDED 30 September 2016 RM'000
1.	Revenue	384,816	2,232,789
2.	Operating expenses	(309,790)	(1,804,847)
3.	Operating profit	75,026	427,942
4.	Interest income/(expense)	(141)	(1,094)
5.	Profit before tax	74,885	426,848
6.	Taxation	(17,965)	(104,266)
7.	Net profit for the period	56,920	322,582
8.	Profit attributable to owners of the Company	56,920	322,582
9.	Total comprehensive income attributable to owners of the Company	56,920	322,582
10.	Earnings per share :		
(a)	Basic (based on 302,098,000 stock units) (sen)	18.84	106.78
(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 reporting financial period will be for a period of 3 months and 15 months, made up from 1 July 2016 to 30 September 2016 and from 1 July 2015 to 30 September 2016 respectively. 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 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 30 September 2016 RM'000	AUDITED AS AT 30 June 2015 RM'000
Non-current assets		
Property, plant and equipment	215,777	219,581
Intangible assets	33,635	33,317
Other receivables	25,497	27,005
	274,909	279,903
Current assets		
Inventories	56,122	49,049
Trade and other receivables	320,139	296,269
Current tax assets	-	15,138
Cash and cash equivalents	54,110	52,294
	430,371	412,750
Current liabilities		
Trade and other payables	225,564	193,007
Current tax liabilities	1,267	-
Dividend payable	105,734	-
Borrowings	50,000	25,000
	382,565	218,007
Net current assets	47,806	194,743
	322,715	474,646
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves		
Retained earnings	136,828	225,099
Shareholders' funds	287,877	376,148
Non-current liabilities		
Deferred tax liabilities	34,838	48,498
Borrowings	-	50,000
	34,838	98,498
	322,715	474,646
Net Assets per share attributable to owners of the Company (RM)	0.95	1.25

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 up to 30 September 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 15 MONTHS ENDED 30 SEPTEMBER 2016

	15 MONTHS ENDED 30 September 2016 RM'000	12 MONTHS ENDED 30 June 2015 RM'000
Cash flows from operating activities		
Profit before tax	426,848	292,399
Adjustments for:		
Amortisation of intangible assets	14,441	10,758
Depreciation of property, plant and equipment	43,411	30,968
Loss on disposal of property, plant and equipment	7,382	1,894
Amortisation of prepaid contractual promotion expenses	75,003	46,489
Interest expense	3,595	5,593
Interest income	(2,501)	(2,631)
Unrealised foreign exchange differences	(83)	(40)
Operating profit before changes in working capital	568,096	385,430
Movements in working capital		
Inventories	(7,073)	(9,074)
Receivables, deposits and prepayment	(97,365)	(36,089)
Payables and accruals	32,640	45,427
Cash generated from operations	496,298	385,694
Tax paid	(101,521)	(85,084)
Interest paid	(3,595)	(5,593)
Net cash from operating activities	391,182	295,017
Cash flows from investing activities		
Acquisition of property, plant and equipment	(47,907)	(32,930)
Acquisition of intangible assets	(15,658)	(5,499)
Interest received	2,501	2,631
Proceeds from disposal of property, plant and equipment	1,817	1,125
Net cash used in investing activities	(59,247)	(34,673)
Cash flows from financing activity		
Dividends paid	(305,119)	(194,854)
Repayment of borrowings	(25,000)	(75,000)
Net cash used in financing activity	(330,119)	(269,854)
Net change in cash and cash equivalents	1,816	(9,510)
Cash and cash equivalents at beginning of year	52,294	61,804
Cash and cash equivalents at end of period	54,110	52,294

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 15 months, made up from 1 July 2015 to 30 September 2016. As such, there are no comparative figures for the preceding year 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.

HEINEKEN MALAYSIA BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 15 MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to equity holders of the Company			
	Non-Distributable		*Distributable*	
	Share Capital RM'000	Capital Reserve RM'000	Retained Earnings RM'000	Total RM'000
15 months ended <u>30 September 2016</u>				
Balance at 1 July 2015	151,049	-	225,099	376,148
Total comprehensive income for the period	-	-	322,582	322,582
Dividends paid / payable	-	-	(410,853)	(410,853)
Balance at 30 September 2016	**151,049**	**-**	**136,828**	**287,877**
12 months ended <u>30 June 2015</u>				
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 15 months, made up from 1 July 2015 to 30 September 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.

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 30 September 2016 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries :	
- Realised	173,733
- Unrealised	(35,749)
	137,984
Less: consolidation adjustment	(1,156)
Total group retained profits / (accumulated losses) as per consolidated accounts	136,828

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.

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

	15 months ended 30 September 2016 RM'000
Final Dividend Paid	
2015 - 51 sen per share tax exempt	154,070
Interim Dividend Paid	
2016 - 20 sen per share tax exempt	60,420
Special Dividend Paid	
2016 - 30 sen per share tax exempt	90,629
	305,119

On 18 July 2016, the Company declared a second single tier interim dividend of 35 sen per 50 sen stock unit, amounting to RM105,734,300 in respect of the financial year ending 31 December 2016. The second interim dividend was paid on 7 October 2016.

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 September 2016.

13. Changes in the Composition of the Group

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

The deregistration of Malayan Breweries (Malaya) Sdn Bhd ("MBM") is still pending completion. The deregistration of MBM is not expected to have 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 30 September 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.

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

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 September 2016 are as follows:

	RM'000
Property, plant and equipment	
Authorised but not contracted for	8,472
Authorised and contracted for	15,706
	24,178

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 RM'000	Diageo Plc and its related corporations RM'000
Purchase of goods	26,123	14,562
Sale of products	-	20,557
Royalties paid/payable	41,715	11,877
Marketing and technical services fees paid/payable	3,215	-
Marketing and advertising services fee received/receivable	32,588	-

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

Quarter ended 30 September 2016 versus the same quarter in 2015

	3 months ended 30 September 2016 RM'000	3 months ended 30 September 2015 RM'000
Revenue	384,816	405,000
Profit before tax	74,885	84,132

Group revenue contracted by 5% to RM384 million mainly due to low consumer sentiment arising from global economic uncertainties and lower 2016 GDP forecast for Malaysia.

Group Profit before tax ("PBT") declined by 11% due to the decrease in revenue, and early timing of commercial spend.

15 months ended 30 September 2016 versus the same period in 2015

	15 months ended 30 September 2016 RM'000	15 months ended 30 September 2015 RM'000
Revenue	2,232,788	2,153,885
Profit before tax	426,848	376,531

Group revenue was higher by 4% on the back of resilient volume growth across all channels and better sales mix in the earlier months amidst challenging market environment.

Group PBT grew 13% driven by revenue growth and improved cost efficiency in commercial spend. In addition, the Company's continued focus on innovation and improved route to market execution via the successful implementation of a fully integrated IT system that provides the Company with greater visibility across the entire value chain and improved agility in the market, have also contributed to the higher PBT during the period.

Quarter ended 30 September 2016 versus 30 June 2016

	3 months ended 30 September 2016 RM'000	3 months ended 30 June 2016 RM'000
Revenue	384,816	459,512
Profit before tax	74,885	79,618

Group revenue decreased by 16% principally due to lower volume in the current quarter under review, as well as the impact of the strong performance in the preceding quarter from the four week long football tournament.

Group PBT was lower by 6% due to lower revenue, partially offset by the timing of commercial spend.

18. Prospects

The Group remains cognizant of the headwinds ahead of the global economic uncertainty, and expects the domestic economic environment to remain challenging although consumer sentiments are anticipated to improve.

The Group will continue to focus on driving its key strategies to deliver resilient performance, strengthening operational efficiency and execution to deliver value for its shareholders. Through identification of opportunities in this challenging environment, supported with effective execution of its strategies, the Group remains optimistic that it will deliver satisfactory results for the financial period ending 31 December 2016.

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:

	Current quarter ended 30 September 2016 RM'000	Current year to date 30 September 2016 RM'000
Taxation		
Malaysian - current	17,965	112,390
- prior year	-	5,536
	17,965	117,926
Deferred taxation		
Malaysian - current	-	(13,660)
	-	(13,660)
	17,965	104,266

The Group's effective tax rate for the current financial quarter 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.

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.

22. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2016 are as follows:

Current - Unsecured	RM'000
Medium Term Notes (MTNs)	50,000

MTNs of RM50 million in nominal value, which were issued in December 2011, are repayable in December 2016. The aforesaid MTNs have been assigned a rating of AAA by RAM Ratings Services Berhad.

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 September 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

	Current quarter ended 30 September 2016 RM'000	Current year to date 30 September 2016 RM'000
Depreciation and amortisation	9,543	55,852
Provision for and write-off of inventories	1,290	8,779

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 September 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.

26. Dividend

The Board of Directors does not recommend any dividend to be paid in respect of the quarter ended 30 September 2016.

Total dividend declared for the 15 months ended 30 September 2016 is 85 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; and
(ii) a second single tier interim dividend of 35 sen per 50 sen stock unit, paid on 7 October 2016.

27. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the 15 month period under review is calculated by dividing the net profit attributable to the shareholders of RM322,582,000 by the weighted average number of ordinary stock units outstanding as at 30 September 2016 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Hans Essaadi
Managing Director

20 October 2016