



HEINEKEN MALAYSIA BERHAD

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2017**

The Board of Directors of Heineken Malaysia Berhad (“the Company”) wishes to announce the unaudited results of the Group for the financial quarter and year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED 31 December 2017 RM'000	CUMULATIVE PERIOD 12 MONTHS ENDED 31 December 2017 RM'000
1. Revenue	612,685	1,929,963
2. Operating expenses	(488,205)	(1,563,559)
3. Operating profit	124,480	366,404
4. Interest income/(expense)	(1,383)	(3,229)
5. Profit before tax	123,097	363,175
6. Taxation	(29,460)	(93,116)
7. Net profit for the period	<u>93,637</u>	<u>270,059</u>
8. Profit attributable to owners of the Company	<u>93,637</u>	<u>270,059</u>
9. Total comprehensive income attributable to owners of the Company	<u>93,637</u>	<u>270,059</u>
10. Earnings per share :		
(a) Basic (based on 302,098,000 stock units) (sen)	31.00	89.40
(b) Fully diluted	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.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31 December 2017 RM'000	AUDITED AS AT 31 December 2016* RM'000	AUDITED AS AT 1 July 2015* RM'000
Non-current assets			
Property, plant and equipment	241,837	221,687	219,581
Intangible assets	23,238	33,509	33,317
Deferred tax assets	–	10,371	–
Other receivables	19,084	21,609	27,005
	<u>284,159</u>	<u>287,176</u>	<u>279,903</u>
Current assets			
Inventories	66,899	61,892	49,049
Trade and other receivables	474,313	475,990	317,516
Current tax assets	–	12,551	15,138
Cash and cash equivalents	11,305	4,045	52,294
	<u>552,517</u>	<u>554,478</u>	<u>433,997</u>
Current liabilities			
Trade and other payables	348,847	320,292	214,254
Current tax liabilities	21,452	16,326	–
Borrowings	101,000	74,000	25,000
	<u>471,299</u>	<u>410,618</u>	<u>239,254</u>
Net current assets	<u>81,218</u>	<u>143,860</u>	<u>194,743</u>
	<u>365,377</u>	<u>431,036</u>	<u>474,646</u>
Financed by:			
Capital and reserves			
Share capital	151,049	151,049	151,049
Reserves			
Retained earnings	209,467	241,506	225,099
Shareholders' funds	<u>360,516</u>	<u>392,555</u>	<u>376,148</u>
Non-current liabilities			
Deferred tax liabilities	4,861	38,481	48,498
Borrowings	–	–	50,000
	<u>4,861</u>	<u>38,481</u>	<u>98,498</u>
	<u>365,377</u>	<u>431,036</u>	<u>474,646</u>
Net Assets per share attributable to owners of the Company (RM)	<u>1.19</u>	<u>1.30</u>	<u>1.25</u>

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* Prior year comparatives are restated to conform to current year's presentation as explained under Note 27. The restatement has no impact on the statement of comprehensive income and cash and bank balances in the statement of cash flow.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 12 MONTHS ENDED 31 DECEMBER 2017

	12 MONTHS ENDED 31 December 2017 RM'000	18 MONTHS ENDED 31 December 2016* RM'000
Cash flows from operating activities		
Profit before tax	363,175	549,223
Adjustments for:		
Amortisation of intangible assets	15,678	17,308
Depreciation of property, plant and equipment	35,412	52,017
Loss on disposal of property, plant and equipment	13,797	13,272
Amortisation of prepaid contractual promotion expenses	52,555	92,203
Interest expense	4,294	4,784
Interest income	(1,065)	(2,956)
Reversal of impairment losses	-	(272)
Unrealised foreign exchange differences	194	(70)
Operating profit before changes in working capital	484,040	725,509
Movements in working capital		
Inventories	(5,007)	(12,843)
Receivables, deposits and prepayment	(48,353)	(245,009)
Payables and accruals	(92,478)	106,108
Cash generated from operations	338,202	573,765
Tax paid	(98,688)	(123,438)
Interest paid	(4,294)	(4,784)
Net cash from operating activities	235,220	445,543
Cash flows from investing activities		
Acquisition of property, plant and equipment	(74,732)	(69,695)
Acquisition of intangible assets	(688)	(17,500)
Interest received	1,065	2,956
Proceeds from disposal of property, plant and equipment	654	2,300
Net cash used in investing activities	(73,701)	(81,939)
Cash flows from financing activity		
Dividends paid	(181,259)	(410,853)
Drawdown/(Repayment) of borrowings	27,000	(1,000)
Net cash used in financing activity	(154,259)	(411,853)
Net change in cash and cash equivalents	7,260	(48,249)
Cash and cash equivalents at beginning of year	4,045	52,294
Cash and cash equivalents at end of period	11,305	4,045

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company			
	<i>Non-Distributable</i>		<i>Distributable</i>	Total RM'000
	Share Capital	Capital Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	
12 months ended 31 December 2017				
Balance at 1 January 2017	151,049	-	241,506	392,555
Total comprehensive income for the period	-	-	270,059	270,059
Dividends paid / payable	-	-	(302,098)	(302,098)
Balance at 31 December 2017	151,049	-	209,467	360,516
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

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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.

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. 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.

4. Seasonal or Cyclical Factors

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

5. Exceptional Items

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

6. Changes in Estimates

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

7. 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 21.

8. Dividends Paid

	12 months ended 31 December 2017 RM'000
<u>Final Dividend paid on 16 May 2017</u> 2016 - 60 sen per stock unit tax exempt	181,259
<u>Interim Dividend paid on 9 October 2017</u> 2017 - 40 sen per stock unit tax exempt	120,839
	<hr/> 302,098 <hr/>

9. Segmental Reporting

No segmental analysis is prepared as the Group's business is primarily engaged 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.

10. Property, Plant and Equipment Valuation

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

11. 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 2017.

12. 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.

13. Changes in Contingent Liabilities or Contingent Assets

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

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.

14. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2017 are as follows:

	RM'000
Property, plant and equipment	
Authorised but not contracted for	-
Authorised and contracted for	4,713
	<u>4,713</u>

15. 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
Purchase of beverage products, manufacturing materials and marketing materials	20,642
Sale of beverage products	6,417
Royalties paid/payable	33,531
Fees paid/payable for professional services relating to technical, marketing and other advisory support	8,368
Fees received / receivable for professional services relating to marketing support and support	17,700

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.

16. Review of Performance

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

Quarter ended 31 December 2017 versus the corresponding quarter in 2016

	3 months ended 31 December 2017 RM'000	3 months ended 31 December 2016 RM'000	% Change + / (-)
Revenue	612,685	577,519	6.1%
Profit before tax	123,097	122,375	0.6%

Group revenue rose 6.1% as compared to the corresponding quarter in 2016, driven by volume growth, led by Tiger.

Group Profit Before Tax ("PBT") grew 0.6% as a result of the growth in Group revenue, offset partially by high commercial spend in the quarter under review and unfavourable sales mix.

16. Review of Performance (Continued)12 months ended 31 December 2017 versus the corresponding period in 2016

	12 months ended 31 December 2017 RM'000	12 months ended 31 December 2016 RM'000	% Change + / (-)
Revenue	1,929,963	1,880,761	2.6%
Profit before tax	363,175	347,080	4.6%

Group revenue surged 2.6% as compared to the corresponding period in 2016, driven by volume growth with the support of favourable brand and sales mix.

PBT increased by 4.6% on the back of effective execution of the Company's strategies and efficiency gains through cost optimisation across the organisation.

Quarter ended 31 December 2017 versus 30 September 2017

	3 months ended 31 December 2017 RM'000	3 months ended 30 September 2017 RM'000	% Change + / (-)
Revenue	612,685	509,588	20.2%
Profit before tax	123,097	94,663	30.0%

Group revenue registered a 20.2% sequential growth as compared to the preceding quarter, boosted by seasonal upswing in preparation for the Chinese New Year 2018. Locally brewed cider brand, Apple Fox, which was introduced in August 2017 continued to perform strongly in the current quarter under review.

Group PBT grew strongly by 30%, mainly supported by sequentially stronger revenue, timing of higher commercial spend in the prior quarter and continued efficiency gains in the current quarter under review.

17. Prospects

Looking ahead, the Group expects the market conditions to remain challenging given the continued presence of contraband in the market and the effects of on-going economic and political uncertainties in anticipation of the 14th General Election which has to be held in 2018.

The Group is ready to face these challenges and will continue to pursue sustainable growth opportunities in 2018 by focusing on its inspirational brands, strengthening its commercial strategies and execution, as well as driving revenue growth development and cost efficiency to enhance shareholder value.

18. Variance from Profit Forecast

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

19. Taxation

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

	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2017 RM'000
Taxation		
Malaysian – current	29,403	91,976
Malaysian – prior year	–	1,383
	<u>29,403</u>	<u>93,359</u>
Deferred taxation		
Malaysian – current	(72)	(2,772)
Malaysian – prior year	129	2,529
	<u>57</u>	<u>(243)</u>
	<u>29,460</u>	<u>93,116</u>

The Group's effective tax rate for the financial year under review of 25.6% is higher than the statutory tax rate of 24.0% mainly due to a one-off prior year taxation and prior year deferred taxation under provision recognized in the current year.

20. Status of Corporate Proposals

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

21. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2017 are as follows:

	As at 31 December 2017 RM'000	As at 31 December 2016 RM'000
<u>Current – Unsecured</u>		
Revolving credit & trade financing	110,000	50,000
	<u>110,000</u>	<u>50,000</u>

The Group utilized its short term borrowings to support its working capital requirements and commercial activities in the period under review. The higher borrowings in the period under review as compared to the same period last year is mainly due to higher capital expenditure incurred in 2017, higher tax payments made relating to YA2016 final tax payments that will be recovered at a later date, and higher amount of dividends paid during the year.

22. Financial Instruments

The outstanding derivatives at the end of the reporting period are as follows:

	Notional value RM'000	Fair Value RM'000	Gain arising from fair value changes RM'000
Forward foreign exchange contracts			
– Less than one year	8,630	8,747	117

The above forward foreign exchange contracts were 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.

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 the Group's relationship financial institutions, namely Citibank Berhad and BNP Paribas Berhad. 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.

23. Notes to the Statement of Comprehensive Income

	12 months ended 31 December 2017 RM'000
Depreciation and amortization	51,090
Loss on derivatives	118
Provision for and write-off of inventories	8,208

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 year ended 31 December 2017.

24. 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.

25. Dividend

The Board has proposed a single tier final dividend of 50 sen per stock unit for the year ended 31 December 2017 (18 months period ended 31 December 2016 : 60 sen per stock unit, single tier). Total dividend for the year ended 31 December 2017 is 90 sen per stock unit comprising:

- (i) a single tier interim dividend of 40 sen which was paid on 9 October 2017; and
- (ii) a proposed single tier final dividend of 50 sen per stock unit.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the date of which will be announced later, the single tier final dividend will be paid on 6 June 2018 to stockholders registered at the close of business on 18 May 2018. The entitlement date shall therefore be 18 May 2018.

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 16 May 2018 (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 18 May 2018 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 single tier final dividend totaling RM151,049,000 has not been accounted for in the financial statements as at 31 December 2017.

26. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share for the 12 months period under review is calculated by dividing the net profit attributable to the shareholders of RM270,059,000 by the weighted average number of ordinary stock units outstanding as at 31 December 2017 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

27. Comparatives

In prior years, the Group had presented the trade receivables balance net of returnable packaging deposits in the statement of financial position. In the current financial year under review, the returnable packaging deposits (under payables) and trade receivables are presented separately at their respective gross amounts in accordance with MFRS 132 – Financial Instruments – Presentation.

27. Comparatives (Continued)

The following prior period balances have been restated by way of retrospective adjustments:

	As previously stated <u>RM'000</u>	As restated <u>RM'000</u>
<u>Condensed Consolidated Statement of Financial Position as at 31 December 2016</u>		
Trade and other receivables	447,977	475,990
Trade and other payables	292,279	320,292
<u>As at 1 July 2015</u>		
Trade and other receivables	296,269	317,516
Trade and other payables	193,007	214,254
<u>Condensed Consolidated Statement of Cash Flow as at 31 December 2016</u>		
Movement in working capitals:		
Receivables, deposits and prepayment	(238,243)	(245,009)
Payables and accruals	99,342	106,108

The restatement has no impact on the statement of comprehensive income and cash and bank balances in the statement of cash flow.

For and on Behalf of the Board
Hans Essaadi
Managing Director
14 February 2018