



Good Food, Good Life

INTERIM REPORT
NESTLÉ (MALAYSIA) BERHAD
 (110925-W)
 (Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 30 September 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	3 months ended 30 September			9 months ended 30 September		
	2017 RM'000	2016 RM'000	%	2017 RM'000	2016 RM'000	%
Revenue - Sales of goods	1,323,253	1,262,997	4.8%	3,978,765	3,813,624	4.3%
Cost of sales	(872,422)	(771,741)		(2,510,828)	(2,273,728)	
Gross profit	450,831	491,256	-8.2%	1,467,937	1,539,896	-4.7%
Operating expenses	(297,118)	(298,429)		(794,988)	(831,504)	
Operating profit	153,713	192,827	-20.3%	672,949	708,392	-5.0%
Finance costs	(9,277)	(8,067)		(26,488)	(25,020)	
Finance income	363	316		1,031	841	
Share of post tax profit of an associate	281	171		871	789	
Profit before tax	145,080	185,247	-21.7%	648,363	685,002	-5.3%
Tax expense	(25,331)	(24,535)		(136,112)	(114,816)	
Profit after tax	119,749	160,712	-25.5%	512,251	570,186	-10.2%
Minority interests	-	-		-	-	
Profit after tax and minority interest	119,749	160,712	-25.5%	512,251	570,186	-10.2%
Profit for the period	119,749	160,712	-25.5%	512,251	570,186	-10.2%
Other comprehensive (expense)/income, net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Cash flow hedge	5,539	25,901		(17,297)	(64,361)	
Total other comprehensive (expense)/income for the period, net of tax	5,539	25,901		(17,297)	(64,361)	
Total comprehensive income for the period	125,288	186,613	-32.9%	494,954	505,825	-2.1%
Basic earnings per share (sen)	51.07	68.53		218.44	243.15	
Proposed/Declared dividend per share-net (sen)	70.00	70.00		140.00	140.00	
	AS AT END OF CURRENT QUARTER			AS AT PRECEDING FINANCIAL YEAR END		
Net assets per share attributable to equity holders (RM)	2.87			2.76		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Assets		
Property, plant and equipment	1,317,156	1,353,050
Intangible assets	62,091	62,400
Investment in an associate	4,795	4,224
Deferred tax assets	20,981	20,155
Trade and other receivables	25,071	24,745
Total non-current assets	1,430,094	1,464,574
Trade and other receivables	593,392	544,307
Inventories	458,059	455,337
Current tax assets	778	6,396
Cash and cash equivalents	11,563	23,996
Total current assets	1,063,792	1,030,036
Total assets	2,493,886	2,494,610
Equity		
Share capital	267,500	234,500
Share premium	-	33,000
Hedging reserves	(6,402)	10,895
Retained earnings	412,077	368,826
Total equity attributable to owners of the Company	673,175	647,221
Liabilities		
Loans and borrowings	84,264	93,146
Employee benefits	89,854	86,140
Deferred tax liabilities	111,301	91,260
Total non-current liabilities	285,419	270,546
Trade and other payables	1,173,724	1,392,780
Loans and borrowings	334,692	183,961
Current tax liabilities	26,876	102
Total current liabilities	1,535,292	1,576,843
Total liabilities	1,820,711	1,847,389
Total equity and liabilities	2,493,886	2,494,610
Net assets per share attributable to shareholders (RM)	2.87	2.76

Note: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit. As at 30th September 2017, share premium amounted to RM33 million has been transferred to share capital and the number of shares remain unchanged at 234,500,000. The key ratios presented in the condensed consolidated statement of profit or loss and other comprehensive income (Page 1) are calculated based on 234,500,000 number of shares issued and fully paid.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 2017**

	Non Distributable		Distributable	Total Equity RM'000
	Share capital	Hedging reserve	Retained profits	
	RM'000	RM'000	RM'000	
At 1 January 2016	267,500	75,976	365,120	708,596
Cash flow hedge	-	(64,361)	-	(64,361)
Profit for the period	-	-	570,186	570,186
Total comprehensive (expense)/income for the period	-	(64,361)	570,186	505,825
Dividends paid:				
- 2015 Final	-	-	(304,850)	(304,850)
- 2016 Interim	-	-	(164,150)	(164,150)
At 30 September 2016	267,500	11,615	466,306	745,421
At 1 January 2017	267,500	10,895	368,826	647,221
Cash flow hedge	-	(17,297)	-	(17,297)
Profit for the period	-	-	512,251	512,251
Total comprehensive (expense)/income for the period	-	(17,297)	512,251	494,954
Dividends paid:				
- 2016 Final	-	-	(304,850)	(304,850)
- 2017 Interim	-	-	(164,150)	(164,150)
At 30 September 2017	267,500	(6,402)	412,077	673,175

Note: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit. As at 30th September 2017, share premium amounted to RM33 million has been transferred to share capital and the number of shares remain unchanged at 234,500,000. The key ratios presented in the condensed consolidated statement of profit or loss and other comprehensive income (Page 1) are calculated based on 234,500,000 number of shares issued and fully paid.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
30 SEPTEMBER 2017**

	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
Cash flows from operating activities		
Profit before tax	648,363	685,002
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	99,890	99,294
Net finance costs	25,457	24,179
<i>Less:</i>		
Increase in working capital	(196,487)	(88,085)
Income tax paid	(79,040)	(116,876)
Others	17,438	7,459
Net cash from operating activities	515,621	610,973
Cash flows from investing activities		
Acquisition of property, plant and equipment	(75,759)	(64,346)
Others	2,400	2,335
Net cash used in investing activities	(73,359)	(62,011)
Cash flows from financing activities		
Finance costs paid	(26,488)	(25,020)
Proceed from/(Repayment of) borrowings	173,120	(124,757)
Dividend payment	(469,000)	(469,000)
Net cash used in financing activities	(322,368)	(618,777)
Net increase/(decrease) in cash and cash equivalents	119,894	(69,815)
Cash and cash equivalents at 1 January	(155,757)	(84,465)
Cash and cash equivalents at 30 September	(35,863)	(154,280)

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

INTERIM FINANCIAL REPORT

Notes:

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and International Financial Reporting Standards. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

2 There was no qualification made on the preceding audited financial statements.

3 The Group's operations are affected by economic cycles and festive seasons.

4 Items affecting assets, liabilities, equity, net income or cash flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group.

a. Property, plant and equipment

As at the end of this quarter, the Group has acquired / disposed the following assets:

	3 months ended 30 Sep 2017		9 months ended 30 Sep 2017	
	Assets acquired	Assets disposed	Assets acquired	Assets disposed
	RM'000	RM'000	RM'000	RM'000
Building (improvements and additions)	1,154	-	2,129	239
Plant and machinery	26,442	1	56,892	992
Tools and furniture	5,828	36	13,502	64
Motor vehicles	-	-	924	243
Information systems	1,209	4	2,348	48
	34,633	41	75,795	1,586

b. Intangible Assets

There was no capitalisation of intangible assets in this quarter.

5 Changes in estimates

There were no significant changes in estimates for prior periods that have materially affected the results of this quarter.

6 Debts and equity security

There is no issuance of debts and equity security in this quarter.

7 Dividends paid

Dividends paid during the reporting period are as follows:

	3 months ended 30.09.2017 (RM'000)	9 months ended 30.09.2017 (RM'000)
Interim dividend for the financial year ended 31 December 2017 70.00 sen per share (single-tier) 1st interim	164,150	164,150
Final dividend for the financial year ended 31 December 2016 130.00 sen per share (single-tier)	-	304,850
Total	164,150	469,000

8 Operating segment

MFRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker, which is defined as the Executive Board.

The Group is focused in two areas of activity, Food & Beverages and Others which include Nutrition, Nestlé Professional and Nespresso.

Segment revenue and results

Revenue
Operating Profit

9 months ended 30 September 2017		
Food & Beverages RM'000	Others RM'000	Total RM'000
3,190,413	788,352	3,978,765
548,992	125,178	674,170

Segment revenue and results

Revenue
Operating Profit

9 months ended 30 September 2016		
Food & Beverages RM'000	Others RM'000	Total RM'000
3,038,148	775,476	3,813,624
563,607	145,582	709,189

The comments on page 6 apply to both segments Food & Beverages (80% of total sales) and Others (20% of total sales).

Reconciliations of reportable segment operating profit:

Total operating profit for reported segments
Other unallocated expenses
Consolidated operating profit

9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
674,170	709,189
(1,221)	(797)
672,949	708,392

9 Valuation of property, plant and equipment

There were no changes or amendments to the valuation of property, plant and equipment from the previous annual financial statements.

10 Events subsequent to balance sheet date

There were no subsequent events to the balance sheet date.

11 Changes in the composition of the Group

There were no changes in the composition of the Group in this quarter.

12 Changes in contingent liabilities

As of the date of this report, there were no contingent liabilities to the Group.

13 Related party transactions

Transactions related to Nestlé S.A. and companies owned by Nestlé S.A. and other affiliates are as follows:

IT shared service
Net finance costs
Purchases of goods and services
Sales of finished goods
Royalties

3 months ended 30.09.2017 RM'000	9 months ended 30.09.2017 RM'000
10,348	32,866
1,967	4,536
162,607	499,110
239,460	657,735
64,510	197,078

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

1 Review of performance (Quarter 3, 2017 vs Quarter 3, 2016)

For the third quarter ended 30 September 2017, the Group increased its revenue by 4.8% from RM1.26 billion to RM1.32 billion (+RM60 million) compared to Q3 2016. The good growth momentum was well supported by domestic and exports sales which grew by 4.2% and 6.8% respectively. Effective marketing and trade activities held by the Business on selected product categories helped to deliver the desired growth for domestic sales. Whilst strong export performance have benefited from the good growth registered by the Nestlé affiliated companies especially in the Asean region.

The Profit before Tax reduced from RM185 million (Q3 2016) to RM145 million (Q3 2017) which is mainly driven by the anticipated increase of the raw material prices (sugar, milk powder, coffee beans) and the Ringgit devaluation. A diligent cost management helped us to cushion this effect. This proactive cost management and a different phasing of the marketing investments make us confident to achieve a satisfactory profit situation for the full year 2017.

2 Review of performance (Year-to-date, 2017 vs Year-to-date, 2016)

For the first nine months ended 30 September 2017, the Group registered a turnover of RM 4.0 billion, 4.3% higher than the previous year's corresponding period. The commendable growth was driven by the solid Domestic and Export performance which grew at 4.0% and 5.5% respectively. Despite the continued weak consumer sentiment the Group has invested in effective marketing and trade promotions thus generating the demand for its products and strengthened the leading position of many product categories. This is evident in 2017 SEA Game in Kuala Lumpur with strong presence of MILO®. The continuous focus on Innovation / Renovation projects has been key and saw many successful product launches such as MILO® Nutri-up, MAT KOOL Fruity Bug, MILO® Cone, MAGGI® Hot Mealz, NESTUM® PET, NESCAFÉ Latte Hazelnut and NESCAFÉ Blend & Brew relaunch.

The Group maintained a solid profit situation with a Profit before Tax of RM648 million and a Profit after Tax of RM512 million. As anticipated, the Profit before Tax reduced from RM685 million (Q1-Q3 2016) to RM648 million (Q1-Q3 2017). This profit development reflects on the one side a different phasing of the profit over the quarters: while the Q4 2016 profit was exceptionally low due to heavy marketing investments for an early Chinese New Year 2017, we expect Q4 2017 profit on a considerably higher level. On the other side, also external headwinds (increase in raw material prices; devaluation of Ringgit) impacted Profit before Tax. We anticipated this and cushioned the effect via internal efficiency increases and an overall diligent cost management. In overall, we are confident that our balanced approach of proactive cost management and effective trade and marketing investment will lead us to a solid profit level for the full year 2017.

3 Variation of results against previous quarter (Quarter 3, 2017 vs. Quarter 2, 2017)

In the third quarter, the Group registered a turnover of RM1.32 billion, 3.1% higher than the second quarter of 2017.

The lower Profit evolution was mainly due to the increasing trend of the raw material prices and the phasing of marketing investments.

4 Current year prospects

Based on our cautiously optimistic outlook for the Malaysian economy, we will continue with our "Fuel the Growth" strategy: Striving for efficiency increases all over the supply chain and reinvesting the realized improvements into the sustainable growth of the Company by innovating / renovating our portfolio and intensifying our Trade-and Consumer promotions. We are confident that this approach will finally lead us also to a solid profit level.

5 Profit forecast

We do not issue any profit forecast.

6 Tax expense

Current tax

Malaysian - current year

Total current tax expense

Deferred tax

Origination and reversal of temporary differences

Total deferred tax expense

Total income tax expense

	3 months ended 30.09.2017 RM'000	9 months ended 30.09.2017 RM'000
	28,039	111,432
	28,039	111,432
	(2,708)	24,680
	(2,708)	24,680
	25,331	136,112

7 Unquoted investments

Not applicable in this quarter.

8 Quoted investments

Not applicable to the Group.

9 Status of corporate proposals

There were no corporate proposals in this quarter.

10 Loans and borrowings

Group Borrowings and Debt Securities are:

Short term - Unsecured loans

Loan from a related company

Bank overdraft

Total short term loans**Long term - Unsecured loans**

Loan from a related company

Total long term loans

All the above debts are in Ringgit Malaysia.

As at 30.09.2017 RM'000
287,267
47,425
334,692
84,264
84,264

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.09.2017 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,182,150	1,176,047	(6,103)	Less than 1 year
Commodity futures	105,858	100,245	(5,614)	Less than 1 year

12 Material litigation

As of the date of this report, there were no material litigations against the Group.

13 Dividend

The Board of Directors has declared an interim dividend of 70.00 sen per share (2016: 70.00 sen per share) in respect of financial year ending 31 December 2017 which will be paid on 14 December 2017 to shareholders whose names appear on the Record of Depositors on 23 November 2017. Under current rules, single-tier dividends are not taxable in the hand of shareholders.

A Depositor shall qualify for entitlement only in respect of:

- shares transferred into the Depositor's Securities Account before 4.00 p.m. on 23 November 2017 in respect of ordinary transfers.
- shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

14 Profit for the period

	3 months ended 30 September		9 months ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the period is arrived at after charging:				
Amortisation of intangible assets	103	103	310	310
Depreciation of property, plant and equipment	31,261	33,292	96,935	98,984
Net loss on derivatives	-	292	-	-
Loss on disposal of property, plant and equipment	-	-	-	-
Provision & write off of receivables	7,380	3,118	7,380	3,118
Provision & write off of inventories	-	3,421	-	3,143
Property, plant and equipment written off	17	46	86	76
Net foreign exchange loss	-	8,286	-	-
and after crediting:				
Net gain on derivatives	333	-	569	117
Gain on disposal of property, plant and equipment	63	276	1,200	90
Reversal of provision of inventories	727	-	4,802	-
Net foreign exchange gain	58	-	11,193	29,156

15 Financial instruments disclosure

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

As at 30.09.2017				
Fair value of financial instruments carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets				
Commodity futures	513	-	-	513
Forward exchange contracts	-	5,727	-	5,727
Financial liabilities				
Forward exchange contracts	-	(11,830)	-	(11,830)
Commodity futures	(6,127)	-	-	(6,127)

Fair value of financial instruments not carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans to employees	-	-	40,051	40,051
Financial liabilities				
Loan from a related company	-	-	(371,531)	(371,531)

As at 30.09.2016				
Fair value of financial instruments carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets				
Commodity futures	18,581	-	-	18,581
Forward exchange contracts	-	12,417	-	12,417
Financial liabilities				
Forward exchange contracts	-	(10,180)	-	(10,180)
Commodity futures	(404)	-	-	(404)

Fair value of financial instruments not carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans to employees	-	-	41,696	41,696
Financial liabilities				
Finance lease liabilities	-	-	(13,298)	(14,266)
Loan from a related company	-	-	(84,264)	(84,264)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the period (2016: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

16 Realised and unrealised profit disclosure

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	498,631	478,758
Unrealised	(146,762)	(151,235)
Total share of retained profits from an associated company:		
Realised	1,795	1,224
Add : Consolidation adjustments	58,413	40,079
Total retained profits as per consolidated accounts	412,077	368,826

17 Basic earnings per share**a. Basic earnings per share**

The calculation of the basic earnings per share is based on the net profit attributable to ordinary shareholders of RM512.3 million (RM570.2 million in September 2016) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2016).

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, *MCCS (MACS 01686)*

Company Secretary

Date : November 7, 2017