



Nestlé

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

The Directors are pleased to present the Interim Report for the period ended 31 March 2015 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 MARCH 2015**

	3 months ended 31 March		3 months ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue - Sales of goods	1,277,729	1,272,712	1,277,729	1,272,712
Cost of sales	(779,333)	(799,223)	(779,333)	(799,223)
Gross profit	498,396	473,489	498,396	473,489
Operating expenses	(247,529)	(230,215)	(247,529)	(230,215)
Operating profit	250,867	243,274	250,867	243,274
Finance costs	(7,209)	(6,461)	(7,209)	(6,461)
Finance income	151	1,955	151	1,955
Share of post tax profit of an associate	443	45	443	45
Profit before tax	244,252	238,813	244,252	238,813
Tax expense	(56,374)	(55,286)	(56,374)	(55,286)
Profit after tax	187,878	183,527	187,878	183,527
Minority interests	-	-	-	-
Profit after tax and minority interest	187,878	183,527	187,878	183,527
Profit for the period	187,878	183,527	187,878	183,527
Other comprehensive expense, net of tax Item that is or may be reclassified subsequently to profit or loss				
Cash flow hedge	(2,349)	(1,495)	(2,349)	(1,495)
Total other comprehensive expense for the period, net of tax	(2,349)	(1,495)	(2,349)	(1,495)
Total comprehensive income for the period	185,529	182,032	185,529	182,032
Basic earnings per share (sen)	80.12	78.26	80.12	78.26
Proposed/Declared dividend per share - net (sen)	-	-	-	-
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	4.11		3.31	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

	As at 31.03.2015 RM'000	As at 31.12.2014 RM'000
Assets		
Property, plant and equipment	1,267,585	1,293,757
Intangible assets	61,024	61,024
Investment in an associate	4,074	3,631
Deferred tax assets	24,221	27,958
Trade and other receivables	23,770	23,576
Total non-current assets	1,380,674	1,409,946
Trade and other receivables	537,638	504,540
Inventories	386,894	370,291
Current tax assets	5,660	3,015
Cash and cash equivalents	55,582	15,504
Total current assets	985,774	893,350
Total assets	2,366,448	2,303,296
Equity		
Share capital	234,500	234,500
Reserves	728,166	542,637
Total equity attributable to owners of the Company	962,666	777,137
Liabilities		
Loans and borrowings	88,762	90,067
Employee benefits	60,336	62,486
Deferred tax liabilities	77,518	67,522
Total non-current liabilities	226,616	220,075
Trade and other payables	1,112,706	1,170,240
Loans and borrowings	3,618	84,313
Current tax liabilities	60,842	51,531
Total current liabilities	1,177,166	1,306,084
Total liabilities	1,403,782	1,526,159
Total equity and liabilities	2,366,448	2,303,296
Net assets per share attributable to shareholders (RM)	4.11	3.31

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 MARCH 2015**

	Non Distributable		Distributable	Total Equity RM'000
	<i>Share capital and share premium</i>	<i>Hedging reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	
At 1 January 2014	267,500	407	548,537	816,444
Cash flow hedge	-	(1,495)	-	(1,495)
Profit for the period	-	-	183,527	183,527
Total comprehensive (expense)/income for the period	-	(1,495)	183,527	182,032
At 31 March 2014	267,500	(1,088)	732,064	998,476
At 1 January 2015	267,500	(332)	509,969	777,137
Cash flow hedge	-	(2,349)	-	(2,349)
Profit for the period	-	-	187,878	187,878
Total comprehensive (expense)/income for the period	-	(2,349)	187,878	185,529
At 31 March 2015	267,500	(2,681)	697,847	962,666

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 MARCH 2015**

	3 months ended 31.03.2015 RM'000	3 months ended 31.03.2014 RM'000
Cash flows from operating activities		
Profit before tax	244,252	238,813
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	27,540	27,400
Net finance costs	7,058	4,506
Increase in working capital	(124,758)	(104,395)
Income tax paid	(35,233)	(35,359)
Others	(994)	(1,142)
Net cash from operating activities	117,865	129,823
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,847)	(27,518)
Others	312	1,984
Net cash used in investing activities	(1,535)	(25,534)
Cash flows from financing activities		
Finance costs paid	(7,209)	(6,461)
Repayment of borrowings	(37,751)	(30,765)
Net cash used in financing activities	(44,960)	(37,226)
Net decrease in cash and cash equivalents	71,370	67,063
Cash and cash equivalents at 1 January	(15,916)	12,337
Cash and cash equivalents at 31 March	55,454	79,400

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

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 2014.

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:

Land
Building (improvements and additions)
Plant and machinery
Tools and furniture
Motor vehicles
Information systems

3 months ended 31 March 2015	
Assets acquired RM'000	Assets disposed RM'000
-	-
117	28
1,247	320
459	102
-	18
24	11
1,847	479

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

There was no dividend payment in this quarter.

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 and Nestlé Professional.

	3 months ended 31 March 2015		
	Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results			
Revenue	1,016,747	260,982	1,277,729
Operating Profit	201,226	49,516	250,742

	3 months ended 31 March 2014		
	Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results			
Revenue	1,037,593	235,119	1,272,712
Operating Profit	197,398	44,702	242,100

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

	3 months ended 31.03.2015 RM'000	3 months ended 31.03.2014 RM'000
Total operating profit for reported segments	250,742	242,100
Other unallocated expenses	125	1,174
Consolidated operating profit	250,867	243,274

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:

	3 months ended 31.03.2015 RM'000
IT shared service	7,173
Net finance costs	1,704
Purchases of goods and services	129,386
Sales of finished goods	172,787
Royalties	63,268

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 1, 2015 vs Quarter 1, 2014)

For the year ended 31 March 2015, the Group registered a turnover of RM1.3 billion, 0.4% higher than the corresponding period last year. Although the consumer sentiments remained subdued, the Group has performed solidly in its domestic business. The lower Export sales to the affiliated companies, had an impact on the overall turnover development.

The good domestic performance was primarily driven by the successful "Lebih Nilai, Lagi Hebat" consumer promotional campaign. It was launched at the end of February 2015 with a nationwide coverage. The proactive steps taken by the Group provide consumers with value for money offerings addressing concerns over the uncertainty of price movement, pending GST implementation. The campaign resulted in several key product categories posting good growth. Beside this, the Group continued to be active in launching new successful products such as Nescafé Blend & Brew, Kit Kat Rubies and Mat Kool Butterfly where the initial results were extremely encouraging.

Exports sales came in lower compared to the previous corresponding period. This was mainly due to the lower demand from affiliated companies, a trend the Group experienced since the second half of 2013. Against the 4th quarter of 2014, the impact was much smaller, showing sign of stabilization.

From an input cost perspective, against the previous corresponding period the prices of commodities consumed by the Group were favourable except for palm oil and coffee beans. If not for the weakening of MYR against the USD, the savings could have been higher. Thus, benefiting from the overall positive commodity trend as well as higher efficiency achieved in operations, the Gross Profit for the first quarter increased by 5.3%, translating in an underlying margin improvement.

In order to generate more demand for the quarter, the Group continues to invest substantially in marketing activities which has further strengthened the brands and also gained strong market shares. The higher turnover with improved margin drove the operating profit to RM250.9 million, 3.1% higher. Owing to higher interest expenses, net profit at RM187.9 million was 2.4% higher than the previous corresponding period.

2 Variation of results against previous quarter (Quarter 1, 2015 vs. Quarter 4, 2014)

In the first quarter of 2015, the Group registered a turnover of RM1.3 billion, 15.2% higher than the previous quarter. This positive trend is mainly driven by the strong domestic performance linked to the successful Nestlé's "Lebih Nilai, Lagi Hebat" campaign that was launched at the end of February 2015.

The higher net profit of RM187.9 million was the result of a combination of higher turnover, favourable input costs, and timing of fixed expenses.

3 Current year prospects

We continue to expect 2015 to be a very challenging year. The recent implementation of GST in April 2015 will influence the consumers' buying behaviour and we expect a period of adjustment in market demand. Given the circumstances, we remain cautiously optimistic and will continue to leverage on the stable growth of the Malaysian economy with the pool of strong Nestlé brands. The Group will remain active in innovating and renovating its product portfolio while promoting nutritionally balanced diets and healthy lifestyles in line with the Government's goal of creating a healthy and productive society.

The Group will remain focused on growing both top and bottom line while continuing its long term strategy of investing in manufacturing capacity to support its growth. To this effect, the new Sri Muda factory in Shah Alam is now ready and will be in full operation by August 2015. The Group will also continue to intensify its marketing investments in line with Nestlé's objective of being the leader in Nutrition, Health & Wellness, as well as being an industry benchmark for its financial performance and trusted by all stakeholders.

4 Profit forecast

We do not issue any profit forecast.

5 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 31.03.2015 RM'000
41,899
41,899
14,475
14,475
56,374

6 Unquoted investments

Not applicable in this quarter.

7 Quoted investments

Not applicable to the Group.

8 Status of corporate proposals

There were no corporate proposals in this quarter.

9 Loans and borrowings

Group Borrowings and Debt Securities are:

Short term - Unsecured loans

Bank overdraft

Short term - Secured loans

Finance lease liabilities (payable within a year)

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

Loan from a related company

Long term - Secured loans

Finance lease liabilities

Total long term loans

All the above debts are in Ringgit Malaysia.

As at 31.03.2015 RM'000	
Bank overdraft	128
Finance lease liabilities (payable within a year)	3,490
Total short term loans	3,618
Loan from a related company	84,264
Finance lease liabilities	4,498
Total long term loans	88,762

10 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.03.2015 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Forward exchange contracts	1,403,509	6,051	Less than 1 year
Commodity futures	103,966	(9,560)	Less than 1 year

11 Material litigation

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

12 Dividend

No dividend is proposed in this quarter.

13 Profit for the period**Profit for the period is arrived at after charging:**

Depreciation of property, plant and equipment
Loss on disposal of property, plant and equipment
Provision & write off of receivables
Property, plant and equipment written off

and after crediting:

Gain on derivatives
Reversal of provision of inventories
Net foreign exchange gain

3 months ended 31 March	
2015 RM'000	2014 RM'000
27,540	27,400
198	101
1,870	-
120	33
13	1,246
180	1,387
10,704	1,512

14 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 31.03.2015				
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount
Level 1	Level 2	Level 3		
RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets				
Commodity futures	636	-	-	636
Forward exchange contracts	-	20,261	-	20,261
Financial liabilities				
Forward exchange contracts	-	(14,210)	-	(14,210)
Commodity futures	(10,196)	-	-	(10,196)

Fair value of financial instruments not carried at fair value				
Level 1	Level 2	Level 3	Total fair value	Carrying amount
RM'000	RM'000	RM'000		
Financial assets				
Loans to employees	-	-	35,333	35,333
Financial liabilities				
Finance lease liabilities	-	-	(7,487)	(7,988)
Loan from a related company	-	-	(84,264)	(84,264)

As at 31.12.2014				
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount
Level 1	Level 2	Level 3		
RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets				
Commodity futures	1,844	-	-	1,844
Forward exchange contracts	-	15,470	-	15,470
Financial liabilities				
Forward exchange contracts	-	(18,782)	-	(18,782)
Commodity futures	(6,962)	-	-	(6,962)

Fair value of financial instruments not carried at fair value				
Level 1	Level 2	Level 3	Total fair value	Carrying amount
RM'000	RM'000	RM'000		
Financial assets				
Loans to employees	-	-	35,144	35,144
Financial liabilities				
Finance lease liabilities	-	-	(8,225)	(8,696)
Loan from a related company	-	-	(84,264)	(84,264)

15 Realised and unrealised profit disclosure

Total retained profits of the Group and its subsidiaries:

Realised

Unrealised

Total share of retained profits from an associated company:

Realised

Unrealised

Add : Consolidation adjustments

Total retained profits as per consolidated accounts

As at 31.03.2015 RM'000	As at 31.12.2014 RM'000
776,385	580,125
(142,111)	(132,568)
1,075	631
-	-
62,498	61,781
697,847	509,969

16 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 RM187.9 million (RM183.5 million in March 2014) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2014).

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARDTengku Ida Adura Binti Tengku Ismail, *MCCS (MACS 01686)**Company Secretary***Date : April 20, 2015**