

**Nestlé**

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 31 MARCH 2017 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2017**

	3 months ended 31 March		3 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue - Sales of goods</b>	1,371,882	1,313,462	1,371,882	1,313,462
Cost of sales	(824,692)	(791,962)	(824,692)	(791,962)
<b>Gross profit</b>	547,190	521,500	547,190	521,500
Operating expenses	(248,656)	(236,638)	(248,656)	(236,638)
<b>Operating profit</b>	298,534	284,862	298,534	284,862
Finance costs	(8,378)	(9,429)	(8,378)	(9,429)
Finance income	304	239	304	239
Share of post tax profit of an associate	280	186	280	186
<b>Profit before tax</b>	290,740	275,858	290,740	275,858
Tax expense	(60,309)	(55,181)	(60,309)	(55,181)
<b>Profit after tax</b>	230,431	220,677	230,431	220,677
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	230,431	220,677	230,431	220,677
<b>Profit for the period</b>	230,431	220,677	230,431	220,677
<b>Other comprehensive expense, net of tax</b>				
<b>Item that is or may be reclassified subsequently to profit or loss</b>				
Cash flow hedge	(15,287)	(85,984)	(15,287)	(85,984)
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Remeasurement of defined benefit liability	-	-	-	-
<b>Total other comprehensive expense for the period, net of tax</b>	(15,287)	(85,984)	(15,287)	(85,984)
<b>Total comprehensive income for the period</b>	215,144	134,693	215,144	134,693
<b>Basic earnings per share (sen)</b>	98.26	94.11	98.26	94.11
<b>Proposed/Declared dividend per share - net (sen)</b>	-	-	-	-
	<b>AS AT END OF CURRENT QUARTER</b>		<b>AS AT PRECEDING FINANCIAL YEAR END</b>	
<b>Net assets per share attributable to equity holders (RM)</b>	3.68		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 31 MARCH 2017**

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
<b>Assets</b>		
Property, plant and equipment	1,320,465	1,353,050
Intangible assets	62,297	62,400
Investment in an associate	4,504	4,224
Deferred tax assets	22,650	20,155
Trade and other receivables	24,635	24,745
<b>Total non-current assets</b>	<b>1,434,551</b>	<b>1,464,574</b>
Trade and other receivables	669,933	544,307
Inventories	516,897	455,337
Current tax assets	3,627	6,396
Cash and cash equivalents	21,905	23,996
<b>Total current assets</b>	<b>1,212,362</b>	<b>1,030,036</b>
<b>Total assets</b>	<b>2,646,913</b>	<b>2,494,610</b>
<b>Equity</b>		
Share capital	234,500	234,500
Reserves	28,609	43,896
Retained earnings	599,256	368,825
<b>Total equity attributable to owners of the Company</b>	<b>862,365</b>	<b>647,221</b>
<b>Liabilities</b>		
Loans and borrowings	84,264	93,146
Employee benefits	87,378	86,140
Deferred tax liabilities	106,784	91,260
<b>Total non-current liabilities</b>	<b>278,426</b>	<b>270,546</b>
Trade and other payables	1,372,250	1,392,780
Loans and borrowings	120,480	183,961
Current tax liabilities	13,392	102
<b>Total current liabilities</b>	<b>1,506,122</b>	<b>1,576,843</b>
<b>Total liabilities</b>	<b>1,784,548</b>	<b>1,847,389</b>
<b>Total equity and liabilities</b>	<b>2,646,913</b>	<b>2,494,610</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>3.68</b>	<b>2.76</b>

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 31 MARCH 2017**

	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	
<b>At 1 January 2016</b>	267,500	75,976	365,120	708,596
Cash flow hedge	-	(85,984)	-	(85,984)
Remeasurement of defined benefit liability	-	-	-	-
Profit for the period	-	-	220,677	220,677
<b>Total comprehensive (expense)/income for the period</b>	-	(85,984)	220,677	134,693
<b>At 31 March 2016</b>	267,500	(10,008)	585,797	843,289
<b>At 1 January 2017</b>	267,500	10,896	368,825	647,221
Cash flow hedge	-	(15,287)	-	(15,287)
Remeasurement of defined benefit liability	-	-	-	-
Profit for the period	-	-	230,431	230,431
<b>Total comprehensive (expense)/income for the period</b>	-	(15,287)	230,431	215,144
<b>At 31 March 2017</b>	267,500	(4,391)	599,256	862,365

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  
31 MARCH 2017**

	3 months ended 31.03.2017 RM'000	3 months ended 31.03.2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	290,740	275,858
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	32,936	32,810
Net finance costs	8,074	9,190
Increase in working capital	(226,328)	(59,577)
Income tax paid	(26,305)	(29,457)
Others	11,329	1,860
<b>Net cash from operating activities</b>	90,446	230,684
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(9,014)	(8,453)
Others	409	1,329
<b>Net cash used in investing activities</b>	(8,605)	(7,124)
<b>Cash flows from financing activities</b>		
Finance costs paid	(8,378)	(9,429)
Proceed from/(Repayment of) borrowings	104,199	(152,523)
<b>Net cash generated from/(used in) financing activities</b>	95,821	(161,952)
<b>Net increase in cash and cash equivalents</b>	177,662	61,608
<b>Cash and cash equivalents at 1 January</b>	(155,757)	(84,465)
<b>Cash and cash equivalents at 31 March</b>	21,905	(22,857)

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:

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

3 months ended 31 March 2017	
Assets acquired RM'000	Assets disposed RM'000
280	57
1,726	686
2,903	19
924	101
3,181	-
9,014	863

##### 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, Nestlé Professional and Nespresso.

	3 months ended 31 March 2017		
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	1,092,667	279,215	1,371,882
Operating Profit	244,795	53,574	298,369

	3 months ended 31 March 2016		
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	1,045,678	267,784	1,313,462
Operating Profit	230,041	54,917	284,958

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 income/(expenses)

Consolidated operating profit

	3 months ended 31.03.2017 RM'000	3 months ended 31.03.2016 RM'000
Total operating profit for reported segments	298,369	284,958
Other unallocated income/(expenses)	165	(96)
Consolidated operating profit	298,534	284,862

## 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 31.03.2017 RM'000
IT shared service	11,552
Net finance costs	1,163
Purchases of goods and services	137,483
Sales of finished goods	194,057
Royalties	69,315

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, 2017 vs Quarter 1, 2016)

For the first quarter ended 31 March 2017, the Group increased its revenue by 4.4% (+RM58 million) compared to Q1 2016. Both Domestic and Exports contributed to this good sales growth. The commendable domestic performance (+4.7%) was underpinned by strong marketing and promotional supports as well as the new base created by new products introduced in the last two years that continue to benefit the Group. The Exports, after the good turnaround in 2016 continue to deliver a solid performance in Q1 2017 (+3.6%).

The profit structure of the Group continued to stay healthy: the internal efficiency initiatives and diligent cost management helped to over compensate the negative effects from increased commodity prices and weaker Ringgit. Via this, we were able to continue with our strong Marketing-and Trade investments and to further strengthen our profit situation. The profit before tax increased by 5.4% to RM291 million, the profit after tax increased by 4.4% to RM 230 million.

### 2 Variation of results against previous quarter (Quarter 1, 2017 vs. Quarter 4, 2016)

In the first quarter of 2017, the Group registered a revenue of RM1.4 billion, 9.8% higher than the fourth quarter of 2016. The higher Net Profit compared to the prior quarter was mainly due to Marketing spending in the fourth quarter of 2016 in preparation for 2017 Chinese New Year celebrated in January.

### 3 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 in 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.

### 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 31.03.2017 RM'000
42,451
42,451
17,858
17,858
60,309

**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**

Loan from a related company

Revolving credit

**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 31.03.2017 RM'000
88,480
32,000
120,480
84,264
84,264

**10 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 31.03.2017 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	845,856	844,173	(1,683)	Less than 1 year
Commodity futures	93,347	87,517	(5,830)	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:**

Amortisation of intangible assets

Depreciation of property, plant and equipment

Property, plant and equipment written off

**and after crediting:**

Gain on derivatives

Gain on disposal of property, plant and equipment

Reversal of provision of inventories

Net foreign exchange gain

3 months ended 31 March	
2017 RM'000	2016 RM'000
103	103
32,833	32,707
20	18
650	437
619	758
1,982	2,593
14,592	34,557

## 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 31.03.2017				
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
<b>Financial assets</b>				
Commodity futures	2,048	-	-	2,048
Forward exchange contracts	-	3,084	-	3,084
<b>Financial liabilities</b>				
Forward exchange contracts	-	(4,767)	-	(4,767)
Commodity futures	(7,877)	-	-	(7,877)

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		
<b>Financial assets</b>				
Loans to employees	-	-	37,203	37,203
<b>Financial liabilities</b>				
Loan from a related company	-	-	(84,264)	(84,264)

As at 31.03.2016				
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
<b>Financial assets</b>				
Commodity futures	6,542	-	-	6,542
Forward exchange contracts	-	30,651	-	30,651
<b>Financial liabilities</b>				
Forward exchange contracts	-	(45,783)	-	(45,783)
Commodity futures	(4,773)	-	-	(4,773)

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		
<b>Financial assets</b>				
Loans to employees	-	-	36,188	36,188
<b>Financial liabilities</b>				
Finance lease liabilities	-	-	(14,737)	(15,844)
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.



**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

Add : Consolidation adjustments

Total retained profits as per consolidated accounts

As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
699,321	478,757
(157,534)	(151,235)
1,504	1,224
55,965	40,079
599,256	368,825

**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 RM230.4 million (RM220.7 million in March 2016) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 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 : April 25, 2017**