



Good food, Good life

INTERIM REPORT
NESTLÉ (MALAYSIA) BERHAD
 (198301015532 (110925-W))
 (Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 31 March 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2022

	3 months ended 31 March			3 months ended 31 March		
	2022 RM'000	2021 RM'000	%	2022 RM'000	2021 RM'000	%
Revenue - Sale of goods	1,693,751	1,448,773	16.9%	1,693,751	1,448,773	16.9%
Cost of sales	(1,117,989)	(929,919)		(1,117,989)	(929,919)	
Gross profit	575,762	518,854	11.0%	575,762	518,854	11.0%
Operating expenses	(277,993)	(290,874)		(277,993)	(290,874)	
Operating profit	297,769	227,980	30.6%	297,769	227,980	30.6%
Finance costs	(10,048)	(8,748)		(10,048)	(8,748)	
Finance income	550	651		550	651	
Share of profit of an equity-accounted associate, net of tax	376	494		376	494	
Profit before tax	288,647	220,377	31.0%	288,647	220,377	31.0%
Income tax expense	(83,467)	(45,215)		(83,467)	(45,215)	
Profit after tax	205,180	175,162	17.1%	205,180	175,162	17.1%
Minority interests	-	-		-	-	
Profit after tax and minority interest	205,180	175,162	17.1%	205,180	175,162	17.1%
Profit for the period	205,180	175,162	17.1%	205,180	175,162	17.1%
Other comprehensive income, net of tax						
Item that may be reclassified to profit or loss in subsequent periods						
Cash flow hedge	1,359	8,215		1,359	8,215	
Total other comprehensive income for the period, net of tax	1,359	8,215		1,359	8,215	
Total comprehensive income for the period	206,539	183,377	12.6%	206,539	183,377	12.6%
Basic earnings per share (sen)	87.50	74.70		87.50	74.70	
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 owners of the parent (RM)	2.35			2.48		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
Assets		
Property, plant and equipment	1,518,938	1,534,268
Right-of-use assets	200,525	208,232
Intangible assets	63,052	63,342
Investment in an associate	6,325	5,949
Deferred tax assets	29,534	23,874
Trade and other receivables	8,477	9,228
Total non-current assets	1,826,851	1,844,893
Trade and other receivables	470,933	377,050
Inventories	925,236	744,987
Current tax assets	-	11,003
Cash and bank balances	16,767	6,898
Total current assets	1,412,936	1,139,938
Total assets	3,239,787	2,984,831
Equity		
Share capital	267,500	267,500
Hedging reserve	615	(744)
Retained earnings	281,931	315,941
Total equity attributable to owners of the parent	550,046	582,697
Liabilities		
Loans and borrowings	200,000	100,000
Lease liabilities	135,399	141,351
Employee benefits	88,958	89,859
Deferred tax liabilities	151,723	142,496
Total non-current liabilities	576,080	473,706
Trade and other payables	1,973,595	1,626,072
Loans and borrowings	56,185	245,693
Lease liabilities	25,694	26,962
Current tax liabilities	58,187	29,701
Total current liabilities	2,113,661	1,928,428
Total liabilities	2,689,741	2,402,134
Total equity and liabilities	3,239,787	2,984,831
Net assets per share attributable to owners of the parent (RM)	2.35	2.48

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2022**

	<i>Non Distributable</i>		<i>Distributable</i>	Total Equity RM'000
	Share capital RM'000	Hedging reserve RM'000	Retained profits RM'000	
At 1 January 2021	267,500	(3,534)	293,170	557,136
Cash flow hedge	-	8,215	-	8,215
Profit for the period	-	-	175,162	175,162
Total comprehensive income for the period	-	8,215	175,162	183,377
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2020	-	-	(215,740)	(215,740)
At 31 March 2021	267,500	4,681	252,592	524,773
At 1 January 2022	267,500	(744)	315,941	582,697
Cash flow hedge	-	1,359	-	1,359
Profit for the period	-	-	205,180	205,180
Total comprehensive income for the period	-	1,359	205,180	206,539
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2021	-	-	(239,190)	(239,190)
At 31 March 2022	267,500	615	281,931	550,046

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2022**

	3 months ended 31.03.2022 RM'000	3 months ended 31.03.2021 RM'000
Cash flows from operating activities		
Profit before tax	288,647	220,377
<i>Adjustments for:</i>		
Amortisation and depreciation	48,220	47,510
Net finance costs	9,498	8,097
Gain on disposal of property, plant and equipment	(366)	(22)
<i>Add/ Less:</i>		
Movement in working capital	(166,045)	45,067
Income tax paid	(40,840)	(43,580)
Others	1,524	562
Net cash from operating activities	140,638	278,011
Cash flows from investing activities		
Acquisition of property, plant and equipment	(25,454)	(43,336)
Proceeds from disposal of property, plant and equipment	911	276
Others	550	651
Net cash used in investing activities	(23,993)	(42,409)
Cash flows from financing activities		
Finance costs paid	(10,048)	(8,748)
Repayment of borrowings	(100,000)	(220,000)
Payment of lease liabilities	(7,220)	(7,195)
Net cash used in financing activities	(117,268)	(235,943)
Net decrease in cash and cash equivalents	(623)	(341)
Cash and cash equivalents at 1 January	(3,795)	(28,342)
Cash and cash equivalents at 31 March	(4,418)	(28,683)

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

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 for the year ended 31 December 2021.

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

Besides the COVID-19 situation as elaborated in the Additional Information section, 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, furniture and equipment (include Asset Under Construction)
 Motor vehicles
 Information systems

3 months ended 31 March 2022	
Assets acquired RM'000	Assets disposed / write-off RM'000
182	-
24,720	16
-	536
552	9
25,454	561

b. Right-of-use

There was no capitalisation of new leases 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 was 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, Nestlé Health Science and NESPRESSO.

3 months ended 31 March 2022		
Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results		
Revenue	1,399,666	294,085
Operating Profit	260,233	37,876

3 months ended 31 March 2021		
Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results		
Revenue	1,216,393	232,380
Operating Profit	210,605	17,785

The comments on page 6 apply to both segments Food & Beverages (83% of total sales) and Others (17% of total sales).

Reconciliations of reportable segment operating profit:

	3 months ended 31.03.2022 RM'000	3 months ended 31.03.2021 RM'000
Total operating profit for reported segments	298,109	228,390
Other unallocated expense	(340)	(410)
Consolidated operating profit	297,769	227,980

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 material 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 other contingent liabilities to the Group except for material litigation as disclosed in Note 11 on page 8.

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 31.03.2022 RM'000
Sales of goods	319,809
Rendering of services	8,705
Purchases of goods and services	407,096
Royalty expenses	83,503
IT shared service expenses	12,432
Finance costs	932

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, 2022 vs Quarter 1, 2021)

For the first quarter ended 31 March 2022, total turnover for the Group increased by 16.9% from RM1.45 billion to RM1.69 billion. This was driven by both higher Domestic and Export sales, growing 14.9% and 25.3% respectively. Strong performance in both the core Food and Beverage (F&B) business as well as the Out-of-Home (OOH) business under Nestlé Professional, which now benefits strongly from the increased mobility and re-opening of HORECA (Hotel, Restaurant & Café) channels post lockdown.

As we mark Nestlé's 110th year in Malaysia, we see solid consumption momentum, supported by our demand generation efforts as well as the solid operational execution by our factories, logistics and sales teams. We remain focused in delivering high-quality, great-tasting and nutritious products that meet the diverse needs of Malaysians, alongside ensuring excellence execution in consumer communications, digital engagement and in-store activities.

The Group introduced several exciting new products during the quarter. This included the low fat, low salt MAGGI Nutri-licious Noodles range, certified with the Ministry of Health's Healthier Choice Logo, as well as NESCAFÉ Tarik Mixes and MAGGI Chicken Marinade Pastes. The Ice Cream segment also saw new launches such as the NESTLÉ Musang King Ice Cream, NESTLÉ Mochi Boba Ice Cream and LA CREMERIA Chocolate Brownie Fudge with Seasalt. All these products are meeting great initial response across Malaysia.

The Group recorded a higher Profit Before Tax (PBT) and Profit After Tax (PAT) for the quarter, at RM288.6 million and RM205.2 million respectively. PBT was supported by stronger sales coupled with lower COVID-19 related expenses compared with the same period last year. These improved results were achieved despite the impact of increased commodity prices, as well as the impact of the Cukai Makmur (Prosperity Tax) on PAT.

We continued to accelerate our sustainability agenda during the quarter. 100% of our electricity needs come now from the green tariff enabled by the Ministry of Energy and Natural Resources (KeTSA) in Q4 2021. We are building on the positive response to our kerbside collection and recycling programme to expand the initiative to more communities, including Kuala Lumpur through a partnership with Alam Flora Environmental Solutions Sdn Bhd. Additionally, via our Project RELeaf reforestation initiative, we conducted the first tree planting activity with Sime Darby Plantation Berhad, contributing to our goal of planting three million trees by 2023. We are also transitioning many of our PET Ready to Drink products to recycled PET.

Last, but not least, we also recently embarked on a partnership with Universiti Putra Malaysia to spearhead the Putra Community Nutrition Ambassador Programme. Under this one-year programme, we aim to empower 100 mothers to inspire healthier and more sustainable lifestyles among People's Housing Project (PPR) communities in the Klang Valley.

2 Variation of results against previous quarter (Quarter 1, 2022 vs. Quarter 4, 2021)

For the first quarter ended 31 March 2022, the Group registered a turnover of RM1.69 billion, 15.5% higher compared to the fourth quarter of 2021, mainly due to higher sales during the Chinese New Year period.

Profit Before Tax was higher at RM288.6 million, mainly due to the higher sales and lower COVID-19 related expenses.

3 Current year prospects

We are confident in sustaining growth momentum across the year, even if we see growth levelling down from current high levels in the coming quarters, due to baseline comparisons.

The global environment remains very challenging, with widespread inflation gaining traction across the world and also in Asia, aggravated by the war in Ukraine impacting further prices and availability of key food commodities such as wheat, barley and sunflower oils.

Overall, 2022 is shaping as a year of solid growth in the top line and some pressure on the bottom line as we do our best to balance the tensions on our cost value chain with internal efficiencies and moderate price increases.

Despite the foreseeable hurdles, we aim to continue leveraging on all possible opportunities to drive another year of solid and resilient results, whilst making meaningful progress in our ESG agenda to contribute to Malaysia's sustainable progress.

4 Profit forecast

We do not issue any profit forecast.

5 Income tax expense**Current tax**

Malaysian - current period

Total current tax expense**Deferred tax**

Origination and reversal of temporary differences

Under provision in prior year

Total deferred tax expense**Total income tax expense**

3 months ended 31.03.2022 RM'000	
	80,329
	80,329
	3,114
	24
	3,138
	83,467

The Group's effective tax rate for the current quarter was 28.9% due to the impact of Cukai Makmur (Prosperity Tax) for YA2022.

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

Revolving credit

Bank overdraft

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

Loan from a related company

Total long term loans

As at 31.03.2022 RM'000	
	35,000
	21,185
	56,185
	200,000
	200,000

The Group has obtained a long-term unsecured loan from Nestlé Treasury Centre-Asia Pacific of additional RM100 million in March 2022 and repayable in December 2023.

10 Derivatives**(a) Summary of outstanding derivative assets / (liabilities) as at 31.03.2022 :**

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,003,545	1,003,257	(288)	Less than 1 year

(b) Fair value changes of financial liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

11 Material litigation

Nestlé Products Sdn. Bhd. ("NPSB"), the wholly owned subsidiary of Nestlé (Malaysia) Berhad ("the Company") was served with a sealed Writ of Summons and Statement of Claim dated 6 March 2019, filed by Mad Labs Sdn. Bhd. ("Mad Labs"). The claim by Mad Labs against NPSB is for amongst others, the sum of RM139,344,262.25. An amended Writ of Summons dated 21 March 2019 was further filed by Mad Labs and served subsequently on 25 March 2019.

In the Statement of Claim, Mad Labs is alleging inter alia, the unauthorised and/or unlawful use of Mad Lab's QR Code, breach of an implied contract between Mad Labs and NPSB by reason of NPSB's continued use of the QR Code, unjust enrichment of NPSB by the use of the QR Code, compensation for the services which Mad Labs has rendered to NPSB and NPSB's negligence in using Mad Labs's QR Code on its products/packaging. NPSB has filed and served its Statement of Defence dated 22 April 2019 to dispute the claims made by Mad Labs. In addition to filing the Statement of Defence, NPSB has separately filed an action at the Intellectual Property Court ("IP Court") against Mad Labs and its sole director and shareholder, Chow Kien Loon ("CKL") for amongst others, to challenge the ownership of Mad Labs in the QR Code, negligence, unlawful interference with trade as well as defamation and trade libel. Mad Labs and CKL have been served the sealed Writ of Summons and Statement of Claim dated 23 April 2019 filed by NPSB through its solicitors.

The high court trial at the IP Court which commenced on 10 June 2021 remains on-going. The Court has since fixed 26 April 2022 for case management.

Based on the opinion rendered by solicitors representing NPSB, Messrs. Zaid Ibrahim & Co., NPSB has a reasonably strong case against Mad Labs and CKL. Accordingly, the Board is of the opinion that no provision needs to be made for this claim.

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
 Depreciation of right-of-use assets
 Amortisation of intangible assets
 Finance cost of lease liabilities
 Property, plant and equipment written off
 Net loss on derivatives
 Provision & write off of inventories
 Net foreign exchange loss

and after crediting:

Gain on disposal of property, plant and equipment
 Net gain on derivatives
 Reversal of impairment loss on trade receivables
 Reversal of provision of inventories

3 months ended 31 March	
2022	2021
RM'000	RM'000
40,223	38,129
7,707	9,091
290	290
1,535	1,807
16	101
-	68
404	-
2,083	2,830
366	22
7	-
136	367
-	2,354

14 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 RM205.2 million (RM175.2 million in March 2021) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2021).

b. Diluted earnings per share

Not applicable for the Group.

BY ORDER OF THE BOARD
Tengku Ida Adura Binti Tengku Ismail
Company Secretary
(SSM PC No. 201908001581)
(MACS 01686)

Date : 26 April, 2022