



Nestlé

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

The Directors are pleased to present the following report for the period ended 31 March 2024 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2024**

	3 months ended 31 March			3 months ended 31 March		
	2024 RM'000	2023 RM'000	%	2024 RM'000	2023 RM'000	%
<b>Revenue - Sale of goods</b>	<b>1,782,581</b>	<b>1,842,409</b>	<b>-3.2%</b>	<b>1,782,581</b>	<b>1,842,409</b>	<b>-3.2%</b>
Cost of sales	(1,187,311)	(1,279,048)		(1,187,311)	(1,279,048)	
<b>Gross profit</b>	<b>595,270</b>	<b>563,361</b>	<b>5.7%</b>	<b>595,270</b>	<b>563,361</b>	<b>5.7%</b>
Operating expenses	(321,861)	(286,303)		(321,861)	(286,303)	
<b>Operating profit</b>	<b>273,409</b>	<b>277,058</b>	<b>-1.3%</b>	<b>273,409</b>	<b>277,058</b>	<b>-1.3%</b>
Finance costs	(13,962)	(14,915)		(13,962)	(14,915)	
Finance income	51	78		51	78	
Share of (loss)/profit of an equity-accounted associate, net of tax	(403)	96		(403)	96	
<b>Profit before tax</b>	<b>259,095</b>	<b>262,317</b>	<b>-1.2%</b>	<b>259,095</b>	<b>262,317</b>	<b>-1.2%</b>
Income tax expense	(63,582)	(65,172)		(63,582)	(65,172)	
<b>Profit after tax</b>	<b>195,513</b>	<b>197,145</b>	<b>-0.8%</b>	<b>195,513</b>	<b>197,145</b>	<b>-0.8%</b>
Minority interests	-	-		-	-	
<b>Profit after tax and minority interest</b>	<b>195,513</b>	<b>197,145</b>	<b>-0.8%</b>	<b>195,513</b>	<b>197,145</b>	<b>-0.8%</b>
<b>Profit for the period</b>	<b>195,513</b>	<b>197,145</b>	<b>-0.8%</b>	<b>195,513</b>	<b>197,145</b>	<b>-0.8%</b>
<b>Other comprehensive (expense)/income, net of tax</b>						
<b>Item that may be reclassified to profit or loss in subsequent periods</b>						
Cash flow hedge	(725)	499		(725)	499	
<b>Total other comprehensive (expenses)/income for the period, net of tax</b>	<b>(725)</b>	<b>499</b>		<b>(725)</b>	<b>499</b>	
<b>Total comprehensive income for the period</b>	<b>194,788</b>	<b>197,644</b>	<b>-1.4%</b>	<b>194,788</b>	<b>197,644</b>	<b>-1.4%</b>
<b>Basic earnings per share (sen)</b>	<b>83.37</b>	<b>84.07</b>		<b>83.37</b>	<b>84.07</b>	
<b>Proposed/Declared dividend per share-net (sen)</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
	<b>AS AT END OF CURRENT QUARTER</b>			<b>AS AT PRECEDING FINANCIAL YEAR END</b>		
<b>Net assets per share attributable to owners of the parent (RM)</b>		<b>2.43</b>			<b>2.88</b>	

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2024**

	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
<b>Assets</b>		
Property, plant and equipment	1,760,848	1,749,545
Right-of-use assets	228,452	237,703
Intangible assets	234,360	234,360
Investment in an associate	5,569	5,972
Deferred tax assets	14,770	26,765
Trade and other receivables	9,243	8,871
<b>Total non-current assets</b>	<b>2,253,242</b>	<b>2,263,216</b>
Trade and other receivables	552,172	462,968
Inventories	820,408	831,435
Current tax assets	160	565
Cash and bank balances	75,776	11,038
<b>Total current assets</b>	<b>1,448,516</b>	<b>1,306,006</b>
<b>Total assets</b>	<b>3,701,758</b>	<b>3,569,222</b>
<b>Equity</b>		
Share capital	267,500	267,500
Hedging reserve	(982)	(257)
Retained earnings	303,006	407,653
<b>Total equity attributable to owners of the parent</b>	<b>569,524</b>	<b>674,896</b>
<b>Liabilities</b>		
Loans and borrowings	300,000	300,000
Lease liabilities	162,437	170,202
Employee benefits	32,631	87,229
Deferred tax liabilities	196,272	199,011
<b>Total non-current liabilities</b>	<b>691,340</b>	<b>756,442</b>
Trade and other payables	1,963,048	1,671,552
Loans and borrowings	409,019	419,796
Lease liabilities	32,667	33,164
Current tax liabilities	36,160	13,372
<b>Total current liabilities</b>	<b>2,440,894</b>	<b>2,137,884</b>
<b>Total liabilities</b>	<b>3,132,234</b>	<b>2,894,326</b>
<b>Total equity and liabilities</b>	<b>3,701,758</b>	<b>3,569,222</b>
<b>Net assets per share attributable to owners of the parent (RM)</b>	<b>2.43</b>	<b>2.88</b>

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2024**

	<i>Non-Distributable</i>		<i>Distributable</i>	<b>Total Equity</b> RM'000
	<b>Share capital</b>	<b>Hedging reserve</b>	<b>Retained earnings</b>	
	RM'000	RM'000	RM'000	
<b>At 1 January 2023</b>	267,500	(7,395)	366,211	626,316
Cash flow hedge	-	499	-	499
Profit for the period	-	-	197,145	197,145
<b>Total comprehensive income for the period</b>	-	499	197,145	197,644
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2022	-	-	(286,090)	(286,090)
<b>At 31 March 2023</b>	267,500	(6,896)	277,266	537,870
<b>At 1 January 2024</b>	267,500	(257)	407,653	674,896
Cash flow hedge	-	(725)	-	(725)
Profit for the period	-	-	195,513	195,513
<b>Total comprehensive income for the period</b>	-	(725)	195,513	194,788
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2023	-	-	(300,160)	(300,160)
<b>At 31 March 2024</b>	267,500	(982)	303,006	569,524

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2024**

	<b>3 months ended 31.03.2024 RM'000</b>	<b>3 months ended 31.03.2023 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	259,095	262,317
<i>Adjustments for:</i>		
Amortisation and depreciation	52,754	50,275
Impairment loss on property, plant and equipment	10,974	-
Net finance costs	13,911	14,837
Gain on disposal of property, plant and equipment	(37)	(56)
Net (reversal of)/write-down of slow moving inventories	(3,516)	14,899
<i>Add/Less:</i>		
Movement in working capital	(88,004)	(16,516)
Income tax paid	(30,904)	(67,687)
Retirement benefit paid	(55,610)	(2,021)
Others	4,768	4,054
<b>Net cash from operating activities</b>	<b>163,431</b>	<b>260,102</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(65,827)	(33,378)
Proceeds from disposal of property, plant and equipment	84	97
Others	51	78
<b>Net cash used in investing activities</b>	<b>(65,692)</b>	<b>(33,203)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(13,962)	(14,915)
Repayment of borrowings	(20,000)	(50,000)
Payment of lease liabilities	(8,262)	(6,833)
<b>Net cash used in financing activities</b>	<b>(42,224)</b>	<b>(71,748)</b>
<b>Net increase in cash and cash equivalents</b>	<b>55,515</b>	<b>155,151</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(8,758)</b>	<b>(178,719)</b>
<b>Cash and cash equivalents at 31 March</b>	<b>46,757</b>	<b>(23,568)</b>

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

## NOTES TO THE FINANCIAL REPORT

### 1 Basis of preparation

This 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 2023.

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, furniture and equipment (including Asset Under Construction)  
Motor vehicles  
Information systems

3 months ended 31 March	
Assets acquired RM'000	Assets disposed / write-off RM'000
668	-
64,067	-
393	30
699	17
<b>65,827</b>	<b>47</b>

#### 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 Chief Executive Officer and Chief Financial Officer. 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 2024		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenue and results</b>			
Revenue	1,445,507	337,074	1,782,581
Operating Profit	225,990	47,908	273,898

	3 months ended 31 March 2023		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenue and results</b>			
Revenue	1,531,062	311,347	1,842,409
Operating Profit	242,867	34,529	277,396

The comments on page 6 apply to both segments Food & Beverages (81% of total sales) and Others (19% of total sales).

**Reconciliations of reportable segment operating profit:**

	3 months ended 31.03.2024 RM'000	3 months ended 31.03.2023 RM'000
Total operating profit for reported segments	273,898	277,396
Other unallocated expense	(489)	(338)
<b>Consolidated operating profit</b>	<b>273,409</b>	<b>277,058</b>

**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 Material events subsequent to the current quarter**

There were no material events subsequent to the current quarter up to the date of this report.

**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 31.03.2024 RM'000
Sales of goods	316,292
Rendering of services	8,730
Purchases of goods and services	671,119
Purchases of plant and equipment	36,130
Royalty expenses	89,583
IT shared service expenses	16,667

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, 2024 vs Quarter 1, 2023)

For the first quarter ended 31 March 2024, the Group recorded a turnover of RM1.78 billion, slightly lower by 3.2% from RM1.84 billion in the previous year's corresponding quarter. This was primarily due to a slight decline in domestic sales compared to the same quarter last year.

Amidst a challenging environment where consumers remained cautious with their spending and intense competitive landscape, we continued to focus on delivering high quality products, made in Malaysia, by Malaysians, to meet Malaysians' expectations of taste, convenience, nutrition and value. With close proximity between Chinese New Year and the start of Ramadan, our teams remained laser focused in ensuring effective commercial execution, relevant communication and operational excellence across all channels.

Innovation played again a role in the quarter, with successful seasonal offerings such as the KIT KAT Dragon, and great tasting and convenient additions to the HARVEST GOURMET range, such as the new Puff Pastries. The quarter saw also the relaunch of NESTLÉ ENERCAL COMPLETE, an holistic nutritional solution developed to meet the nutritional requirements of adults to support their healthy aging requirements, as well as the introduction of MAGGI IN MY MUG, a new convenient option to enjoy Maggi Noodles at any time of the day with a more convenient and environmentally efficient packaging solution that is meeting great early acceptance amongst Malaysians.

Profit Before Tax and Profit After Tax for Q1 2024 remained resilient at RM259.1 million and RM195.5 million respectively, with profitability as a percentage of sales slightly higher vs Q1 2023. In absolute terms, the marginal decline of 1.2% and 0.8% mostly reflects the impact of slightly lower sales, effectively offset by proactive cost management initiatives as well as better commodity costs compared to the same period of the previous year.

Beyond financial resilience, we continued to make significant strides in our Environmental, Social and Governance (ESG) agenda, with all our existing programmes continuing to make progress. An important milestone was the official launch of our biomass boiler in our Chembong Factory in Negeri Sembilan, Nestlé's largest MILO plant in the world, allowing to decrease the factory's greenhouse gas emissions by 14,000 tonnes of CO2 equivalent annually.

During the quarter, we continued to care for societal needs with substantive efforts mobilised again to support specific communities, with initiatives such as providing school essentials to 2,600 primary school students across the country; or the multiple food donations funded by our different brands. We are very honoured to collaborate with multiple entities throughout the Holy month of Ramadan, including our support to the Palestine and Syrian refugees in Malaysia, in collaboration with Malaysian Humanitarian Aid and Relief (MAHAR).

### 2 Variation of results against previous quarter (Quarter 1, 2024 vs Quarter 4, 2023)

For the first quarter ended 31 March 2024, the Group registered a turnover of RM1.78 billion, 5.9% higher compared to the fourth quarter of 2023, mainly due to higher sales during the Chinese New Year period.

Profit Before Tax was higher at RM259.1 million, mainly due to the higher sales and lower operating expenses.

### 3 Current year prospects

2024 is shaping to be a rather challenging year with pressure on short term growth derived from the lingering effect of inflation and foreign exchange volatility on Malaysians' purchasing power as well as heightened competition. We remain fully focused, as we have done through our 112 years of presence in the nation, to meet the needs and expectations of Malaysians, while being a responsible and proactive partner to bring positive societal change at multiple levels contributing to fulfill our mission of enhancing the quality of life and the transition to a more sustainable future for the benefit of all Malaysians.

### 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 31.03.2024 RM'000	
	54,097
	<b>54,097</b>
	9,128
	357
	<b>9,485</b>
	<b>63,582</b>

The Group's effective tax rates for the current quarter was 24.5% which was slightly higher than the 24.0% statutory tax rate mainly due to certain expenses was not deductible for tax purpose.

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 announced but not completed at the date of this report.

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 financial institution

**Total long term loans**

As at 31.03.2024 RM'000	
	380,000
	29,019
	<b>409,019</b>
	300,000
	<b>300,000</b>

10 **Derivatives**

a. **Summary of outstanding derivative assets / (liabilities) as at 31.03.2024 :**

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,095,886	1,096,295	409	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**

In March 2019, Nestlé Products Sdn. Bhd. ("NPSB" or "the Appellant"), a subsidiary of Nestlé (Malaysia) Berhad, was served with a Writ of Summons and Statement of Claim by Mad Labs Sdn. Bhd. ("Mad Labs"), seeking for amongst others, the sum amounting to RM139,344,262.25. Mad Labs alleged unauthorised use of their QR Code, breach of an implied contract, unjust enrichment and negligence. NPSB subsequently filed its Statement of Defence and a separate action against Mad Labs and its sole Director and shareholder, Chow Kien Loon 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. Both suits filed by Mad Labs and NPSB were subsequently consolidated and heard by the High Court (Intellectual Property Division). The trial which commenced in June 2021 concluded in April 2023, with the High Court delivering the following oral findings:

- Mad Labs does not own any intellectual property rights in the QR Code. Damages on royalty basis amounting to RM139,344,262.25 was dismissed;
- Mad Labs' claim for breach of an implied contract was dismissed;
- Mad Labs and its director were negligent; damages to be assessed in favor of NPSB;
- NPSB's report to the Malaysian Communications and Multimedia Commission was not malicious;
- While Mad Labs lacks ownership in the QR Code, it was generated by and under the exclusive control of Mad Labs which gave rise to Mad Labs having the "right to sell" the QR Code. NPSB was directed to compensate Mad Labs for continued use after the trial period;
- A permanent injunction against NPSB's use of the QR Code was granted;
- Mad Labs and its director were not found guilty of defamation and NPSB's claim for unlawful interference with trade was also dismissed.

The High Court has further directed for damages and costs to be separately assessed and determined.

Pending the issuance of the full written judgment by the High Court judge, both NPSB and Mad Labs have since filed their Records of Appeal with the Court of Appeal on 27 December and 28 December 2023 respectively to appeal against the High Court decision.

The solicitors, LindaWang Su & Boo, representing NPSB are of the view that NPSB has a reasonably fair chance of success in its appeal at the Court of Appeal. At this juncture, 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	43,503	42,628
Depreciation of right-of-use assets	9,251	7,357
Amortisation of intangible assets	-	289
Finance cost of lease liabilities	1,980	1,338
Impairment loss on property, plant and equipment	10,974	-
Property, plant and equipment written off	-	790
Net loss on derivatives	99	106
Allowance for expected credit loss on trade receivables	-	32
Net write-down of slow moving inventories	-	14,899
Net foreign exchange loss	16,917	-

**and after crediting:**

Gain on disposal of property, plant and equipment	37	56
Reversal of expected credit loss on trade receivables	245	-
Net reversal of slow moving inventories	3,516	-
Net foreign exchange gain	-	4,794

3 months ended 31 March	
2024	2023
RM'000	RM'000
43,503	42,628
9,251	7,357
-	289
1,980	1,338
10,974	-
-	790
99	106
-	32
-	14,899
16,917	-
37	56
245	-
3,516	-
-	4,794

**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 RM195.5 million (RM197.1 million in March 2023) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2023).

**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 : 29 April, 2024**