



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 30 June 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2024

	3 months ended 30 June 2024			6 months ended 30 June 2024		
	2024 RM'000	2023 RM'000	%	2024 RM'000	2023 RM'000	%
Revenue - Sale of goods	1,523,264	1,750,922	-13.0%	3,305,845	3,593,331	-8.0%
Cost of sales	(1,079,549)	(1,186,237)		(2,266,860)	(2,465,285)	
Gross profit	443,715	564,685	-21.4%	1,038,985	1,128,046	-7.9%
Operating expenses	(302,593)	(310,680)		(624,454)	(596,983)	
Operating profit	141,122	254,005	-44.4%	414,531	531,063	-21.9%
Finance costs	(14,976)	(14,373)		(28,938)	(29,288)	
Finance income	30	22		81	100	
Share of (loss)/profit of an equity-accounted associate, net of tax	(210)	187		(613)	283	
Profit before tax	125,966	239,841	-47.5%	385,061	502,158	-23.3%
Income tax expense	(32,369)	(58,922)		(95,951)	(124,094)	
Profit after tax	93,597	180,919	-48.3%	289,110	378,064	-23.5%
Minority interests	-	-		-	-	
Profit after tax and minority interest	93,597	180,919	-48.3%	289,110	378,064	-23.5%
Profit for the period	93,597	180,919	-48.3%	289,110	378,064	-23.5%
Other comprehensive income, net of tax						
Item that may be reclassified to profit or loss in subsequent periods						
Cash flow hedge	1,263	1,319		538	1,818	
Total other comprehensive income for the period, net of tax	1,263	1,319		538	1,818	
Total comprehensive income for the period	94,860	182,238	-47.9%	289,648	379,882	-23.8%
Basic earnings per share (sen)	39.91	77.15		123.29	161.22	
Proposed/Declared dividend per share-net (sen)	70.00	70.00		70.00	70.00	
	AS AT END OF CURRENT QUARTER			AS AT PRECEDING FINANCIAL YEAR END		
Net assets per share attributable to owners of the parent (RM)	2.83			2.88		

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 30 JUNE 2024

	As at 30.06.2024 RM'000	As at 31.12.2023 RM'000
Assets		
Property, plant and equipment	1,773,086	1,749,545
Right-of-use assets	221,789	237,703
Intangible assets	234,360	234,360
Investment in an associate	5,359	5,972
Deferred tax assets	11,162	26,765
Trade and other receivables	9,428	8,871
Total non-current assets	2,255,184	2,263,216
Trade and other receivables	554,748	462,968
Inventories	810,695	831,435
Current tax assets	499	565
Cash and bank balances	43,177	11,038
Total current assets	1,409,119	1,306,006
Total assets	3,664,303	3,569,222
Equity		
Share capital	267,500	267,500
Hedging reserve	281	(257)
Retained earnings	396,603	407,653
Total equity attributable to owners of the parent	664,384	674,896
Liabilities		
Loans and borrowings	300,000	300,000
Lease liabilities	155,329	170,202
Employee benefits	22,972	87,229
Deferred tax liabilities	197,770	199,011
Total non-current liabilities	676,071	756,442
Trade and other payables	1,520,890	1,671,552
Loans and borrowings	740,452	419,796
Lease liabilities	33,875	33,164
Current tax liabilities	28,631	13,372
Total current liabilities	2,323,848	2,137,884
Total liabilities	2,999,919	2,894,326
Total equity and liabilities	3,664,303	3,569,222
Net assets per share attributable to owners of the parent (RM)	2.83	2.88

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 30 JUNE 2024**

	<i>Non-Distributable</i>		<i>Distributable</i>	Total Equity RM'000
	Share capital	Hedging reserve	Retained earnings	
	RM'000	RM'000	RM'000	
At 1 January 2023	267,500	(7,395)	366,211	626,316
Cash flow hedge	-	1,818	-	1,818
Profit for the period	-	-	378,064	378,064
Total comprehensive income for the period	-	1,818	378,064	379,882
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2022	-	-	(286,090)	(286,090)
At 30 June 2023	267,500	(5,577)	458,185	720,108
At 1 January 2024	267,500	(257)	407,653	674,896
Cash flow hedge	-	538	-	538
Profit for the period	-	-	289,110	289,110
Total comprehensive income for the period	-	538	289,110	289,648
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2023	-	-	(300,160)	(300,160)
At 30 June 2024	267,500	281	396,603	664,384

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 30 JUNE 2024**

	6 months ended 30.06.2024 RM'000	6 months ended 30.06.2023 RM'000
Cash flows from operating activities		
Profit before tax	385,061	502,158
<i>Adjustments for:</i>		
Amortisation and depreciation	108,054	101,594
Impairment loss on property, plant and equipment	10,974	3,660
Net finance costs	28,857	29,188
(Loss)/Gain on disposal of property, plant and equipment	(57)	518
Net (reversal of write-down)/write-down of slow moving inventories	(2,169)	5,757
<i>Add/Less:</i>		
Movement in working capital	(225,360)	89,206
Income tax paid	(66,434)	(114,831)
Retirement benefit paid	(55,610)	(4,135)
Others	(1,943)	9,042
Net cash from operating activities	181,373	622,157
Cash flows from investing activities		
Acquisition of property, plant and equipment	(125,285)	(89,983)
Acquisition of a subsidiary, net of cash acquired	-	(151,090)
Proceeds from disposal of property, plant and equipment	1,124	800
Others	81	520
Net cash used in investing activities	(124,080)	(239,753)
Cash flows from financing activities		
Finance costs paid	(28,938)	(29,288)
Proceeds from borrowings	320,000	140,000
Dividends paid	(300,160)	(286,090)
Payment of lease liabilities	(16,712)	(13,994)
Net cash used in financing activities	(25,810)	(189,372)
Net increase in cash and cash equivalents	31,483	193,032
Cash and cash equivalents at 1 January	(8,758)	(178,719)
Cash and cash equivalents at 30 June	22,725	14,313

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:

	3 months ended 30 June 2024		6 months ended 30 June 2024	
	Assets acquired	Assets disposed / write-off	Assets acquired	Assets disposed / write-off
	RM'000	RM'000	RM'000	RM'000
Building (improvements and additions)	2,828	-	3,496	-
Plant and machinery, tools, furniture and equipment (including Asset Under Construction)	56,429	1,139	120,496	1,139
Motor vehicles	-	-	393	30
Information systems	201	-	900	11
	59,458	1,139	125,285	1,180

b. Right-of-use

As at the end of this quarter, the movement in the right-of-use assets is as follow:

	3 months ended 30 June 2024		6 months ended 30 June 2024	
	Addition	Derecognition	Addition	Derecognition
	RM'000	RM'000	RM'000	RM'000
Building	2,550	-	2,550	-
	2,550	-	2,550	-

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

Dividends paid during the reporting period are as follows:

	3 months ended	6 months ended
	30.06.2024	30.06.2024
	RM'000	RM'000
Interim dividend for the financial year ended 31 December 2023 3rd interim: 128.00 sen per share (single-tier)	300,160	300,160
Total	300,160	300,160

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.

	6 months ended 30 June 2024		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenue and results			
Revenue	2,671,853	633,992	3,305,845
Operating Profit	340,519	74,929	415,448

	6 months ended 30 June 2023		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenue and results			
Revenue	2,977,085	616,246	3,593,331
Operating Profit	467,597	64,141	531,738

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:

	6 months ended 30.06.2024 RM'000	6 months ended 30.06.2023 RM'000
Total operating profit for reported segments	415,448	531,738
Other unallocated expense	(917)	(675)
Consolidated operating profit	414,531	531,063

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 12 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 30.06.2024 RM'000	6 months ended 30.06.2024 RM'000
Sales of goods	285,172	601,464
Rendering of services	13,570	22,300
Purchases of goods and services	485,031	1,156,150
Purchases of plant and equipment	7,460	43,590
Royalty expenses	74,978	164,561
IT shared service expenses	15,630	32,297

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 2, 2024 vs Quarter 2, 2023)

During the second quarter of 2024, the Group's turnover stood at RM1.52 billion, compared to the historic high RM1.75 billion achieved in the equivalent quarter of the previous year. This decline in turnover was primarily driven by a decrease in domestic sales, reflecting the current environment of subdued consumer sentiment, and constrained purchasing power. It is important to note that this comparison is against a strong baseline in the corresponding quarter of the previous year, and quarterly sales are similar to those achieved in 2022.

The Group remain focused on providing solid value propositions across our brands and products to meet the expectations of Malaysians, always with the highest quality and using the best ingredients. We continue to work tirelessly to improve the nutritional profile of our products and testament to this is, as an example, the Healthier Choice Logo for MLO recognised by the Malaysian Ministry of Health. We have also brought to market a number of relevant innovations such as KIT KAT Dark Borneo, made with cocoa beans from Sabah and Sarawak, sourced via our Nestlé Borneo Cocoa initiative, in partnership with the Malaysian Cocoa Board. We take great pride in how our agricultural engagements continue to support the uplifting of local farming communities while helping us to further localise the high-quality ingredients needed to manufacture our products.

Profit Before Tax (PBT) and Profit After Tax (PAT) reached RM126.0 million and RM93.6 million respectively, reflecting the lower sales and some conscious choices regarding pricing. We remain sensitive of the challenges Malaysian families encounter in coping with the rising food prices and other basic items. In response, we continue to make every effort to moderate the translation of these external costs increases to our final prices by absorbing them to the best of our ability and actively mitigating cost pressure through various actions, including the constant search for internal process efficiencies and the adoption of digital-enabled technologies across our entire value chain.

Our responsible approach to managing price increases explains the moderate impact to profitability which remains resilient. We are dedicated to ensuring that our products continue to provide value to our consumers while navigating the challenges of the current sluggish market environment.

2 Review of performance (Year-to-date, 2024 vs Year-to-date, 2023)

For the first half ended 30 June 2024, the Group achieved a turnover of RM3.31 billion, compared to RM3.59 billion in the same period last year. This can be attributed to the subdued consumer sentiments and cautious spending observed during the Chinese New Year and Hari Raya festive seasons. As for the quarter, in H1 2023, our sales reached a historically high record number, hence a very high baseline of reference.

PBT and PAT for the Group amounted to RM385.1 million and RM289.1 million respectively, consistent with our pricing decisions, the sustained pressure on input costs, and the weakening of the Ringgit.

Profitability for the first half year remains at a healthy level, allowing the Board to declare a first interim dividend of 70 sen per share, the same level as the prior year.

3 Variation of results against previous quarter (Quarter 2, 2024 vs Quarter 1, 2024)

For the second quarter ended 30 June 2024, the Group registered a turnover of RM1.52 billion, 14.5% lower compared to the first quarter of 2024, mainly due to the higher sales recorded in Q1 2024 during the period of Chinese New Year and Ramadan.

Profit Before Tax was lower at RM126.0 million, mainly due to the lower sales and sustained pressure on commodity price and foreign exchange volatility.

4 Current year prospects

We expect challenging conditions to remain throughout the third quarter and moderate progressively towards the end of the year with a return to growth latest by H1 2025. We will continue to build on our fundamental strengths to continue providing Malaysians with the best range of great tasting Halal products that meet their health, nutrition and lifestyle expectations, and always anchored on our foundation of Quality and Safety. As we have done for the last 112 years, this remains Nestlé Malaysia's one and only truth: investing in Malaysia for the long run, creating jobs and development opportunities for Malaysians and contributing to the betterment of communities across the nation while leading the way for the industry towards a greener more sustainable future.

5 Profit forecast

We do not issue any profit forecast.

6 Income tax expense

	3 months ended 30.06.2024 RM'000	6 months ended 30.06.2024 RM'000
Current tax		
Malaysian - Current period	27,662	81,759
Total current tax expense	27,662	81,759
Deferred tax		
Origination and reversal of temporary differences	4,310	13,438
Under provision in prior year	397	754
Total deferred tax expense	4,707	14,192
Total income tax expense	32,369	95,951

The Group's effective tax rates for the current quarter was 25.7% which was slightly higher than the 24.0% statutory tax rate mainly due to certain expenses were not deductible for tax purposes.

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 announced but not completed at the date of this report.

10 Loans and borrowings

Group Borrowings and Debt Securities are:

	As at 30.06.2024 RM'000
Short term - Unsecured loans	
Revolving credit	720,000
Bank overdraft	20,452
Total short term loans	740,452
Long term - Unsecured loans	
Loan from a financial institution	300,000
Total long term loans	300,000

11 Derivatives**a. Summary of outstanding derivative assets / (liabilities) as at 30.06.2024 :**

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,095,886	1,096,638	752	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.

12 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, which is currently on going.

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.

13 Dividend

The Board of Directors has declared an interim dividend of 70 sen per share (2023: 70 sen per share) in respect of year ending 31 December 2024 which will be paid on 3 October 2024 to shareholders whose names appear on the Record of Depositors on 4 September 2024. 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 5.00 p.m. on 4 September 2024 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

Profit for the period is arrived at after charging/(crediting) the following:

	3 months ended 30 June 2024		6 months ended 30 June 2024	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Depreciation of property, plant and equipment	46,087	43,390	89,590	86,019
Depreciation of right-of-use assets	9,213	7,638	18,464	14,996
Amortisation of intangible assets	-	289	-	579
Finance cost of lease liabilities	1,933	1,299	3,913	2,637
Impairment loss on property, plant and equipment	-	3,660	10,974	3,660
Property, plant and equipment written off	112	3	113	793
(Gain)/Loss on disposal of property, plant and equipment	(20)	574	(57)	518
Net loss/(gain) on derivatives	99	(52)	107	54
Allowance for expected credit loss on trade receivables	534	15	289	47
Net write-down/(reversal of write-down) of slow moving inventories	1,346	(9,142)	(2,169)	5,757
Net foreign exchange (gain)/loss	(15,582)	6,396	1,335	1,602

15 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 RM289.1 million (RM378.1 million in June 2023) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 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 : 25 July, 2024