



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 30 June 2018 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2018**

	3 months ended 30 June			6 months ended 30 June		
	2018 RM'000	2017 Restated * RM'000	%	2018 RM'000	2017 Restated * RM'000	%
<b>Revenue - Sales of goods</b>	<b>1,309,059</b>	<b>1,283,630</b>	<b>2.0%</b>	<b>2,738,730</b>	<b>2,655,512</b>	<b>3.1%</b>
Cost of sales	(813,212)	(797,931)		(1,683,574)	(1,627,880)	
<b>Gross profit</b>	<b>495,847</b>	<b>485,699</b>	<b>2.1%</b>	<b>1,055,156</b>	<b>1,027,632</b>	<b>2.7%</b>
Operating expenses	(272,287)	(265,232)		(528,147)	(507,952)	
<b>Operating profit</b>	<b>223,560</b>	<b>220,467</b>	<b>1.4%</b>	<b>527,009</b>	<b>519,680</b>	<b>1.4%</b>
Finance costs	(10,426)	(9,230)		(20,122)	(18,031)	
Finance income	809	364		1,304	668	
Share of post tax profit of an associate	465	310		1,043	590	
<b>Profit before tax</b>	<b>214,408</b>	<b>211,911</b>	<b>1.2%</b>	<b>509,234</b>	<b>502,907</b>	<b>1.3%</b>
Tax expense	(48,246)	(50,472)		(111,856)	(110,781)	
<b>Profit after tax</b>	<b>166,162</b>	<b>161,439</b>	<b>2.9%</b>	<b>397,378</b>	<b>392,126</b>	<b>1.3%</b>
Minority interests	-	-		-	-	
<b>Profit after tax and minority interest</b>	<b>166,162</b>	<b>161,439</b>	<b>2.9%</b>	<b>397,378</b>	<b>392,126</b>	<b>1.3%</b>
<b>Profit for the period</b>	<b>166,162</b>	<b>161,439</b>	<b>2.9%</b>	<b>397,378</b>	<b>392,126</b>	<b>1.3%</b>
<b>Other comprehensive income/(expense), net of tax</b>						
<b>Item that is or may be reclassified subsequently to profit or loss</b>						
Cash flow hedge	20,510	(7,548)		26,222	(22,836)	
<b>Item that will not be reclassified subsequently to profit or loss</b>	-	-		-	-	
<b>Total other comprehensive income/(expense) for the period, net of tax</b>	<b>20,510</b>	<b>(7,548)</b>		<b>26,222</b>	<b>(22,836)</b>	
<b>Total comprehensive income for the period</b>	<b>186,672</b>	<b>153,891</b>	<b>21.3%</b>	<b>423,600</b>	<b>369,290</b>	<b>14.7%</b>
<b>Basic earnings per share (sen)</b>	<b>70.86</b>	<b>68.84</b>		<b>169.46</b>	<b>167.22</b>	
<b>Proposed/Declared dividend per share-net (sen)</b>	<b>70.00</b>	<b>70.00</b>		<b>70.00</b>	<b>70.00</b>	
	<b>AS AT END OF CURRENT QUARTER</b>			<b>AS AT PRECEDING FINANCIAL YEAR END (RESTATED) *</b>		
<b>Net assets per share attributable to equity holders (RM)</b>	3.14			2.71		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

\* 2017 comparative figure restated due to adoption of MFRS 16 Leases. Please refer to Note 1C of page 4.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	As at 30.06.2018 RM'000	As at 31.12.2017 Restated * RM'000
<b>Assets</b>		
Property, plant and equipment	1,254,779	1,295,463
Right of use assets	293,489	134,681
Intangible assets	61,782	61,986
Investment in an associate	5,331	4,709
Deferred tax assets	18,710	20,519
Trade and other receivables	26,723	24,283
<b>Total non-current assets</b>	<b>1,660,814</b>	<b>1,541,641</b>
Trade and other receivables	634,503	580,848
Inventories	460,863	467,316
Current tax assets	163	12,333
Cash and cash equivalents	4,814	12,615
<b>Total current assets</b>	<b>1,100,343</b>	<b>1,073,112</b>
<b>Total assets</b>	<b>2,761,157</b>	<b>2,614,753</b>
<b>Equity</b>		
Share capital	267,500	267,500
Hedging reserve	17,050	(9,172)
Retained earnings	451,410	377,562
<b>Total equity attributable to owners of the Company</b>	<b>735,960</b>	<b>635,890</b>
<b>Liabilities</b>		
Loans and borrowings	84,264	84,264
Lease obligation	172,805	17,836
Employee benefits	92,330	89,749
Deferred tax liabilities	128,193	120,987
<b>Total non-current liabilities</b>	<b>477,592</b>	<b>312,836</b>
Trade and other payables	1,148,959	1,296,619
Loans and borrowings	305,797	305,631
Lease obligation	44,290	43,969
Current tax liabilities	48,559	19,808
<b>Total current liabilities</b>	<b>1,547,605</b>	<b>1,666,027</b>
<b>Total liabilities</b>	<b>2,025,197</b>	<b>1,978,863</b>
<b>Total equity and liabilities</b>	<b>2,761,157</b>	<b>2,614,753</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>3.14</b>	<b>2.71</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

\* 2017 comparative figure restated due to adoption of MFRS 16 Leases. Please refer to Note 1C of page 4.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 30 JUNE 2018**

	Non Distributable		Distributable	Total Equity RM'000
	Share capital	Hedging reserve	Retained profits	
	RM'000	RM'000	RM'000	
<b>At 1 January 2017, as previously reported</b>	267,500	10,896	368,825	647,221
Adjustments from adoption of MFRS 16 **	-	-	(2,965)	(2,965)
<b>Restated balance as at 1 January 2017</b>	267,500	10,896	365,860	644,256
Cash flow hedge	-	(22,836)	-	(22,836)
Profit for the period	-	-	392,126	392,126
<b>Total comprehensive (expense)/income for the period</b>	-	(22,836)	392,126	369,290
<u>Dividends paid:</u>				
- Final dividend for the financial year 2016	-	-	(304,850)	(304,850)
<b>Restated balance as at 30 June 2017</b>	267,500	(11,940)	453,136	708,696
<b>At 31 December 2017, as previously reported</b>	267,500	(9,172)	381,600	639,928
Adjustments from adoption of MFRS 16 **	-	-	(4,038)	(4,038)
<b>Restated balance as at 31 December 2017</b>	267,500	(9,172)	377,562	635,890
Opening balance adjustments from adoption of MFRS 9 **	-	-	(6,955)	(6,955)
<b>Restated balance as at 1 January 2018</b>	267,500	(9,172)	370,607	628,935
Cash flow hedge	-	26,222	-	26,222
Profit for the period	-	-	397,378	397,378
<b>Total comprehensive income for the period</b>	-	26,222	397,378	423,600
<u>Dividends paid:</u>				
- Final dividend for the financial year 2017	-	-	(316,575)	(316,575)
<b>At 30 June 2018</b>	267,500	17,050	451,410	735,960

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

\*\* Adjustments of MFRS 9 *Financial Instruments* and MFRS 16 *Leases* is net of deferred tax.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED  
30 JUNE 2018**

	6 months ended 30.06.2018	6 months ended 30.06.2017
	RM'000	Restated * RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	509,234	502,907
<i>Adjustments for:</i>		
Amortisation and depreciation	80,685	81,629
Net finance costs	18,818	17,363
<i>Less:</i>		
Movement in working capital	(174,503)	(214,896)
Income tax paid	(68,004)	(51,847)
Others	3,091	13,479
<b>Net cash from operating activities</b>	369,321	348,635
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(26,219)	(41,161)
Acquisition of leased assets	(1,429)	-
Others	2,061	1,911
<b>Net cash used in investing activities</b>	(25,587)	(39,250)
<b>Cash flows from financing activities</b>		
Finance costs paid	(20,122)	(18,031)
Proceed from borrowings	-	174,682
Dividend payment	(316,575)	(304,850)
Payment of lease obligation	(16,228)	(16,192)
<b>Net cash used in financing activities</b>	(352,925)	(164,391)
<b>Net increase in cash and cash equivalents</b>	(9,191)	144,994
<b>Cash and cash equivalents at 1 January</b>	(17,310)	(155,757)
<b>Cash and cash equivalents at 30 June</b>	(26,501)	(10,763)

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

\* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1C of page 4.

**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 2017.

The accounting policies applied in this interim financial report are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2017, except as described below.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ending 31 December 2018.

The Group has adopted MFRS 15 *Revenue from Contracts with Customers* (see A), MFRS 9 *Financial Instruments* (see B) and MFRS 16 *Leases* (see C) from 1 January 2018. Other new standards with effective date from 1 January 2018 do not have material effect on the Group's financial statements. The changes arising from these adoptions are as described below:

**A. Adoption of MFRS 15 Revenue**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards.

The Group has concluded that the initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group.

**B. Adoption of MFRS 9 Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In order to measure the consequences of this new standard, the Group has engaged a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets.

In respect to hedge accounting, the Group reviewed the definition of the hedging relationship in line with the risk management activities and policies, with a specific attention to the identification of the components in the pricing of the commodities. The Group has assessed that there is no significant impact on the initial application of MFRS 9 on the derivatives.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments.

On the date of initial application, MFRS 9 did not affect the classification and measurement assets and financial liabilities, except that provision for doubtful debt has increased by RM9.2 million as at 1 January 2018 as a result of applying the ECL model on receivables, deposits and contract assets. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus these adjustments (RM 7.0mio) were recognised in the opening retained earnings, net of tax of the current period.

**C. Adoption of MFRS 16 Leases**

The Group has elected early adoption of MFRS 16 *Leases* with effective of 1 January 2018. MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single on-balance-sheet lease accounting model for lessees and the main changes are explained below:

1. A lessee recognizes:
  - a. a right-of-use asset representing its right to use the underlying asset; and
  - b. a lease liability representing its obligation to make lease payments.
2. Operating leases expenses are now replaced by:
  - a. Depreciation of right-of-use asset.
  - b. Interest expense on lease liability.

In accordance with the transitional provisions in MFRS 16, the Group has elected to adopt the retrospective approach, requiring the restatement of the comparative period presented in the financial statements. Refer to Note 1(D) for the adjustments made to the comparative figures.

D. Restatement of comparative figures

(i) Reconciliation of profit or loss and comprehensive income

	As at 30.6.2017		
	Previously reported	Effect of MFRS 16	Restated *
<b>Revenue - Sales of goods</b>	<b>2,655,512</b>	-	<b>2,655,512</b>
Cost of sales	(1,627,506)	(374)	(1,627,880)
<b>Gross profit</b>	<b>1,028,006</b>	<b>(374)</b>	<b>1,027,632</b>
Operating expenses	(508,771)	819	(507,952)
<b>Operating profit</b>	<b>519,235</b>	<b>445</b>	<b>519,680</b>
Finance costs	(17,211)	(820)	(18,031)
Finance income	668	-	668
Share of post tax profit of an associate	590	-	590
<b>Profit before tax</b>	<b>503,282</b>	<b>(375)</b>	<b>502,907</b>
Tax expense	(110,781)	-	(110,781)
<b>Profit after tax</b>	<b>392,501</b>	<b>(375)</b>	<b>392,126</b>
<b>Profit after tax and minority interest</b>	<b>392,501</b>	<b>(375)</b>	<b>392,126</b>
<b>Profit for the period</b>	<b>392,501</b>	<b>(375)</b>	<b>392,126</b>
<b>Total comprehensive income for the period</b>	<b>369,665</b>	<b>(375)</b>	<b>369,290</b>
<b>Basic earnings per share (sen)</b>	<b>167.38</b>		<b>167.22</b>

(ii) Reconciliation of financial position and equity

	As at 31.12.2017		
	Previously reported	Effect of MFRS 16	Restated *
<b>Assets</b>			
Right of use assets	78,189	56,492	134,681
Other non-current assets	1,405,685	1,275	1,406,960
<b>Total non-current assets</b>	<b>1,483,874</b>	<b>57,767</b>	<b>1,541,641</b>
<b>Total current assets</b>	<b>1,073,112</b>	-	<b>1,073,112</b>
<b>Total assets</b>	<b>2,556,986</b>	<b>57,767</b>	<b>2,614,753</b>
<b>Equity</b>			
Share capital	267,500	-	267,500
Hedging reserve	(9,172)	-	(9,172)
Retained earnings	381,600	(4,038)	377,562
<b>Total equity attributable to owners of the Company</b>	<b>639,928</b>	<b>(4,038)</b>	<b>635,890</b>
<b>Liabilities</b>			
Lease obligation	-	17,836	17,836
Other non-current liabilities	295,000	-	295,000
<b>Total non-current liabilities</b>	<b>295,000</b>	<b>17,836</b>	<b>312,836</b>
Lease obligation	-	43,969	43,969
Other current liabilities	1,622,058	-	1,622,058
<b>Total current liabilities</b>	<b>1,622,058</b>	<b>43,969</b>	<b>1,666,027</b>
<b>Total liabilities</b>	<b>2,556,986</b>	<b>57,767</b>	<b>2,614,753</b>

\* 2017 comparative figure restated due to adoption of MFRS 16 Leases. Please refer to Note 1C of page 4.

(iii) Reconciliation of cash flows

	6 months ended 30.6.2017		
	Previously reported	Effect of MFRS 16	Restated *
<b>Cash flows from operating activities</b>			
Profit before tax	503,282	(375)	502,907
<i>Adjustments for:-</i>			
Amortisation, depreciation and impairment	65,882	15,747	81,629
Net finance costs	16,543	820	17,363
Movement in working capital	(214,896)	-	(214,896)
Income tax paid	(51,847)	-	(51,847)
Others	13,479	-	13,479
<b>Net cash from operating activities</b>	<b>332,443</b>	<b>16,192</b>	<b>348,635</b>
<b>Cash flows from investing</b>			
Acquisition of Property, plant and equipment	(41,161)	-	(41,161)
Others	1,911	-	1,911
<b>Net cash used in investing activities</b>	<b>(39,250)</b>	<b>-</b>	<b>(39,250)</b>
<b>Cash flows from financing activities</b>			
Finance cost paid	(17,211)	(820)	(18,031)
Proceed from borrowings	174,682	-	174,682
Dividend payment	(304,850)	-	(304,850)
Payment of lease obligation	-	(16,192)	(16,192)
<b>Net cash used in financing activities</b>	<b>(147,379)</b>	<b>(17,012)</b>	<b>(164,391)</b>
<b>Net increase in cash and cash equivalents</b>	<b>145,814</b>	<b>(820)</b>	<b>144,994</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(155,757)</b>	<b>-</b>	<b>(155,757)</b>
<b>Cash and cash equivalents at 30 June</b>	<b>(9,943)</b>	<b>(820)</b>	<b>(10,763)</b>

\* 2017 comparative figure restated due to adoption of MFRS 16 Leases. Please refer to Note 1C of page 4.

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 2018		6 months ended 30 June 2018	
	Assets acquired	Assets disposed/ write-off	Assets acquired	Assets disposed/ write-off
	RM'000	RM'000	RM'000	RM'000
Building (improvements and additions)	349	-	1,072	4
Plant and machinery	2,840	-	7,615	195
Tools and furniture	12,842	2	15,986	94
Motor vehicles	738	138	1,297	138
Information systems	21	-	249	129
	<b>16,790</b>	<b>140</b>	<b>26,219</b>	<b>560</b>

b. **Right of use**

In 2nd quarter of this year, the Group has new ROU of RM 172.9mio (where lease obligation is RM 171.5mio and Initial direct cost is RM 1.4mio) from the new Distribution Center in Sijangkang with 10 years' tenure.

c. **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

Dividends paid during the reporting period are as follows:

	3 months ended 30.06.2018 (RM'000)	6 months ended 30.06.2018 (RM'000)
Final dividend for the financial year ended 31 December 2017 135.00 sen per share (single-tier)	316,575	316,575
<b>Total</b>	<b>316,575</b>	<b>316,575</b>

## 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.

	6 months ended 30 June 2018		
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	2,195,679	543,051	2,738,730
Operating Profit	431,843	95,930	527,773

  

	6 months ended 30 June 2017		
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	2,121,903	533,609	2,655,512
Operating Profit	429,154	90,266	519,420

The comments on page 8 apply to both segments Food & Beverages (80% of total sales) and Others (20% of total sales).

Reconciliations of reportable segment operating profit:

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 Restated * RM'000
Total operating profit for reported segments	527,773	519,420
Other unallocated (expenses)/income	(764)	260
<b>Consolidated operating profit</b>	<b>527,009</b>	<b>519,680</b>

\* 2017 comparative figure restated due to adoption of MFRS 16 Leases. Please refer to Note 1C of page 4.

## 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 30.06.2018 RM'000	6 months ended 30.06.2018 RM'000
IT shared service	6,368	14,818
Net finance costs	2,429	4,359
Purchases of goods and services	159,314	324,826
Sales of finished goods	221,961	438,255
Royalties	64,618	137,102

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, 2018 vs Quarter 2, 2017)**

For the second quarter ended 30 June 2018, the Group increased its revenue by 2.0% from RM1.28 billion to RM1.31 billion (+RM25 million) compared to Q2 2017. The turnover increase is mainly driven by the launch of new products and strong consumer and trade promotions. In addition, increased festive sales during the Raya period in June contributed to the Group's positive growth. In Q2, we also started operations in our new National Distribution Centre (NDC). This move from the existing NDC to the new NDC resulted in a shift of sales from June (Q2) to July (Q3) because of the required and planned ramp-up of the operations in the new NDC, which will support strong growth in years to come.

The absolute Gross Profit increased by RM10 million from RM486 million to RM496 million. The Gross Profit Margin increased by 10bps from 37.8% to 37.9%. The slight increase of the Operating Expenses (from RM265 million to RM271 million) was mainly contributed to the one-time costs from the start-up of the new NDC. As a result, the profit before tax increased from RM211.9 million to RM214.4 million. Profit after tax improved from RM161.4 million in Q1 2018 to RM166.2 million in Q2 2018.

**2 Review of performance (Year-to-date, 2018 vs Year-to-date, 2017)**

For the first half year ended 30 June 2018, the Group registered a turnover of RM2.74 billion, 3.1% higher than the previous year's corresponding period. The good sales performance was contributed by higher domestic sales as well as increased Export business. The domestic growth was driven by strong demand, especially during the festive seasons. The Group continued to deliver strong innovations and renovations in H1 2018 including MAGGI Pedas Giler, as well as other innovations such as the new KIT KAT Green Tea, NESTUM Kurma & Prun and the opening of new NESPRESSO Boutique in the Gardens Mall, Mid Valley City. These new products and business models have set a solid base for growth in the second half of the year.

Despite of the strong top line performance in the first half of 2018 the Operating Profit improved only by RM7 million from RM520 million to RM527 million. This was achieved despite one-off expenses incurred from relocation costs to Nestlé new National Distribution Centre, the Group's largest in Asia. Profit after tax rose by RM6 million from RM503 million to RM509 million, which is a satisfactory bottom line performance considering that H1 2017 was already on a high base.

**3 Variation of results against previous quarter (Quarter 2, 2018 vs. Quarter 1, 2018)**

In the second quarter, the Group registered a turnover of RM1.3 billion, 8.4% lower than the previous quarter. This is fully explained by the seasonality of our Business: the stronger sales around Chinese New Year contributed to a high Q1 turnover.

Based on this sales phasing and planned increase of our Marketing-investments, the Profit After Tax reduced from RM231 million to RM166 million in Quarter 2.

**4 Current year prospects**

Against the backdrop of a more encouraging year for the Malaysian economy, we remain committed to our long-term strategy to 'Fuel the Growth' via our innovative drive and enhancing our strong brand portfolio. We are confident that our investments, including the new Nestlé Distribution Centre, will enable us to maintain our solid growth momentum. In tandem, the Company strives to improve efficiencies across our supply chain and reinvest savings to achieve sustainable and profitable growth.

**5 Profit forecast**

We do not issue any profit forecast.

**6 Tax expense**

**Current tax**

Malaysian - current year  
- prior year

**Total current tax expense**

**Deferred tax**

Origination and reversal of temporary differences

**Total deferred tax expense**

**Total income tax expense**

	<b>3 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2018 RM'000</b>
	53,651	112,909
	(3,984)	(3,984)
	<b>49,667</b>	<b>108,925</b>
	(1,421)	2,931
	<b>(1,421)</b>	<b>2,931</b>
	<b>48,246</b>	<b>111,856</b>

**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 in this quarter.



## 10 Loans and borrowings

Group Borrowings and Debt Securities are:

	As at 30.06.2018 RM'000
<b>Short term - Unsecured loans</b>	
Loan from a related company	274,482
Bank overdraft	31,315
<b>Total short term loans</b>	<b>305,797</b>
<b>Long term - Unsecured loans</b>	
Loan from a related company	84,264
<b>Total long term loans</b>	<b>84,264</b>

The Group has a short-term unsecured loan from Nestlé Treasury Centre - Middle East & Africa for the amount of USD 69 million (RM 274 million). This loan is for 6-months tenor with roll-over option. Long-term unsecured loan of RM 84 million is also from Nestlé Treasury Centre - Middle East & Africa. The company also obtained a bank overdraft from a local bank in Malaysia.

## 11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.06.2018 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,194,147	1,207,388	13,241	Less than 1 year
Commodity futures	3,667	1,087	(2,580)	Less than 1 year

## 12 Material litigation

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

## 13 Dividend

The Board of Directors has declared an interim dividend of 70.00 sen per share (2017: 70.00 sen per share) in respect of financial year ending 31 December 2018 which will be paid on 27 September 2018 to shareholders whose names appear on the Record of Depositors on 4 September 2018. 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 4.00 p.m. on 4 September 2018 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

	3 months ended 30 June		6 months ended 30 June	
	2018 RM'000	2017 Restated * RM'000	2018 RM'000	2017 Restated * RM'000
<b>Profit for the period is arrived at after charging:</b>				
Amortisation of right of use	8,142	8,323	14,138	15,747
Amortisation of intangible assets	101	101	204	204
Depreciation of property, plant and equipment	32,961	32,845	66,343	65,678
Finance cost of lease obligation	865	397	1,194	820
Loss on derivatives	-	414	-	-
Loss on disposal of property, plant and equipment	52	-	131	-
Provision & write off of receivables	10,084	172	12,084	96
Provision & write off of inventories	659	-	814	-
Property, plant and equipment written off	2	49	92	69
Net foreign exchange loss	11,334	3,457	-	-
<b>and after crediting:</b>				
Gain on derivatives	6,261	-	5,308	236
Gain on disposal of property, plant and equipment	-	1,756	-	1,137
Reversal of provision of inventories	-	6,057	-	4,075
Net foreign exchange gain	-	-	5,937	11,135

\* 2017 comparative figure restated due to adoption of MFRS 16 Leases. Please refer to Note 1C of page 4.

## 15 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 30.06.2018				
Fair value of financial instruments carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Commodity futures	171	-	-	171
Forward exchange contracts	-	21,203	-	21,203
<b>Financial liabilities</b>				
Forward exchange contracts	-	(7,962)	-	(7,962)
Commodity futures	(2,751)	-	-	(2,751)

Fair value of financial instruments not carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Loans to employees	-	-	41,452	41,452
<b>Financial liabilities</b>				
Loan from a related company	-	-	(358,746)	(358,746)

As at 30.06.2017				
Fair value of financial instruments carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Commodity futures	482	-	-	482
Forward exchange contracts	-	7,407	-	7,407
<b>Financial liabilities</b>				
Forward exchange contracts	-	(12,359)	-	(12,359)
Commodity futures	(8,841)	-	-	(8,841)

Fair value of financial instruments not carried at fair value				Carrying amount
Level 1	Level 2	Level 3	Total fair value	
RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Loans to employees	-	-	40,239	40,239
<b>Financial liabilities</b>				
Loan from a related company	-	-	(376,154)	(376,154)

### 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 (2017: 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.

## 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 RM 397.4 million (RM 392.1 million in June 2017) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 2017).

### b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, MCCA (MACS 01686)

Company Secretary

Date : August 14, 2018