



**Nestlé**

Good Food, Good Life

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

The Directors are pleased to present the Interim Report for the period ended 30 June 2016 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE period ended 30 June 2016**

	3 months ended 30 June		6 months ended 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Revenue - Sales of goods</b>	1,237,165	1,142,901	2,550,627	2,420,630
Cost of sales	(710,025)	(697,206)	(1,501,987)	(1,476,539)
<b>Gross profit</b>	527,140	445,695	1,048,640	944,091
Operating expenses	(296,437)	(278,968)	(533,075)	(526,497)
<b>Operating profit</b>	230,703	166,727	515,565	417,594
Finance costs	(7,524)	(7,477)	(16,953)	(14,686)
Finance income	286	304	525	455
Share of post tax profit of an associate	432	2	618	445
<b>Profit before tax</b>	223,897	159,556	499,755	403,808
Tax expense	(35,100)	(35,653)	(90,281)	(92,027)
<b>Profit after tax</b>	188,797	123,903	409,474	311,781
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	188,797	123,903	409,474	311,781
<b>Profit for the period</b>	188,797	123,903	409,474	311,781
<b>Other comprehensive expense, net of tax</b>				
<b>Item that is or may be reclassified subsequently to profit or loss</b>				
Cash flow hedge	(4,279)	14,982	(90,262)	12,633
Remeasurement of defined benefit liability	-	-	-	-
<b>Total other comprehensive expense for the period, net of tax</b>	(4,279)	14,982	(90,262)	12,633
<b>Total comprehensive income for the period</b>	184,518	138,885	319,212	324,414
<b>Basic earnings per share (sen)</b>	80.51	52.84	174.62	132.96
<b>Proposed/Declared dividend per share - net (sen)</b>	70.00	65.00	70.00	65.00
	<b>AS AT END OF CURRENT QUARTER</b>		<b>AS AT PRECEDING FINANCIAL YEAR END</b>	
<b>Net assets per share attributable to equity holders (RM)</b>	3.08		3.02	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
<b>Assets</b>		
Property, plant and equipment	1,338,416	1,369,874
Intangible assets	62,607	62,814
Investment in an associate	4,432	4,114
Deferred tax assets	27,057	11,068
Trade and other receivables	26,653	25,048
<b>Total non-current assets</b>	<b>1,459,165</b>	<b>1,472,918</b>
Trade and other receivables	547,500	581,918
Inventories	407,949	414,262
Current tax assets	908	5,331
Cash and cash equivalents	20,591	13,901
<b>Total current assets</b>	<b>976,948</b>	<b>1,015,412</b>
<b>Total assets</b>	<b>2,436,113</b>	<b>2,488,330</b>
<b>Equity</b>		
Share capital	234,500	234,500
Reserves	488,458	474,096
<b>Total equity attributable to owners of the Company</b>	<b>722,958</b>	<b>708,596</b>
<b>Liabilities</b>		
Loans and borrowings	94,232	96,451
Employee benefits	83,450	81,117
Deferred tax liabilities	99,362	77,539
<b>Total non-current liabilities</b>	<b>277,044</b>	<b>255,107</b>
Trade and other payables	1,137,355	1,231,605
Loans and borrowings	265,771	253,034
Current tax liabilities	32,985	39,988
<b>Total current liabilities</b>	<b>1,436,111</b>	<b>1,524,627</b>
<b>Total liabilities</b>	<b>1,713,155</b>	<b>1,779,734</b>
<b>Total equity and liabilities</b>	<b>2,436,113</b>	<b>2,488,330</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>3.08</b>	<b>3.02</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR period ended 30 June 2016

	Non Distributable		Distributable	Total Equity RM'000
	<i>Share capital and share premium</i>	<i>Hedging reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	
<b>At 1 January 2015</b>	267,500	(332)	509,969	777,137
Cash flow hedge	-	12,633	-	12,633
Profit for the period	-	-	311,781	311,781
<b>Total comprehensive (expense)/income for the period</b>	-	12,633	311,781	324,414
<b>Dividends paid:</b>				
- 2014 Final	-	-	(410,375)	(410,375)
<b>At 30 June 2015</b>	267,500	12,301	411,375	691,176
<b>At 1 January 2016</b>	267,500	75,976	365,120	708,596
Cash flow hedge	-	(90,262)	-	(90,262)
Profit for the period	-	-	409,474	409,474
<b>Total comprehensive income for the period</b>	-	(90,262)	409,474	319,212
<b>Dividends paid:</b>				
- 2015 Final	-	-	(304,850)	(304,850)
<b>At 30 June 2016</b>	267,500	(14,286)	469,744	722,958

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED**  
**30 JUNE 2016**

	6 months ended 30.06.2016 RM'000	6 months ended 30.06.2015 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	499,755	403,808
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	65,900	57,675
Net finance costs	16,428	14,231
Increase in working capital	(164,834)	(207,920)
Income tax paid	(58,523)	(67,824)
Others	5,043	(346)
<b>Net cash from operating activities</b>	363,769	199,624
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(34,631)	(84,581)
Others	1,010	628
<b>Net cash used in investing activities</b>	(33,621)	(83,953)
<b>Cash flows from financing activities</b>		
Finance costs paid	(16,953)	(14,686)
Proceed from borrowings	25,362	287,209
Dividend payment	(304,850)	(410,375)
<b>Net cash used in financing activities</b>	(296,441)	(137,852)
<b>Net decrease in cash and cash equivalents</b>	33,707	(22,181)
<b>Cash and cash equivalents at 1 January</b>	(84,465)	(15,916)
<b>Cash and cash equivalents at 30 June</b>	(50,758)	(38,097)

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

## INTERIM FINANCIAL REPORT

**Notes:**

**1 Basis of preparation**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and International Financial Reporting Standards. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

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 2016		6 months ended 30 June 2016	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	1,029	-	1,351	-
Plant and machinery	16,769	-	22,719	135
Tools and furniture	7,122	33	9,135	56
Motor vehicles	451	8	451	205
Information systems	807	-	975	-
	26,178	41	34,631	396

**b. Intangible Assets**

There was no capitalisation of intangible assets in this quarter.

**5 Changes in estimates**

There were no significant changes in estimates for prior periods that have materially affected the results of this quarter.

**6 Debts and equity security**

There is no issuance of debts and equity security in this quarter.

**7 Dividends paid**

Dividends paid during the reporting period are as follows:

	3 months ended 30.06.2016 (RM'000)	6 months ended 30.06.2016 (RM'000)
Final dividend for the financial year ended 31 December 2015 110.00 sen per share (single-tier)	257,950	257,950
Special dividend for the financial year ended 31 December 2015	46,900	46,900
Total	304,850	304,850

## 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 and Nestlé Professional.

	6 months ended 30 June 2016		
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	2,040,170	510,457	2,550,627
Operating Profit	423,209	93,546	516,755

	6 months ended 30 June 2015		
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	1,938,675	481,955	2,420,630
Operating Profit	343,581	73,777	417,358

The comments on page 6 apply to both segments Food & Beverages (80% of total sales) and Others (20% of total sales).

Reconciliations of reportable segment operating profit:

Total operating profit for reported segments  
Other unallocated expenses  
Consolidated operating profit

	6 months ended 30.06.2016 RM'000	6 months ended 30.06.2015 RM'000
Total operating profit for reported segments	516,755	417,358
Other unallocated expenses	(1,190)	236
Consolidated operating profit	515,565	417,594

## 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 30.06.2016 RM'000	6 months ended 30.06.2016 RM'000
IT shared service	10,007	20,417
Net finance costs	1,373	3,076
Purchases of goods and services	132,474	265,797
Sales of finished goods	207,695	402,443
Royalties	60,857	126,348

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, 2016 vs Quarter 2, 2015)

For the second quarter ended 30 June 2016, the Group recorded a turnover of RM1.24 billion, an increase of 8.2% (+RM94 million) compared to Q2 2015. The domestic business (+6%) as well as the Export business (+18%) contributed to this solid overall company growth. The growth in the domestic business was driven by the successful marketing and trade promotions which also led to a further increase of our market shares.

From profit perspective, gross profit increased from RM446 million to RM527 million, a growth of 18.3% vs the corresponding period last year. Main drivers for this good profit development were the higher turnover, favourable price trends in the key raw materials and improved efficiency in the factories as well as the whole supply chain.

The Net Profit increase from RM 124 million to RM 189 million (+52%) mainly due to a lower effective tax rate.

### 2 Review of performance (Year-to-date, 2016 vs Year-to-date, 2015)

For the first half year ended 30 June 2016, the Group registered a turnover of RM 2.6 billion, 5.4% higher than the previous year's corresponding period. This performance was supported by higher domestic sales and a double-digit growth in the Export business. The growth in the domestic business was driven by the successful marketing and trade promotions as well as the launch of new products which contributed to additional sales. Among the new products launched in the first half were NESTLE OMEGA PLUS MILK WITH OATS, NESCAFE Latte range, Nestlé Aiskrim Tradisi, *Sirap Bandung* and *Coconut Gula Melaka* and KIT KAT Chunky Peanut Butter. In addition to this, the new NESPRESSO business in Malaysia was incorporated to the Group in May 2016, selling the high end premium iconic coffee through the e-commerce platform.

From a profit perspective, the operating profit improved from RM418 million to RM516 million, 23.5% higher than the corresponding period last year. A favourable price trend in most of the raw materials as well as the continuing efficiency programs along the overall supply chain contributed to this positive profit development.

Based on a lower effective tax rate, the profit after tax increased from RM 312 million to RM 409 million, representing an improvement of 31.3%.

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

In line with the quarterly planning and selling cycle, in the second quarter of 2016, the Group registered a turnover of RM1.24 billion, 5.8% lower than the previous quarter.

The lower net profit in comparison to the prior quarter was mainly due to the lower sales and more marketing and promotional activities that were held towards the end of second quarter 2016.

### 4 Current year prospects

We expect the second half of 2016 to continue to be a challenging period. The Brexit shock, although has somewhat settled will continue to have some bearing to the global and local economy. Nevertheless, we remain positively cautious with the remaining six months and will continue with our balanced business approach of diligent cost management on the one side and investments for the future on the other side.

### 5 Profit forecast

We do not issue any profit forecast.

### 6 Tax expense

#### Current tax

Malaysian - current year

#### Total current tax expense

#### Deferred tax

Origination and reversal of temporary differences

#### Total deferred tax expense

#### Total income tax expense

	3 months ended 30.06.2016 RM'000	6 months ended 30.06.2016 RM'000
	15,200	46,844
	15,200	46,844
	19,900	43,437
	19,900	43,437
	35,100	90,281

**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:

**Short term - Unsecured loans**

Revolving credit

Banker's acceptance

Bank overdraft

**Short term - Secured loans**

Finance lease liabilities ( payable within a year )

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

Loan from a related company

**Long term - Secured loans**

Finance lease liabilities

**Total long term loans**

All the above debts are in Ringgit Malaysia.

As at 30.06.2016 RM'000
89,737
100,000
71,349
4,685
265,771
84,264
9,968
94,232

**11 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 30.06.2016 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Forward exchange contracts	767,262	(35,593)	Less than 1 year
Commodity futures	54,932	10,883	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 (2015: 65.00 sen per share) in respect of financial year ending 31 December 2016 which will be paid on 29 September 2016 to shareholders whose names appear on the Record of Depositors on 8 September 2016. 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 8 September 2016 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Amortisation of intangible assets	103	-	207	-
Depreciation of property, plant and equipment	32,986	30,135	65,693	57,675
Loss on derivatives	28	116	-	103
Loss on disposal of property, plant and equipment	945	-	187	192
Provision & write off of receivables	-	262	-	2,132
Provision & write off of inventories	2,315	3,686	-	3,506
Property, plant and equipment written off	11	40	30	160
Net foreign exchange loss	-	7,082	-	-
<b>and after crediting:</b>				
Gain on derivatives	-	-	409	-
Gain on disposal of property, plant and equipment	-	6	-	-
Reversal of provision of inventories	-	-	278	-
Net foreign exchange gain	2,885	-	37,442	3,622

## 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 30.06.2016				
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount
Level 1	Level 2	Level 3		
RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Commodity futures	12,453	-	-	12,453
Forward exchange contracts	-	3,449	-	3,449
<b>Financial liabilities</b>				
Forward exchange contracts	-	(39,042)	-	(39,042)
Commodity futures	(1,571)	-	-	(1,571)

Fair value of financial instruments not carried at fair value				
Level 1	Level 2	Level 3	Total fair value	Carrying amount
RM'000	RM'000	RM'000		
<b>Financial assets</b>				
Loans to employees	-	-	26,670	26,670
<b>Financial liabilities</b>				
Finance lease liabilities	-	-	(13,654)	(14,654)
Loan from a related company	-	-	(84,264)	(84,264)

As at 31.12.2015				
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount
Level 1	Level 2	Level 3		
RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Commodity futures	5,566	-	-	5,566
Forward exchange contracts	-	107,370	-	107,370
<b>Financial liabilities</b>				
Forward exchange contracts	-	(5,576)	-	(5,576)
Commodity futures	(10,194)	-	-	(10,194)

Fair value of financial instruments not carried at fair value				
Level 1	Level 2	Level 3	Total fair value	Carrying amount
RM'000	RM'000	RM'000		
<b>Financial assets</b>				
Loans to employees	-	-	37,846	37,846
<b>Financial liabilities</b>				
Finance lease liabilities	-	-	(15,600)	(16,855)
Loan from a related company	-	-	(84,264)	(84,264)

### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### Level 2 fair value

#### Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the period (2015: 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 Realised and unrealised profit disclosure**

Total retained profits of the Group and its subsidiaries:

Realised

Unrealised

Total share of retained profits from an associated company:

Realised

Unrealised

Add : Consolidation adjustments

Total retained profits as per consolidated accounts

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	609,192	501,065
Unrealised	(181,593)	(194,921)
Total share of retained profits from an associated company:		
Realised	1,434	1,114
Unrealised	-	-
Add : Consolidation adjustments	40,711	57,862
Total retained profits as per consolidated accounts	469,744	365,120

**17 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 RM409.5 million (RM311.8 million in June 2015) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 2015).

**b. Diluted earnings per share**

Not applicable for the Group

**BY ORDER OF THE BOARD**Tengku Ida Adura Binti Tengku Ismail, *MCCS (MACS 01686)**Company Secretary***Date : August 22, 2016**