



# Nestlé

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

The Directors are pleased to present the Interim Report for the period ended 30 September 2015 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

	3 months ended 30 September		9 months ended 30 September	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Revenue - Sales of goods</b>	1,218,385	1,157,295	3,639,015	3,700,171
Cost of sales	(756,912)	(732,301)	(2,233,451)	(2,377,375)
<b>Gross profit</b>	461,473	424,994	1,405,564	1,322,796
Operating expenses	(247,104)	(228,305)	(773,601)	(722,458)
<b>Operating profit</b>	214,369	196,689	631,963	600,338
Finance costs	(9,705)	(7,239)	(24,391)	(18,227)
Finance income	469	248	924	1,346
Share of post tax profit of an associate	92	122	537	233
<b>Profit before tax</b>	205,225	189,820	609,033	583,690
Tax expense	(26,064)	(39,745)	(118,090)	(131,610)
<b>Profit after tax</b>	179,161	150,075	490,943	452,080
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	179,161	150,075	490,943	452,080
<b>Profit for the period</b>	179,161	150,075	490,943	452,080
<b>Other comprehensive income, net of tax Item that is or may be reclassified subsequently to profit or loss</b>				
Cash flow hedge	90,357	4,478	102,990	2,074
<b>Total other comprehensive income for the period, net of tax</b>	90,357	4,478	102,990	2,074
<b>Total comprehensive income for the period</b>	269,518	154,553	593,933	454,154
<b>Basic earnings per share (sen)</b>	76.40	64.00	209.36	192.78
<b>Proposed/Declared dividend per share - net (sen)</b>	65.00	-	130.00	60.00
	<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>	3.45		3.31	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2015**

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
<b>Assets</b>		
Property, plant and equipment	1,340,500	1,293,757
Intangible assets	62,917	61,024
Investment in an associate	3,868	3,631
Deferred tax assets	2,529	27,958
Trade and other receivables	23,508	23,576
<b>Total non-current assets</b>	<b>1,433,322</b>	<b>1,409,946</b>
Trade and other receivables	725,202	504,540
Inventories	396,946	370,291
Current tax assets	6,024	3,015
Cash and cash equivalents	15,105	15,504
<b>Total current assets</b>	<b>1,143,277</b>	<b>893,350</b>
<b>Total assets</b>	<b>2,576,599</b>	<b>2,303,296</b>
<b>Equity</b>		
Share capital	234,500	234,500
Reserves	573,770	542,637
<b>Total equity attributable to owners of the Company</b>	<b>808,270</b>	<b>777,137</b>
<b>Liabilities</b>		
Loans and borrowings	97,489	90,067
Employee benefits	57,463	62,486
Deferred tax liabilities	81,536	67,522
<b>Total non-current liabilities</b>	<b>236,488</b>	<b>220,075</b>
Trade and other payables	1,115,125	1,170,240
Loans and borrowings	361,816	84,313
Current tax liabilities	54,900	51,531
<b>Total current liabilities</b>	<b>1,531,841</b>	<b>1,306,084</b>
<b>Total liabilities</b>	<b>1,768,329</b>	<b>1,526,159</b>
<b>Total equity and liabilities</b>	<b>2,576,599</b>	<b>2,303,296</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>3.45</b>	<b>3.31</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 30 SEPTEMBER 2015**

	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 2014</b>	267,500	407	548,537	816,444
Cash flow hedge	-	2,074	-	2,074
Profit for the period	-	-	452,080	452,080
<b>Total comprehensive (expense)/income for the period</b>	-	2,074	452,080	454,154
<b>Dividends paid:</b>				
- 2013 Final	-	-	(410,375)	(410,375)
- 2014 Interim	-	-	(140,700)	(140,700)
<b>At 30 September 2014</b>	267,500	2,481	449,542	719,523
<b>At 1 January 2015</b>	267,500	(332)	509,969	777,137
Cash flow hedge	-	102,990	-	102,990
Profit for the period	-	-	490,943	490,943
<b>Total comprehensive income for the period</b>	-	102,990	490,943	593,933
<b>Dividends paid:</b>				
- 2014 Final	-	-	(410,375)	(410,375)
- 2015 Interim	-	-	(152,425)	(152,425)
<b>At 30 September 2015</b>	267,500	102,658	438,112	808,270

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED  
30 SEPTEMBER 2015**

	9 months ended 30.09.2015 RM'000	9 months ended 30.09.2014 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	609,033	583,690
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	91,592	83,509
Net finance costs	23,467	16,881
Increase in working capital	(191,489)	-60,354
Income tax paid	(110,810)	-101,354
Others	(495)	-2,359
<b>Net cash from operating activities</b>	421,298	520,013
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(126,827)	-190,120
Development cost	(2,065)	-
Others	1,646	2,320
<b>Net cash used in investing activities</b>	(127,246)	(187,800)
<b>Cash flows from financing activities</b>		
Finance costs paid	(24,391)	-18,227
Proceed from borrowings	216,897	128,788
Dividend payment	(562,800)	(551,075)
<b>Net cash used in financing activities</b>	(370,294)	(440,514)
<b>Net decrease in cash and cash equivalents</b>	(76,242)	(108,301)
<b>Cash and cash equivalents at 1 January</b>	(15,916)	12,337
<b>Cash and cash equivalents at 30 September</b>	(92,158)	(95,964)

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

## 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 2014.

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.

##### **Property, plant and equipment**

As at the end of this quarter, the Group has acquired / disposed the following assets:

	3 months ended 30 September 2015		9 months ended 30 September 2015	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	27,044	46	37,663	74
Plant and machinery	7,322	71	73,843	391
Tools and furniture	14,382	124	23,520	271
Motor vehicles	125	118	986	136
Information systems	1,493	1	3,036	13
	50,366	360	139,048	885

\* Inclusive of assets acquired through finance lease amounting to RM12,221,000 during the year.

#### 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 30.09.2015 RM'000	9 months ended 30.09.2015 RM'000
First interim dividend for the financial year ended 31 December 2015 65.00 sen per share (single-tier)	152,425	152,425
Final dividend for the financial year ended 31 December 2014 175.00 sen per share (single-tier)	-	410,375
Total	152,425	562,800

## 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.

	9 months ended 30 September 2015		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenue and results</b>			
Revenue	2,915,808	723,207	3,639,015
Operating Profit	522,984	108,819	631,803

	9 months ended 30 September 2014		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenue and results</b>			
Revenue	3,013,084	687,087	3,700,171
Operating Profit	496,114	103,010	599,124

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

9 months ended 30.09.2015 RM'000	9 months ended 30.09.2014 RM'000
631,803	599,124
160	1,214
631,963	600,338

## 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 30.09.2015 RM'000	9 months ended 30.09.2015 RM'000
IT shared service	4,840	21,447
Net finance costs	1,746	5,204
Purchases of goods and services	131,165	398,620
Sales of finished goods	209,100	552,444
Royalties	59,031	178,799

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 3, 2015 vs Quarter 3, 2014)

For the third quarter ended 30 September 2015, the Group increased the revenue by 5.3% (+RM61 million) compared to Q3 2014. The Domestic as well as the Export Business showed a substantial growth vs corresponding period last year. Domestic sales were driven by aggressive trade and consumer promotions, led by the successful "Lagi Sihat, Lagi Happy" corporate marketing campaign. These promotions helped sales to grow in a market environment of weak consumer sentiments.

The Group registered a gross profit of RM461.5 million vs RM425.0 million, a growth of 8.6% vs the corresponding period last year. Main drivers for this good profit development were the turnover increase, favourable trends in most of the raw materials as well as diligent cost management throughout the value chain. The improvement in the cost of sales with lower tax expense for the quarter resulted in the Group registering a net profit of RM 179.2 million, 19.4% higher than prior year.

### 2 Review of performance (Year-to-date, 2015 vs Year-to-date, 2014)

For the first nine months ended 30 September 2015, the Group registered an operating profit of RM632.0 million vs RM600.4 million, 5.3% higher than the corresponding period last year. This profit increase was derived from lower commodities costs as well as proactive and sustainable cost management along the whole value chain. These savings enabled the Group to re-invest strongly in trade and consumer promotions which had further strengthened the market position. The net profit increased to RM490.9 million, 8.6% (RM39 million) higher than last year.

Affected by the weak consumer sentiment and lower disposable income post GST implementation, the turnover took a dip in the second quarter but made some recovery in the third quarter. As a result, the first nine months recorded only a slight reduction of 1.7% compared to the corresponding period last year. Both of the businesses, Domestic as well as Exports contributed to this improvement in the turnover development in Q3 2015.

### 3 Variation of results against previous quarter (Quarter 3, 2015 vs. Quarter 2, 2015)

In the third quarter of 2015, the Group registered a turnover of RM1,218 million, 6.6% higher than the previous quarter. The higher sales in the third quarter was mainly driven by the successful corporate campaign "Lagi Sihat, Lagi Happy" and a good improvement in export sales. The higher net profit in comparison to the prior quarter was the result of a combination of higher turnover, lower operating expenses mainly due to the diligent costs management and lower tax expenses for the quarter.

### 4 Current year prospects

After six months of GST implementation, the current market environment is still characterised by a reduced consumer confidence and challenged disposable income levels. However we are optimistic regarding the middle and long term outlook, but we stay cautious for the short term. Therefore, we will continue with our balanced business approach of diligent cost management on the one side and investments for the future on the other side: innovating and renovating our product portfolio, increasing our factory capacity and capabilities as well as developing our people.

### 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  
Under provision in prior year  
Effect of changes in tax rate

#### Total deferred tax expense

#### Total income tax expense

	3 months ended 30.09.2015 RM'000	9 months ended 30.09.2015 RM'000
	38,129	126,763
	(15,593)	(15,593)
	22,536	111,170
	(12,587)	(9,195)
	16,762	16,762
	(647)	(647)
	3,528	6,920
	26,064	118,090

**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 30.09.2015 RM'000
150,000
100,000
107,263
4,553
361,816
84,264
13,225
97,489

**11 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 30.09.2015 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Forward exchange contracts	1,631,345	147,505	Less than 1 year
Commodity futures	123,550	(14,171)	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 a second interim dividend of 65.00 sen per share (2014: Nil) in respect of financial year ending 31 December 2015 which will be paid on 2 December 2015 to shareholders whose names appear on the Record of Depositors on 12 November 2015. Under current rules, single-tier dividends are not taxable in the hand of shareholders.

A Depositor shall qualify for entitlement only in respect of:

- a. shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 November 2015 in respect of ordinary transfers.
- b. 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 September		9 months ended 30 September	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Amortisation of intangible assets	172	-	172	-
Depreciation of property, plant and equipment	33,745	28,251	91,420	83,509
Loss on derivatives	694	-	797	-
Loss on disposal of property, plant and equipment	-	308	154	350
Impairment & write off of trade receivables	-	-	288	-
Provision & write off of inventories	-	1,782	1,348	451
Property, plant and equipment written off	149	130	309	225
Net foreign exchange loss	19,816	-	16,194	-
<b>and after crediting:</b>				
Gain on derivatives	-	320	-	662
Gain on disposal of property, plant and equipment	38	-	-	-
Reversal of impairment loss on trade receivables	1,844	-	-	-
Reversal of provision of inventories	2,158	-	-	-
Net foreign exchange gain	-	3,155	-	1,302



## 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 30.09.2015				
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	1,353	-	-	1,353
Forward exchange contracts	-	198,639	-	198,639
<b>Financial liabilities</b>				
Forward exchange contracts	-	(51,134)	-	(51,134)
Commodity futures	(15,524)	-	-	(15,524)

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	-	-	37,634	37,634
<b>Financial liabilities</b>				
Finance lease liabilities	-	-	(16,386)	(17,778)
Loan from a related company	-	-	(84,264)	(84,264)

As at 31.12.2014				
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	1,844	-	-	1,844
Forward exchange contracts	-	15,470	-	15,470
<b>Financial liabilities</b>				
Forward exchange contracts	-	(18,782)	-	(18,782)
Commodity futures	(6,962)	-	-	(6,962)

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	-	-	35,144	35,144
<b>Financial liabilities</b>				
Finance lease liabilities	-	-	(8,225)	(8,696)
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 (2014: 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 30.09.2015 RM'000	As at 31.12.2014 RM'000
568,446	580,125
(190,946)	(132,568)
868	631
-	-
59,744	61,781
438,112	509,969

**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 RM490.9 million (RM452.1 million in September 2014) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2014).

**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 : October 22, 2015**