



Nestlé

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

The Directors are pleased to present the Interim Report for the period ended 31 December 2014 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 DECEMBER 2014**

| | 3 months ended 31 December | | 12 months ended 31 December | |
|---|-------------------------------------|----------------|---|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue - Sales of goods | 1,108,762 | 1,138,311 | 4,808,933 | 4,787,925 |
| Cost of sales | (731,607) | (741,466) | (3,108,981) | (3,089,908) |
| Gross profit | 377,155 | 396,845 | 1,699,952 | 1,698,017 |
| Operating expenses | (252,547) | (267,892) | (975,005) | (963,375) |
| Operating profit | 124,608 | 128,953 | 724,947 | 734,642 |
| Finance costs | (7,495) | (7,274) | (25,722) | (21,937) |
| Finance income | 304 | 2,708 | 1,650 | 5,947 |
| Share of post tax profit of an associate | 79 | 57 | 312 | 402 |
| Profit before tax | 117,496 | 124,444 | 701,187 | 719,054 |
| Tax expense | (19,192) | (23,989) | (150,803) | (157,353) |
| Profit after tax | 98,304 | 100,455 | 550,384 | 561,701 |
| Minority interests | - | - | - | - |
| Profit after tax and minority interest | 98,304 | 100,455 | 550,384 | 561,701 |
| Profit for the period | 98,304 | 100,455 | 550,384 | 561,701 |
| Other comprehensive expense, net of tax Item that is or may be reclassified subsequently to profit or loss | | | | |
| Cash flow hedge | (2,813) | 9,502 | (739) | 1,357 |
| Remeasurement of defined benefit liability | (37,877) | 6,355 | (37,877) | 6,355 |
| Total other comprehensive expense for the period, net of tax | (40,690) | 15,857 | (38,616) | 7,712 |
| Total comprehensive income for the period | 57,614 | 116,312 | 511,768 | 569,413 |
| Basic earnings per share (sen) | 41.92 | 42.84 | 234.71 | 239.53 |
| Proposed/Declared dividend per share - net (sen) | 175.00 | 175.00 | 235.00 | 235.00 |
| | AS AT END OF CURRENT QUARTER | | AS AT PRECEDING FINANCIAL YEAR END | |
| Net assets per share attributable to equity holders (RM) | 3.31 | | 3.48 | |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

| | As at 31.12.2014 RM'000 | As at 31.12.2013 RM'000 |
|---|-------------------------------|-------------------------------|
| Assets | | |
| Property, plant and equipment | 1,293,757 | 1,046,463 |
| Intangible assets | 61,024 | 61,024 |
| Investment in an associate | 3,631 | 3,619 |
| Deferred tax assets | 27,958 | 25,775 |
| Trade and other receivables | 23,576 | 21,866 |
| Total non-current assets | 1,409,946 | 1,158,747 |
| Trade and other receivables | 504,540 | 502,207 |
| Inventories | 370,291 | 408,614 |
| Current tax assets | 3,015 | 3,970 |
| Cash and cash equivalents | 15,504 | 15,196 |
| Total current assets | 893,350 | 929,987 |
| Total assets | 2,303,296 | 2,088,734 |
| Equity | | |
| Share capital | 234,500 | 234,500 |
| Reserves | 542,637 | 581,944 |
| Total equity attributable to owners of the Company | 777,137 | 816,444 |
| Liabilities | | |
| Loans and borrowings | 90,067 | 92,343 |
| Employee benefits | 62,486 | 25,337 |
| Deferred tax liabilities | 67,522 | 82,748 |
| Total non-current liabilities | 220,075 | 200,428 |
| Trade and other payables | 1,170,240 | 1,022,999 |
| Loans and borrowings | 84,313 | 7,555 |
| Current tax liabilities | 51,531 | 41,308 |
| Total current liabilities | 1,306,084 | 1,071,862 |
| Total liabilities | 1,526,159 | 1,272,290 |
| Total equity and liabilities | 2,303,296 | 2,088,734 |
| Net assets per share attributable to shareholders (RM) | 3.31 | 3.48 |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 DECEMBER 2014**

| | Non Distributable | | Distributable | Total Equity RM'000 |
|--|---------------------------------|-----------------|------------------|------------------------|
| | Share capital and share premium | Hedging reserve | Retained profits | |
| | RM'000 | RM'000 | RM'000 | |
| At 1 January 2013 | 267,500 | (950) | 484,656 | 751,206 |
| Cash flow hedge | - | 1,357 | - | 1,357 |
| Remeasurement of defined benefit liability | - | - | 6,355 | 6,355 |
| Profit for the period | - | - | 561,701 | 561,701 |
| Total comprehensive income for the period | - | 1,357 | 568,056 | 569,413 |
| Dividends paid: | | | | |
| - 2012 Final | - | - | (363,475) | (363,475) |
| - 2013 Interim | - | - | (140,700) | (140,700) |
| At 31 December 2013 | 267,500 | 407 | 548,537 | 816,444 |
| At 1 January 2014 | 267,500 | 407 | 548,537 | 816,444 |
| Cash flow hedge | - | (739) | - | (739) |
| Remeasurement of defined benefit liability | - | - | (37,877) | (37,877) |
| Profit for the period | - | - | 550,384 | 550,384 |
| Total comprehensive (expense)/income for the period | - | (739) | 512,507 | 511,768 |
| Dividends paid: | | | | |
| - 2013 Final | - | - | (410,375) | (410,375) |
| - 2014 Interim | - | - | (140,700) | (140,700) |
| At 31 December 2014 | 267,500 | (332) | 509,969 | 777,137 |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 DECEMBER 2014**

| | 12 months ended 31.12.2014 RM'000 | 12 months ended 31.12.2013 RM'000 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 701,187 | 719,054 |
| <i>Adjustments for:</i> | | |
| Amortisation, depreciation and impairment | 112,210 | 108,971 |
| Net finance costs | 24,072 | 15,990 |
| Decrease/(Increase) in working capital | 166,448 | (11,230) |
| Income tax paid | (145,128) | (160,387) |
| Others | (2,232) | (8,790) |
| Net cash from operating activities | 856,557 | 663,608 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (361,008) | (212,217) |
| Others | 2,687 | 8,237 |
| Net cash used in investing activities | (358,321) | (203,980) |
| Cash flows from financing activities | | |
| Finance costs paid | (25,722) | (21,937) |
| Proceed from borrowings | 50,308 | 44,228 |
| Dividend payment | (551,075) | (504,175) |
| Net cash used in financing activities | (526,489) | (481,884) |
| Net decrease in cash and cash equivalents | (28,253) | (22,256) |
| Cash and cash equivalents at 1 January | 12,337 | 34,593 |
| Cash and cash equivalents at 31 December | (15,916) | 12,337 |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

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 2013.

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 31 December 2014 | | 12 months ended 31 December 2014 | |
|---------------------------------------|---------------------------------|---------------------------|----------------------------------|---------------------------|
| | Assets acquired RM'000 | Assets disposed RM'000 | Assets acquired RM'000 | Assets disposed RM'000 |
| Land | - | - | 320 | - |
| Building (improvements and additions) | 5,467 | 20 | 20,028 | 27 |
| Plant and machinery | 148,936 | 406 | 313,580 | 1,139 |
| Tools and furniture | 12,500 | 387 | 21,165 | 762 |
| Motor vehicles | 144 | - | 386 | 93 |
| Information systems | 4,400 | - | 6,088 | 42 |
| | 171,447 | 813 | 361,567 | 2,063 |

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 31.12.2014 (RM'000) | 12 months ended 31.12.2014 (RM'000) |
|---|--|---|
| Interim dividend for the financial year ended 31 December 2014 60.00 sen per share (single-tier) | - | 140,700 |
| Final dividend for the financial year ended 31 December 2013 175.00 sen per share (single-tier) | - | 410,375 |
| Total | - | 551,075 |

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.

| | 12 months ended 31 December 2014 | | |
|------------------------------------|----------------------------------|---------|-----------|
| | Food & Beverages | Others | Total |
| | RM'000 | RM'000 | RM'000 |
| Segment revenue and results | | | |
| Revenue | 3,905,872 | 903,061 | 4,808,933 |
| Operating Profit | 601,006 | 126,412 | 727,418 |

| | 12 months ended 31 December 2013 | | |
|------------------------------------|----------------------------------|---------|-----------|
| | Food & Beverages | Others | Total |
| | RM'000 | RM'000 | RM'000 |
| Segment revenue and results | | | |
| Revenue | 3,904,390 | 883,535 | 4,787,925 |
| Operating Profit | 594,732 | 145,755 | 740,487 |

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:

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

| | 12 months ended 31.12.2014 RM'000 | 12 months ended 31.12.2013 RM'000 |
|--|---|---|
| Total operating profit for reported segments | 727,418 | 740,487 |
| Other unallocated expenses | (2,471) | (5,845) |
| Consolidated operating profit | 724,947 | 734,642 |

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 31.12.2014 RM'000 | 12 months ended 31.12.2014 RM'000 |
|---------------------------------|--|---|
| IT shared service | 7,525 | 33,171 |
| Net finance costs | 1,444 | 4,714 |
| Purchases of goods and services | 130,544 | 464,411 |
| Sales of finished goods | 193,198 | 797,859 |
| Royalties | 53,757 | 232,090 |

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 4, 2014 vs Quarter 4, 2013)

For the fourth quarter ended 31 December 2014, the Group registered a turnover of RM1.1 billion, 2.6% less than the same period last year. Despite the promotional efforts made to boost the demand of which have also led to the overall increase in the market share, the declining consumer sentiment has contributed to a slight contraction in the domestic sales. Exports to the affiliated companies have shown some improvement over the previous quarter but was still lower than the fourth quarter of last year. The challenging global economic environment as well as a softening in demand for some export categories have impacted the turnover. The situation was further compounded by the fact that Philippines and Indonesia have invested in their local manufacturing facilities for products previously imported from Malaysia.

From an input cost perspective, except for palm oil, the prices of the commodities consumed by the Group were showing a more favourable trend in the quarter but were offset by the depreciation of the Ringgit against the US Dollar. Effectively, the landed costs were still higher of which marginally affected the gross profit margin by 90bps.

Acknowledging the difficult and challenging situation, the Group has taken measures to save and reduce some of its operating expenses. Coupled with lower tax expense for the period, the net profit at RM98.3 million with a margin improvement of 10bps was only 2.1% lower than last year.

2 Review of performance (Year-to-date, 2014 vs Year-to-date, 2013)

For the year ended 31 December 2014, the Group registered a turnover of RM4.8 billion, 0.4% higher than the corresponding period last year. Whilst the domestic business has performed well, the moderate overall performance can be attributed to the weak performance of the Export business to affiliated companies.

On the domestic front, despite of the generally low consumer sentiment and confidence, the Group continued to invest strongly in marketing and promotional activities. Year on year the impact was very positive as all major product categories gained and strengthened their market share positions. These encouraging results were evidenced from the strong growth posted by Confectionery, Ice Cream and Liquid Drinks businesses in 2014.

The lower exports to the affiliated companies were mainly due to the challenging global economic environment as well as a softening in demand for some of the export categories. The situation was further compounded by the fact that Philippines and Indonesia have invested in their local manufacturing facilities for products previously imported from Malaysia.

From an input cost perspective, the prices of commodities have been on a mixed trend and started to ease from the third quarter. This favourable trend however, was not translated into cheaper landed costs as they were affected by the depreciation of Ringgit in later part of the year. To ensure the product costs are kept at a very competitive level, the Group continued to leverage on Nestlé Continuous Excellence platform with focus on internal saving initiatives. The outcome was positive, where the gross profit remained at the same level of last year.

The increased investment into marketing and promotional activities during the year contributed to a slightly higher operating expenses. As a result, the operating profit was slightly lower by 1.3%. The same trend with the net profit, at RM550.4 million, 2.0% lower than last year.

3 Variation of results against previous quarter (Quarter 4, 2014 vs. Quarter 3, 2014)

In the fourth quarter of 2014, the Group registered a turnover of RM1.1 billion, 4.2% lower than the previous quarter. With regard to the bottom line, the lower net profit was mainly attributed to the timing of marketing activities of which many were executed in the last quarter of last year.

4 Current year prospects

We expect 2015 to be a challenging year given the uncertainties of crude oil prices, the Ringgit vis-a-vis the US Dollar and their impact to the local economy. The implementation of GST in April 2015 will influence the consumers' buying behaviour and we can expect a period of adjustment in market demand. Given the circumstances, we remain cautiously optimistic and will continue to leverage on the stable growth of the Malaysian economy. The Group will remain active in innovating and renovating its product portfolio while promoting nutritionally balanced diets and healthy lifestyles in line with the Government's goal of creating a healthy and productive society.

The Group will remain focused on growing both top and bottom line while continuing its long term strategy of investing in manufacturing capacity to support its growth. To this effect, the new Sri Muda factory in Shah Alam which is under construction has been scheduled to start operations in the first quarter of 2015. The Group will also continue to intensify its marketing investments in line with Nestlé's objective of being the leader in Nutrition, Health & Wellness, as well as being an industry benchmark for its financial performance and trusted by all stakeholders.

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

Over provision in prior year

Effect of changes in tax rate

Total deferred tax expense

Total income tax expense

| | 3 months ended 31.12.2014 RM'000 | 12 months ended 31.12.2014 RM'000 |
|--|--|---|
| | 31,435 | 161,388 |
| | (5,082) | (5,082) |
| | 26,353 | 156,306 |
| | (7,111) | (361) |
| | - | (2,614) |
| | (50) | (2,528) |
| | (7,161) | (5,503) |
| | 19,192 | 150,803 |

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

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 31.12.2014 RM'000 |
|-------------------------------|
| 50,000 |
| 31,420 |
| 2,893 |
| 84,313 |
| 84,264 |
| 5,803 |
| 90,067 |

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.12.2014 :

| Type of derivatives | Notional Value RM'000 | Fair Value RM'000 | Ageing |
|----------------------------|--------------------------|----------------------|------------------|
| Forward exchange contracts | 667,331 | (3,312) | Less than 1 year |
| Commodity futures | 128,349 | (5,118) | 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 proposed to declare a final dividend of 175 sen per share, under single-tier system (2013: 175.00 sen per share) in respect of financial year ended 31 December 2014. If approved by the shareholders at the Annual General Meeting to be held on 23 April 2015, this dividend will be paid on 27 May 2015 to shareholders whose names appear on the Record of Depositors as at 13 May 2015. Under current rules, single-tier dividends are not taxable in the hands 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 13 May 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 31 December | | 12 months ended 31 December | |
|--|----------------------------|----------------|-----------------------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit for the period is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment | 28,701 | 27,587 | 112,210 | 108,971 |
| Loss on derivatives | 1,664 | - | 1,002 | - |
| Loss on disposal of property, plant and equipment | 627 | 539 | 976 | 1,647 |
| Provision & write off of receivables | 1,248 | 286 | 1,248 | 286 |
| Provision & write off of inventories | - | - | 371 | - |
| Property, plant and equipment written off | 125 | 291 | 350 | 618 |
| Net foreign exchange loss | 3,842 | 5,655 | 2,540 | 5,544 |
| and after crediting: | | | | |
| Gain on derivatives | - | 1,416 | - | 1,098 |
| Reversal of impairment loss on trade receivables | 9 | - | 9 | 141 |
| Reversal of provision of inventories | 80 | 43 | - | 1,376 |

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 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 |
| Financial assets | | | | |
| Commodity futures | 1,844 | - | - | 1,844 |
| Forward exchange contracts | - | 15,470 | - | 15,470 |
| Financial liabilities | | | | |
| 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 | | |
| Financial assets | | | | |
| Loans to employees | - | - | 35,144 | 35,144 |
| Financial liabilities | | | | |
| Finance lease liabilities | - | - | (8,225) | (8,696) |
| Loan from a related company | - | - | (84,264) | (84,264) |

| As at 31.12.2013 | | | | |
|---|---------|---------|------------------|-----------------|
| 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 |
| Financial assets | | | | |
| Commodity futures | 2,163 | - | - | 2,163 |
| Forward exchange contracts | - | 6,864 | - | 6,864 |
| Financial liabilities | | | | |
| Forward exchange contracts | - | (7,474) | - | (7,474) |

| 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 | | |
| Financial assets | | | | |
| Loans to employees | - | - | 33,678 | 33,678 |
| Financial liabilities | | | | |
| Finance lease liabilities | - | - | (11,990) | (12,775) |
| Loan from a related company | - | - | (84,264) | (84,264) |

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 31.12.2014 RM'000 | As at 31.12.2013 RM'000 |
|----------------------------|----------------------------|
| 580,125 | 591,159 |
| (132,568) | (101,340) |
| 631 | 619 |
| - | - |
| 61,781 | 58,099 |
| 509,969 | 548,537 |

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 RM550.4 million (RM561.7 million in December 2013) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2013).

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARDTengku Ida Adura Binti Tengku Ismail, *MCCS (MACS 01686)**Company Secretary***Date : February 23, 2015**