

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 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2015

	3 months ended 31 December		12 months ended 31 December	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue - Sales of goods	1,198,942	1,108,762	4,837,957	4,808,933
Cost of sales	(739,049)	(731,607)	(2,972,500)	(3,108,981)
Gross profit	459,893	377,155	1,865,457	1,699,952
Operating expenses	(331,680)	(252,547)	(1,105,280)	(975,005)
Operating profit	128,213	124,608	760,177	724,947
Finance costs	(9,985)	(7,495)	(34,376)	(25,722)
Finance income	203	304	1,127	1,650
Share of post tax profit of an associate	246	79	783	312
Profit before tax	118,677	117,496	727,711	701,187
Tax expense	(18,888)	(19,192)	(136,978)	(150,803)
Profit after tax	99,789	98,304	590,733	550,384
Minority interests	-	-	-	-
Profit after tax and minority interest	99,789	98,304	590,733	550,384
Profit for the period/year	99,789	98,304	590,733	550,384
Other comprehensive income, net of tax				
Item that is or may be reclassified subsequently to profit or loss				
Cash flow hedge	(26,682)	(2,813)	76,308	(739)
Item that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability	(20,357)	(37,877)	(20,357)	(37,877)
Total other comprehensive (expense)/income for the period/year, net of tax	(47,039)	(40,690)	55,951	(38,616)
Total comprehensive income for the period/year	52,750	57,614	646,684	511,768
Basic earnings per share (sen)	42.55	41.92	251.91	234.71
Proposed/Declared dividend per share - net (sen)	130.00	175.00	260.00	235.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	3.02		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 31 DECEMBER 2015**

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Assets		
Property, plant and equipment	1,369,874	1,293,757
Intangible assets	62,814	61,024
Investment in an associate	4,114	3,631
Deferred tax assets	11,068	27,958
Trade and other receivables	25,048	23,576
Total non-current assets	1,472,918	1,409,946
Trade and other receivables	581,918	504,540
Inventories	414,262	370,291
Current tax assets	5,331	3,015
Cash and cash equivalents	13,901	15,504
Total current assets	1,015,412	893,350
Total assets	2,488,330	2,303,296
Equity		
Share capital	234,500	234,500
Reserves	474,096	542,637
Total equity attributable to owners of the Company	708,596	777,137
Liabilities		
Loans and borrowings	96,451	90,067
Employee benefits	81,117	62,486
Deferred tax liabilities	77,539	67,522
Total non-current liabilities	255,107	220,075
Trade and other payables	1,231,605	1,170,240
Loans and borrowings	253,034	84,313
Current tax liabilities	39,988	51,531
Total current liabilities	1,524,627	1,306,084
Total liabilities	1,779,734	1,526,159
Total equity and liabilities	2,488,330	2,303,296
Net assets per share attributable to shareholders (RM)	3.02	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 CHANGES IN EQUITY
FOR PERIOD ENDED 31 DECEMBER 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	
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 year	-	-	550,384	550,384
Total comprehensive (expense)/income for the year	-	(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
At 1 January 2015	267,500	(332)	509,969	777,137
Cash flow hedge	-	76,308	-	76,308
Remeasurement of defined benefit liability	-	-	(20,357)	(20,357)
Profit for the year	-	-	590,733	590,733
Total comprehensive income for the year	-	76,308	570,376	646,684
Dividends paid:				
- 2014 Final	-	-	(410,375)	(410,375)
- 2015 Interim	-	-	(304,850)	(304,850)
At 31 December 2015	267,500	75,976	365,120	708,596

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
31 DECEMBER 2015**

	12 months ended 31.12.2015 RM'000	12 months ended 31.12.2014 RM'000
Cash flows from operating activities		
Profit before tax	727,711	701,187
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	125,845	112,210
Net finance costs	33,249	24,072
Decrease in working capital	6,676	166,448
Income tax paid	(141,598)	(145,128)
Others	(974)	(2,232)
Net cash from operating activities	750,909	856,557
Cash flows from investing activities		
Acquisition of property, plant and equipment	(191,184)	(361,008)
Acquisition of intangible assets	(2,065)	-
Others	2,281	2,687
Net cash used in investing activities	(190,968)	(358,321)
Cash flows from financing activities		
Finance costs paid	(34,376)	(25,722)
Proceed from borrowings	121,111	50,308
Dividend payment	(715,225)	(551,075)
Net cash used in financing activities	(628,490)	(526,489)
Net decrease in cash and cash equivalents	(68,549)	(28,253)
Cash and cash equivalents at 1 January	(15,916)	12,337
Cash and cash equivalents at 31 December	(84,465)	(15,916)

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 31 December 2015		12 months ended 31 December 2015	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Land	1,163	-	1,163	-
Building (improvements and additions)	21,153	21	58,816	95
Plant and machinery	25,384	251	99,227	643
Tools and furniture	10,225	621	33,745	892
Motor vehicles	1,534	282	2,520	418
Information systems	5,313	72	8,349	85
	64,772	1,247	203,820	2,133

* Inclusive of assets acquired through finance lease amounting to RM12,636,000 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 31.12.2015 RM'000	12 months ended 31.12.2015 RM'000
First interim dividend for the financial year ended 31 December 2015 65.00 sen per share (single-tier)	-	152,425
Second 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	715,225

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 2015		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenue and results			
Revenue	3,875,100	962,857	4,837,957
Operating Profit	627,916	132,873	760,789

	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

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

	12 months ended 31.12.2015 RM'000	12 months ended 31.12.2014 RM'000
Total operating profit for reported segments	760,789	727,418
Other unallocated expenses	(612)	(2,471)
Consolidated operating profit	760,177	724,947

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 31.12.2015 RM'000	12 months ended 31.12.2015 RM'000
IT shared service	11,245	32,692
Net finance costs	1,775	6,979
Purchases of goods and services	146,331	544,951
Sales of finished goods	227,832	780,276
Royalties	57,043	235,842

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, 2015 vs Quarter 4, 2014)

For the fourth quarter ended 31 December 2015, the Group increased its revenue by 8.1% (+RM90 million) compared to Q4 2014. Both Domestic and Export Businesses contributed to this strong top line performance. The good achievement in the domestic business was supported by the many effective marketing and promotional activities which cushioned the impact of a weak consumer sentiment affected by rising costs and shrinking disposable income. The export business continued to show very good growth since the turn around performance in Q3, registering a strong double digit growth in the fourth quarter.

From profit perspective, gross profit increased from RM377 million to RM460 million, a growth of 21.9% 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 cost saving initiatives also allowed the Group to increase its Marketing and Trade Investments.

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

For the year ended 31 December 2015, the profit after tax increased by 7.3% (+40 million) from RM550.4 million in 2014 to RM590.7 million despite a modest increase in turnover, 0.6% higher than previous year. This was driven by improvements in the cost of sales as well as lower tax expenses for the year. Lower prices for the majority of the commodities as well as productivity increases in the factories contributed to the lower cost of sales. The structural improvement in the Gross Profit allowed the Group to intensify its Marketing and Trade Investments. This helped to stay on the growth-path despite of a weakening consumer sentiment. The Domestic business as well as the Export Business were growing in the year 2015.

3 Variation of results against previous quarter (Quarter 4, 2015 vs. Quarter 3, 2015)

In the fourth quarter of 2015, the Group registered a turnover of RM1.2 billion, 1.6% lower than the previous quarter.

The lower net profit in comparison to the prior quarter was mainly the result of more efforts made in the marketing and promotional activities concentrated in the fourth quarter as a preparation for Chinese New Year 2016.

4 Current year prospects

We expect for 2016 to be a challenging year, both locally and globally. The domestic business environment will remain tough and continue to be impacted by the weak consumer sentiment. Nevertheless, we remain very positive on the middle to long term outlook, but stay cautious for the short term. 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.

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 31.12.2015 RM'000	12 months ended 31.12.2015 RM'000
	16,569	143,332
	-	(15,593)
	16,569	127,739
	1,373	(7,822)
	-	16,762
	946	299
	2,319	9,239
	18,888	136,978

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 31.12.2015 RM'000
150,000
98,366
4,668
253,034
84,264
12,187
96,451

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.12.2015 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Forward exchange contracts	1,304,675	101,794	Less than 1 year
Commodity futures	95,507	(4,628)	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 110 sen per share and a special dividend of 20 sen per share, under single-tier system (2014: Final dividend of 175 sen per share) in respect of financial year ended 31 December 2015. If approved by the shareholders at the Annual General Meeting to be held on 28 April 2016, this dividend will be paid on 2 June 2016 to shareholders whose names appear on the Record of Depositors as at 19 May 2016. 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 19 May 2016 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the period is arrived at after charging:				
Amortisation of intangible assets	103	-	275	-
Depreciation of property, plant and equipment	34,150	28,701	125,570	112,210
Loss on derivatives	-	1,664	3	1,002
Loss on disposal of property, plant and equipment	275	627	429	976
Impairment & write off of trade receivables	4,067	1,248	4,355	1,239
Provision & write off of inventories	675	-	2,023	371
Property, plant and equipment written off	541	125	850	350
Net foreign exchange loss	-	3,842	-	2,540
and after crediting:				
Gain on derivatives	794	-	-	-
Reversal of provision of inventories	-	80	-	-
Net foreign exchange gain	18,393	-	2,199	-

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 31.12.2015				
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
Financial assets				
Commodity futures	5,566	-	-	5,566
Forward exchange contracts	-	107,370	-	107,370
Financial liabilities				
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		
Financial assets				
Loans to employees	-	-	37,846	37,846
Financial liabilities				
Finance lease liabilities	-	-	(15,600)	(16,855)
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
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)

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 31.12.2015 RM'000	As at 31.12.2014 RM'000
501,065	580,125
(194,921)	(132,568)
1,114	631
-	-
57,862	61,781
365,120	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 RM590.7 million (RM550.4 million in December 2014) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2014).

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, 2016**