

**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 2017 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 DECEMBER 2017**

	3 months ended 31 December			12 months ended 31 December		
	2017 RM'000	2016 RM'000	%	2017 RM'000	2016 RM'000	%
<b>Revenue - Sales of goods</b>	1,281,725	1,249,882	2.5%	5,260,490	5,063,506	3.9%
Cost of sales	(819,313)	(792,323)		(3,330,141)	(3,066,051)	
<b>Gross profit</b>	462,412	457,559	1.1%	1,930,349	1,997,455	-3.4%
Operating expenses	(287,459)	(367,170)		(1,082,447)	(1,198,675)	
<b>Operating profit</b>	174,953	90,389	93.6%	847,902	798,780	6.1%
Finance costs	(9,513)	(8,816)		(36,001)	(33,836)	
Finance income	412	299		1,443	1,140	
Share of post tax profit of an associate	(86)	(379)		785	410	
<b>Profit before tax</b>	165,766	81,493	103.4%	814,129	766,494	6.2%
Tax expense	(32,222)	(14,551)		(168,334)	(129,367)	
<b>Profit after tax</b>	133,544	66,942	99.5%	645,795	637,127	1.4%
Minority interests	-	-		-	-	
<b>Profit after tax and minority interest</b>	133,544	66,942	99.5%	645,795	637,127	1.4%
<b>Profit for the period</b>	133,544	66,942	99.5%	645,795	637,127	1.4%
<b>Other comprehensive (expense)/income, net of tax</b>						
<b>Item that is or may be reclassified subsequently to profit or loss</b>						
Cash flow hedge	(2,771)	(719)		(20,068)	(65,080)	
<b>Item that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of defined benefit liability	130	(272)		130	(272)	
<b>Total other comprehensive (expense)/income for the period, net of tax</b>	(2,641)	(991)		(19,938)	(65,352)	
<b>Total comprehensive income for the period</b>	130,903	65,951	98.5%	625,857	571,775	9.5%
<b>Basic earnings per share (sen)</b>	56.95	28.55		275.39	271.70	
<b>Proposed/Declared dividend per share-net (sen)</b>	135.00	130.00		275.00	270.00	
	<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>	2.73			2.76		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
<b>Assets</b>		
Property, plant and equipment	1,373,651	1,353,050
Intangible assets	61,987	62,400
Investment in an associate	4,709	4,224
Deferred tax assets	19,244	20,155
Trade and other receivables	24,283	24,745
<b>Total non-current assets</b>	<b>1,483,874</b>	<b>1,464,574</b>
Trade and other receivables	580,848	544,307
Inventories	467,316	455,337
Current tax assets	12,333	6,396
Cash and cash equivalents	12,615	23,996
<b>Total current assets</b>	<b>1,073,112</b>	<b>1,030,036</b>
<b>Total assets</b>	<b>2,556,986</b>	<b>2,494,610</b>
<b>Equity</b>		
Share capital	267,500	234,500
Share premium	-	33,000
Hedging reserve	(9,172)	10,896
Retained earnings	381,600	368,825
<b>Total equity attributable to owners of the Company</b>	<b>639,928</b>	<b>647,221</b>
<b>Liabilities</b>		
Loans and borrowings	84,264	93,146
Employee benefits	89,749	86,140
Deferred tax liabilities	120,987	91,260
<b>Total non-current liabilities</b>	<b>295,000</b>	<b>270,546</b>
Trade and other payables	1,296,619	1,392,780
Loans and borrowings	305,631	183,961
Current tax liabilities	19,808	102
<b>Total current liabilities</b>	<b>1,622,058</b>	<b>1,576,843</b>
<b>Total liabilities</b>	<b>1,917,058</b>	<b>1,847,389</b>
<b>Total equity and liabilities</b>	<b>2,556,986</b>	<b>2,494,610</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>2.73</b>	<b>2.76</b>

Note: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. As at 31st December 2017, share premium amounted to RM33 million has been transferred to share capital and the number of shares remain unchanged at 234,500,000. The key ratios presented in the condensed consolidated statement of profit or loss and other comprehensive income (Page 1) are calculated based on 234,500,000 number of shares issued and fully paid.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 31 DECEMBER 2017**

	Non Distributable		Distributable	Total Equity RM'000
	Share capital	Hedging reserve	Retained profits	
	RM'000	RM'000	RM'000	
<b>At 1 January 2016</b>	267,500	75,976	365,120	708,596
Cash flow hedge	-	(65,080)	-	(65,080)
Remeasurement of defined benefit liability	-	-	(272)	(272)
Profit for the period	-	-	637,127	637,127
<b>Total comprehensive (expense)/income for the period</b>	-	(65,080)	636,855	571,775
<b>Dividends paid:</b>				
- 2015 Final	-	-	(304,850)	(304,850)
- 2016 Interim	-	-	(328,300)	(328,300)
<b>At 31 December 2016</b>	267,500	10,896	368,825	647,221
<b>At 1 January 2017</b>	267,500	10,896	368,825	647,221
Cash flow hedge	-	(20,068)	-	(20,068)
Remeasurement of defined benefit liability	-	-	130	130
Profit for the period	-	-	645,795	645,795
<b>Total comprehensive (expense)/income for the period</b>	-	(20,068)	645,925	625,857
<b>Dividends paid:</b>				
- 2016 Final	-	-	(304,850)	(304,850)
- 2017 Interim	-	-	(328,300)	(328,300)
<b>At 31 December 2017</b>	267,500	(9,172)	381,600	639,928

Note: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. As at 31st December 2017, share premium amounted to RM33 million has been transferred to share capital and the number of shares remain unchanged at 234,500,000. The key ratios presented in the condensed consolidated statement of profit or loss and other comprehensive income (Page 1) are calculated based on 234,500,000 number of shares issued and fully paid.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED  
31 DECEMBER 2017**

	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	814,129	766,494
<i>Adjustments for:</i>		
Amortisation and depreciation	131,301	133,193
Impairment of assets	1,798	4,847
Net finance costs	34,558	32,696
<i>Less:</i>		
Movement in working capital	(175,402)	121,459
Income tax paid	(117,631)	(145,046)
Others	16,938	9,143
<b>Net cash from operating activities</b>	<b>705,691</b>	<b>922,786</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(164,455)	(123,136)
Others	3,746	4,134
<b>Net cash used in investing activities</b>	<b>(160,709)</b>	<b>(119,002)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(36,001)	(33,836)
Proceed from/(Repayment of) borrowings	262,616	(208,090)
Dividend payment	(633,150)	(633,150)
<b>Net cash used in financing activities</b>	<b>(406,535)</b>	<b>(875,076)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>138,447</b>	<b>(71,292)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(155,757)</b>	<b>(84,465)</b>
<b>Cash and cash equivalents at 31 December</b>	<b>(17,310)</b>	<b>(155,757)</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

## 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 2016.

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 Dec 2017	
Assets acquired RM'000	Assets disposed/ write-off RM'000
Building (improvements and additions)	-
Plant and machinery	69
Tools and furniture	71
Motor vehicles	48
Information systems	145
<b>88,661</b>	<b>333</b>

12 months ended 31 Dec 2017	
Assets acquired RM'000	Assets disposed/ write-off RM'000
12,876	132
116,137	1,060
27,256	143
974	292
7,212	192
<b>164,455</b>	<b>1,819</b>

**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:

Interim dividend for the financial year ended 31 December 2017

70.00 sen per share (single-tier) 1st interim

70.00 sen per share (single-tier) 2nd interim

Final dividend for the financial year ended 31 December 2016

130.00 sen per share (single-tier)

Total

3 months ended 31.12.2017 (RM'000)	12 months ended 31.12.2017 (RM'000)
-	164,150
164,150	164,150
-	304,850
<b>164,150</b>	<b>633,150</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.

12 months ended 31 December 2017		
Food & Beverages RM'000	Others RM'000	Total RM'000
Revenue	4,225,676	5,260,490
Operating Profit	698,548	847,959

### Segment revenue and results

Revenue  
Operating Profit

12 months ended 31 December 2016		
Food & Beverages RM'000	Others RM'000	Total RM'000
Revenue	4,039,140	5,063,506
Operating Profit	644,557	798,464

### Segment revenue and results

Revenue  
Operating Profit

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 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000
847,959	798,464
(57)	316
847,902	798,780

## 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:

IT shared service  
Net finance costs  
Purchases of goods and services  
Sales of finished goods  
Royalties

3 months ended 31.12.2017 RM'000	12 months ended 31.12.2017 RM'000
10,291	43,157
1,875	6,411
165,176	664,286
232,685	890,420
61,414	258,492

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, 2017 vs Quarter 4, 2016)

For the fourth quarter ended 31 December 2017, the Group increased its revenue by 2.5% from RM1.25 billion to RM1.28 billion (+RM32 million) compared to Q4 2016. This growth rate should be interpreted in the light of a later Chinese New Year 2018 compared to 2017; based on this planning, less Chinese New Year sales happened in Q4 2017 compared to 2016. The growth momentum was supported by domestic sales which grew by 4.5% driven by the continuous innovation and renovation initiatives as well as by successful Marketing and Trade promotions. The steady domestic sales compensated the moderate slowdown in export sales which saw a contraction of 3.2% against Q4 2016. This reduction is mainly driven by the later phasing of Chinese New Year 2018 which led to lower export sales in Q4 2017.

The Profit before Tax increased from RM81 million (Q4 2016) to RM166 million (Q4 2017). This increase is based on our continued sustainable cost management as well as a different phasing of the Marketing investments in 2017 compared to 2016, where Q4 2016 showed exceptionally high Marketing spending (early Chinese New Year 2017) while the year 2017 showed well spread investments over the four quarters.

### 2 Review of performance (Year-to-date, 2017 vs Year-to-date, 2016)

The Group registered a turnover of RM 5.3 billion, an increase of 3.9% compared to 2016. The commendable growth was driven by the solid Domestic and Export performance which grew at 4.1% and 3.0% respectively. Our continuous focus on Innovation / Renovation projects yielded in successful new launches, such as MAT KOOL Fruity Bugz, NESCAFE® Black Ice, MILO® Nutri-up, MAGGI® Hot Mealz and NESTUM® Mango Tango. The new products have contributed strongly to the 2017 turnover growth. The second growth pillar was our continued investment in marketing and trade promotions such as MILO® Breakfast Day, MILO® SEA Game, "Healthier Heart" campaign, MILO® "Pack to School", Nestle OMEGA PLUS® "Stop the Count" campaign, to name a few.

The Group recorded a Profit before Tax of RM814 million and Profit after Tax of RM646 million, increased by 6.2% and 1.4% respectively. This result was achieved through the continuation of our robust and effective cost management as well as effective and efficient marketing-trade investments. Via this, we were able to compensate for a one-time favourable tax-effect in the year 2016.

### 3 Variation of results against previous quarter (Quarter 4, 2017 vs. Quarter 3, 2017)

In the fourth quarter, the Group registered a turnover of RM1.28 billion, 3.1% lower than the third quarter of 2017.

Profit before Tax recorded an increase of RM21.0 million, 14.5% higher than previous quarter due to phasing of marketing investment and our continuous focus on cost optimisation.

### 4 Current year prospects

At the backdrop of a more encouraging year for Malaysian economy, we will continue with our "Fuel the Growth" strategy: Striving for efficiency increases all over the supply chain and reinvesting the realized improvements into the sustainable growth of the Company by innovating / renovating our portfolio and intensifying our Trade-and Consumer promotions.

### 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

#### Total deferred tax expense

#### Total income tax expense

	3 months ended 31.12.2017 RM'000	12 months ended 31.12.2017 RM'000
	21,456	132,888
	(1,488)	(1,488)
	19,968	131,400
	10,159	34,839
	2,095	2,095
	12,254	36,934
	32,222	168,334

### 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

Loan from a related company  
Bank overdraft

#### Total short term loans

#### Long term - Unsecured loans

Loan from a related company

#### Total long term loans

As at 31.12.2017 RM'000
275,706
29,925
305,631
84,264
84,264

The company has short-term unsecured loan from Nestlé Treasury Centre - Middle East & Africa for the amount of USD 68 million (MYR 276 million). This loan is for 6-months tenor with roll-over option. Long-term unsecured loan of MYR 84 million is also from Nestlé Treasury Centre - Middle East & Africa. The company also obtained bank overdraft from 3rd party banks in Malaysia.

## 11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.12.2017 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,057,691	1,031,140	(26,551)	Less than 1 year
Commodity futures	104,460	100,778	(3,682)	Less than 1 year

## 12 Material litigation

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

## 13 Dividend

Subject to shareholders' approval at the upcoming 2018 Annual General Meeting, the Board of Directors has proposed a final dividend of 135.00 sen per share (2016: 130.00 sen per share) in respect of financial year ending 31 December 2017 which will be paid on 31 May 2018 to shareholders whose names appear on the Record of Depositors on 15 May 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 15 May 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 31 December		12 months ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Amortisation of intangible assets	105	104	414	414
Depreciation of property, plant and equipment	33,951	33,794	130,887	132,779
Impairment of assets	1,798	4,847	1,798	4,847
Net loss on derivatives	378	732	-	615
Loss on disposal of property, plant and equipment	1,016	-	-	-
Provision & write off of receivables	778	3,382	1,564	6,500
Provision & write off of inventories	631	-	-	401
Property, plant and equipment written off	117	145	203	220
Net foreign exchange loss	4,000	-	-	-
<b>and after crediting:</b>				
Net gain on derivatives	-	-	191	-
Gain on disposal of property, plant and equipment	-	491	184	580
Reversal of provision of inventories	-	2,742	4,171	-
Net foreign exchange gain	-	14,354	7,194	43,510

## 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 31.12.2017				
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	1,847	-	-	1,847
Forward exchange contracts	-	9,507	-	9,507
<b>Financial liabilities</b>				
Forward exchange contracts	-	(36,058)	-	(36,058)
Commodity futures	(5,529)	-	-	(5,529)
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	-	-	37,437	37,437
<b>Financial liabilities</b>				
Loan from a related company	-	-	(359,970)	(359,970)

As at 31.12.2016				
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	8,772	-	-	8,772
Forward exchange contracts	-	30,450	-	30,450
<b>Financial liabilities</b>				
Forward exchange contracts	-	(13,613)	-	(13,613)
Commodity futures	(11,846)	-	-	(11,846)
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	-	-	37,744	37,744
<b>Financial liabilities</b>				
Finance lease liabilities	-	-	(12,335)	(12,335)
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 (2016: 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 RM645.8 million (RM637.1 million in December 2016) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2016).

### b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

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

Company Secretary

Date : February 20, 2018