



# 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 June 2015 as follows:

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

	3 months ended 30 June		6 months ended 30 June	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Revenue - Sales of goods</b>	1,142,901	1,270,164	2,420,630	2,542,876
Cost of sales	(697,206)	(845,851)	(1,476,539)	(1,645,074)
<b>Gross profit</b>	445,695	424,313	944,091	897,802
Operating expenses	(278,968)	(263,938)	(526,497)	(494,153)
<b>Operating profit</b>	166,727	160,375	417,594	403,649
Finance costs	(7,477)	(5,881)	(14,686)	(10,988)
Finance income	304	497	455	1,098
Share of post tax profit of an associate	2	66	445	111
<b>Profit before tax</b>	159,556	155,057	403,808	393,870
Tax expense	(35,653)	(36,579)	(92,027)	(91,865)
<b>Profit after tax</b>	123,903	118,478	311,781	302,005
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	123,903	118,478	311,781	302,005
<b>Profit for the period</b>	123,903	118,478	311,781	302,005
<b>Other comprehensive expense, net of tax Item that is or may be reclassified subsequently to profit or loss</b>				
Cash flow hedge	14,982	(909)	12,633	(2,404)
Remeasurement of defined benefit liability	-	-	-	-
<b>Total other comprehensive expense for the period, net of tax</b>	14,982	(909)	12,633	(2,404)
<b>Total comprehensive income for the period</b>	138,885	117,569	324,414	299,601
<b>Basic earnings per share (sen)</b>	52.84	50.52	132.96	128.79
<b>Proposed/Declared dividend per share - net (sen)</b>	65.00	60.00	65.00	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>	2.95		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 JUNE 2015**

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
<b>Assets</b>		
Property, plant and equipment	1,324,239	1,293,757
Intangible assets	61,024	61,024
Investment in an associate	3,776	3,631
Deferred tax assets	23,462	27,958
Trade and other receivables	23,712	23,576
<b>Total non-current assets</b>	<b>1,436,213</b>	<b>1,409,946</b>
Trade and other receivables	603,454	504,540
Inventories	398,435	370,291
Current tax assets	9,047	3,015
Cash and cash equivalents	18,995	15,504
<b>Total current assets</b>	<b>1,029,931</b>	<b>893,350</b>
<b>Total assets</b>	<b>2,466,144</b>	<b>2,303,296</b>
<b>Equity</b>		
Share capital	234,500	234,500
Reserves	456,676	542,637
<b>Total equity attributable to owners of the Company</b>	<b>691,176</b>	<b>777,137</b>
<b>Liabilities</b>		
Loans and borrowings	92,048	90,067
Employee benefits	59,245	62,486
Deferred tax liabilities	70,407	67,522
<b>Total non-current liabilities</b>	<b>221,700</b>	<b>220,075</b>
Trade and other payables	1,084,524	1,170,240
Loans and borrowings	390,370	84,313
Current tax liabilities	78,374	51,531
<b>Total current liabilities</b>	<b>1,553,268</b>	<b>1,306,084</b>
<b>Total liabilities</b>	<b>1,774,968</b>	<b>1,526,159</b>
<b>Total equity and liabilities</b>	<b>2,466,144</b>	<b>2,303,296</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>2.95</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 JUNE 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	-	(2,404)	-	(2,404)
Profit for the period	-	-	302,005	302,005
<b>Total comprehensive (expense)/income for the period</b>	-	(2,404)	302,005	299,601
<b>Dividends paid:</b>				
- 2013 Final	-	-	(410,375)	(410,375)
<b>At 30 June 2014</b>	267,500	(1,997)	440,167	705,670
<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 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

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 JUNE 2015**

	6 months ended 30.06.2015 RM'000	6 months ended 30.06.2014 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	403,808	393,870
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	57,675	55,258
Net finance costs	14,231	9,890
Increase in working capital	(207,920)	(62,861)
Income tax paid	(67,824)	(62,766)
Others	(346)	(1,733)
<b>Net cash from operating activities</b>	199,624	331,658
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(84,581)	(97,071)
Others	628	1,535
<b>Net cash used in investing activities</b>	(83,953)	(95,536)
<b>Cash flows from financing activities</b>		
Finance costs paid	(14,686)	(10,988)
Proceed from borrowings	287,209	184,523
Dividend payment	(410,375)	(410,375)
<b>Net cash used in financing activities</b>	(137,852)	(236,840)
<b>Net decrease in cash and cash equivalents</b>	(22,181)	(718)
<b>Cash and cash equivalents at 1 January</b>	(15,916)	12,337
<b>Cash and cash equivalents at 30 June</b>	(38,097)	11,619

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.

**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 2015		6 months ended 30 June 2015	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	10,502	-	10,619	28
Plant and machinery	65,274	-	66,521	320
Tools and furniture	8,679	45	9,138	147
Motor vehicles	861	-	861	18
Information systems	1,519	1	1,543	12
	86,835	46	88,682	525

\* Inclusive of assets acquired through finance lease amounting to RM4,101,000 during the year.

**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:

Final dividend for the financial year ended 31 December 2014

175.00 sen per share (single-tier)

Total

3 months ended 30.06.2015 (RM'000)	6 months ended 30.06.2015 (RM'000)
410,375	410,375
410,375	410,375

## 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 2015		
	Food & Beverages	Others	Total
	RM'000	RM'000	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

	6 months ended 30 June 2014		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenue and results</b>			
Revenue	2,075,976	466,900	2,542,876
Operating Profit	328,626	73,870	402,496

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 30.06.2015 RM'000	6 months ended 30.06.2014 RM'000
417,358	402,496
236	1,153
417,594	403,649

## 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 30.06.2015 RM'000	6 months ended 30.06.2015 RM'000
IT shared service	9,434	16,607
Net finance costs	1,754	3,458
Purchases of goods and services	138,069	267,455
Sales of finished goods	170,557	343,344
Royalties	56,500	119,768

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, 2015 vs Quarter 2, 2014)

For the second quarter ended 30 June 2015, the Group registered a gross profit of RM445.7 million vs RM424.3 million, an increase of 5.0% from the corresponding period last year. The continuous cost saving initiatives in the production area along with favourable trend in some of the raw materials consumed have contributed to this increase of the gross profit. The savings in the production costs have allowed the Group to invest further in marketing and promotional activities without compromising the profitability to the shareholders. The improvement in the cost of sales together with slightly lower tax expenses for the quarter helped the Group to register a net profit of RM123.9 million, 4.6% higher than previous year.

From the turnover perspective, the slower sales in the second quarter were mostly due to the weaker consumer spending. The impact was quite apparent in the second quarter especially after the implementation of GST in April. This effect combined with selling price reductions to accommodate the GST implementation (replacing the sales tax approach) has resulted in a reduction of the domestic sales. The overall sales including exports were lower by 10.0%.

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

For the first half year ended 30 June 2015, the Group registered an operating profit of RM417.6 million vs RM403.6 million, 3.5% higher than the corresponding period last year. Despite of the challenging market conditions, the first half results show a healthy development in the profit structure. The cost saving initiatives in the production area and a favourable trend in some of the raw materials consumed have positively contributed to a lower cost of sales. This has enabled the Group to continue investing strongly in consumer promotions which helped to strengthen the market position. The savings in the production costs and lower raw material prices contributed to an increase in the net profit to RM311.8 million, 3.2% higher than last year.

Affected by the weak consumer spending in the second quarter as described in the above quarterly performance review, the first six months recorded a lower turnover. The encouraging sales performance in the first quarter however, was neutralised by the temporary lower sales in the second quarter partly due to the impact of post GST implementation. As a result, the domestic sales dropped marginally by 2.0%. The overall sales including exports were lower by 4.8%. The strong and leading market positions in many of the brands however, will allow the Group to be back in the growth path when the sentiment on GST neutralises in the second half of 2015.

### 3 Variation of results against previous quarter (Quarter 2, 2015 vs. Quarter 1, 2015)

In the second quarter of 2015, the Group registered a turnover of RM1.1 billion, 10.6% lower than the previous quarter. The slower sales in the second quarter were mostly due to the weaker consumer spending. The impact was quite apparent in the second quarter especially after the implementation of GST in April.

The lower net profit in comparison to the prior quarter was the result of a combination of lower turnover and higher investments in marketing. These investments in marketing improved the market share situation and will help the Group to be in a better position in the second half of 2015.

### 4 Current year prospects

As foreseen and considered in our Plans for 2015, the second quarter was a challenging quarter from a consumer confidence perspective. Given the current situation, we will continue to leverage on the pool of strong Nestlé brands. 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 in the second half on both top and bottom line while continuing its long term strategy of investing in manufacturing capacity to support its growth. The new Sri Muda factory in Shah Alam has been in full operation and ready to take new sales opportunities in both domestic and export markets. 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

#### Total current tax expense

#### Deferred tax

Origination and reversal of temporary differences

#### Total deferred tax expense

#### Total income tax expense

	3 months ended 30.06.2015 RM'000	6 months ended 30.06.2015 RM'000
	46,736	88,635
	46,736	88,635
	(11,083)	3,392
	(11,083)	3,392
	35,653	92,027

**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 30.06.2015 RM'000
230,000
100,000
57,092
3,278
390,370
84,264
7,784
92,048

**11 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 30.06.2015 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Forward exchange contracts	1,726,520	25,803	Less than 1 year
Commodity futures	90,557	(12,674)	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 65.00 sen per share (2014: 60.00 sen per share) in respect of financial year ending 31 December 2015 which will be paid on 10 September 2015 to shareholders whose names appear on the Record of Depositors on 28 August 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 28 August 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 June		6 months ended 30 June	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	30,135	27,858	57,675	55,258
Loss on derivatives	116	264	103	-
Loss on disposal of property, plant and equipment	-	-	192	42
Provision & write off of receivables	262	-	2,132	-
Provision & write off of inventories	3,686	56	3,506	-
Property, plant and equipment written off	40	62	160	95
Net foreign exchange loss	7,082	3,365	-	1,853
<b>and after crediting:</b>				
Gain on derivatives	-	-	-	982
Gain on disposal of property, plant and equipment	6	60	-	-
Reversal of provision of inventories	-	-	-	1,331
Net foreign exchange gain	-	-	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 30.06.2015				
	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	1,731	-	-	1,731	1,731
Forward exchange contracts	-	39,765	-	39,765	39,765
<b>Financial liabilities</b>					
Forward exchange contracts	-	(13,962)	-	(13,962)	(13,962)
Commodity futures	(14,405)	-	-	(14,405)	(14,405)

	Fair value of financial instruments not carried at fair value				
	Fair value of financial instruments not 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>					
Loans to employees	-	-	38,190	38,190	38,190
<b>Financial liabilities</b>					
Finance lease liabilities	-	-	(10,333)	(10,333)	(11,062)
Loan from a related company	-	-	(84,264)	(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	1,844
Forward exchange contracts	-	15,470	-	15,470	15,470
<b>Financial liabilities</b>					
Forward exchange contracts	-	(18,782)	-	(18,782)	(18,782)
Commodity futures	(6,962)	-	-	(6,962)	(6,962)

	Fair value of financial instruments not carried at fair value				
	Fair value of financial instruments not 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>					
Loans to employees	-	-	35,144	35,144	35,144
<b>Financial liabilities</b>					
Finance lease liabilities	-	-	(8,225)	(8,225)	(8,696)
Loan from a related company	-	-	(84,264)	(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 30.06.2015 RM'000	As at 31.12.2014 RM'000
494,902	580,125
(142,826)	(132,568)
777	631
-	-
58,522	61,781
411,375	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 RM311.8 million (RM302.0 million in June 2014) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 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 : August 12, 2015**