

INTERIM REPORT
NESTLÉ (MALAYSIA) BERHAD
 (198301015532 (110925-W))
 (Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 31 MARCH 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021

	3 months ended 31 March			3 months ended 31 March		
	2021 RM'000	2020 RM'000	%	2021 RM'000	2020 RM'000	%
Revenue - Sales of goods	1,448,773	1,434,514	1.0%	1,448,773	1,434,514	1.0%
Cost of sales	(929,919)	(907,314)		(929,919)	(907,314)	
Gross profit	518,854	527,200	-1.6%	518,854	527,200	-1.6%
Operating expenses	(290,874)	(273,159)		(290,874)	(273,159)	
Operating profit	227,980	254,041	-10.3%	227,980	254,041	-10.3%
Finance costs	(8,748)	(8,920)		(8,748)	(8,920)	
Finance income	651	742		651	742	
Share of post tax profit of an associate	494	396		494	396	
Profit before tax	220,377	246,259	-10.5%	220,377	246,259	-10.5%
Tax expense	(45,215)	(59,952)		(45,215)	(59,952)	
Profit after tax	175,162	186,307	-6.0%	175,162	186,307	-6.0%
Minority interests	-	-		-	-	
Profit after tax and minority interest	175,162	186,307	-6.0%	175,162	186,307	-6.0%
Profit for the period	175,162	186,307	-6.0%	175,162	186,307	-6.0%
Other comprehensive income, net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Cash flow hedge	8,215	6,222		8,215	6,222	
Total other comprehensive income for the period, net of tax	8,215	6,222		8,215	6,222	
Total comprehensive income for the period	183,377	192,529	-4.8%	183,377	192,529	-4.8%
Basic earnings per share (sen)	74.70	79.45		74.70	79.45	
Proposed/Declared dividend per share-net (sen)	-	-		-	-	
	AS AT END OF CURRENT QUARTER			AS AT PRECEDING FINANCIAL YEAR END		
Net assets per share attributable to equity holders (RM)	3.16			2.38		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Assets		
Property, plant and equipment	1,428,695	1,423,843
Right-of-use assets	229,147	238,238
Intangible assets	64,210	64,500
Investment in an associate	6,108	5,614
Deferred tax assets	26,704	36,238
Trade and other receivables	11,788	13,056
Total non-current assets	1,766,652	1,781,489
Trade and other receivables	401,346	472,705
Inventories	622,219	597,270
Current tax assets	379	548
Cash and bank balances	12,094	9,359
Total current assets	1,036,038	1,079,882
Total assets	2,802,690	2,861,371
Equity		
Share capital	267,500	267,500
Hedging reserve	4,681	(3,534)
Retained earnings	468,332	293,170
Total equity attributable to owners of the Company	740,513	557,136
Liabilities		
Loans and borrowings	100,000	100,000
Lease liabilities	156,143	162,846
Employee benefits	89,229	90,592
Deferred tax liabilities	127,811	133,968
Total non-current liabilities	473,183	487,406
Trade and other payables	1,469,736	1,480,838
Loans and borrowings	40,777	257,701
Lease liabilities	30,571	31,063
Current tax liabilities	47,910	47,227
Total current liabilities	1,588,994	1,816,829
Total liabilities	2,062,177	2,304,235
Total equity and liabilities	2,802,690	2,861,371
Net assets per share attributable to shareholders (RM)	3.16	2.38

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2021**

	Non Distributable		Distributable	Total Equity RM'000
	Share capital	Hedging reserve	Retained profits	
	RM'000	RM'000	RM'000	
At 1 January 2020	267,500	(931)	398,355	664,924
Cash flow hedge	-	6,222	-	6,222
Profit for the period	-	-	186,307	186,307
Total comprehensive income for the period	-	6,222	186,307	192,529
At 31 March 2020	267,500	5,291	584,662	857,453
At 1 January 2021	267,500	(3,534)	293,170	557,136
Cash flow hedge	-	8,215	-	8,215
Profit for the period	-	-	175,162	175,162
Total comprehensive income for the period	-	8,215	175,162	183,377
At 31 March 2021	267,500	4,681	468,332	740,513

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2021**

	3 months ended 31.03.2021 RM'000	3 months ended 31.03.2020 RM'000
Cash flows from operating activities		
Profit before tax	220,377	246,259
<i>Adjustments for:</i>		
Amortisation and depreciation	47,510	44,010
Net finance costs	8,097	8,178
Gain on disposal of property, plant and equipment	(22)	(115)
Movement in working capital	45,067	(21,858)
Income tax paid	(43,580)	(43,288)
Others	562	4,583
Net cash from operating activities	278,011	237,769
Cash flows from investing activities		
Acquisition of property, plant and equipment	(43,336)	(9,386)
Proceeds from disposal of property, plant and equipment	276	174
Others	651	742
Net cash used in investing activities	(42,409)	(8,470)
Cash flows from financing activities		
Finance costs paid	(8,748)	(8,920)
Repayment of borrowings	(220,000)	(100,000)
Payment of lease liabilities	(7,195)	(7,064)
Net cash used in financing activities	(235,943)	(115,984)
Net (decrease)/increase in cash and cash equivalents	(341)	113,315
Cash and cash equivalents at 1 January	(28,342)	(32,428)
Cash and cash equivalents at 31 March	(28,683)	80,887

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020.

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 for the year ended 31 December 2020.

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

Besides the COVID-19 situation as elaborated in the Additional Information section, 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:

Building (improvements and additions)	2,057	8
Plant and machinery, tools, furniture and equipment (include Asset Under Construction)	37,071	98
Motor vehicles	3,438	169
Information systems	770	80
	43,336	355

3 months ended 31 Mar 2021	
Assets acquired	Assets disposed / write-off
RM'000	RM'000
2,057	8
37,071	98
3,438	169
770	80
43,336	355

b. Right-of-use

There was no capitalisation of new leases 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 was no issuance of debts and equity security in this quarter.

7 Dividends paid

There was no dividend payment in this quarter.

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.

3 months ended 31 Mar 2021			
	Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results			
Revenue	1,216,393	232,380	1,448,773
Operating Profit	210,605	17,785	228,390

3 months ended 31 Mar 2020			
	Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results			
Revenue	1,157,708	276,806	1,434,514
Operating Profit	215,395	38,808	254,203

The comments on page 6 apply to both segments Food & Beverages (84% of total sales) and Others (16% of total sales).

Reconciliations of reportable segment operating profit:

	3 months ended 31.03.2021 RM'000	3 months ended 31.03.2020 RM'000
Total operating profit for reported segments	228,390	254,203
Other unallocated expense	(410)	(162)
Consolidated operating profit	227,980	254,041

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 material 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 other contingent liabilities to the Group except for material litigation as disclosed in Note 11 on page 7.

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 31.03.2021 RM'000
IT shared service	12,444
Net finance costs	827
Purchases of goods and services	264,195
Sales of finished goods	244,691
Royalties	73,009
Management fees	9,945

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 1, 2021 vs Quarter 1, 2020)

For the first quarter ended 31 March 2021, total turnover for the Group increased by 1% from RM1.43 billion to RM1.45 billion. The key contributor was the core Food and Beverage (F&B) business, which recorded a growth of 5%, driven by robust in-home consumption, with good momentum across most brands. However, this was moderated slightly by Out-of-Home (OOH) activities, still very much impacted by the Movement Control Order (MCO) and the impact on the hospitality and restaurant sectors. OOH sales remain significantly below the pre-COVID baseline.

The first quarter of 2021 reflected the ability of our teams to continue to drive growth and protect both people and performance amidst very challenging pandemic conditions. Across brands, we have seen very strong activities that have resonated well with Malaysians. We are thankful for the trust given by millions of Malaysian families to continue making our brands part of their daily lives. This is a credit to our Sales Teams for the very effective execution in store of commercial activities, and to all those involved in our Supply Chain and Manufacturing for ensuring supply continuity while protecting the workforce across all our sites. This focus on people's safety and supply continuity will remain unchanged as the pandemic conditions remain.

Important innovations saw the light in the first quarter. First and foremost, the Group unveiled its Plant Based Meals Solutions (PBMS) factory in Shah Alam and started the distribution of the range into selected restaurant channels. Roll out into retail stores and on-line is advancing now in the second quarter. Building on the successful introduction of Maggi Sambal Tumis, Maggi has introduced a full range of paste Recipe mixes, while Ice-Cream and Confectionery saw great success with Kit Kat Gold, amongst other innovations.

The Group registered Profit Before Tax (PBT) of RM220.4 million for the quarter, including RM22 million of COVID-19 related expenses. The main contributor to these expenses is the ongoing COVID-19 antigen screen program, which in combination with strong SOPs in the workplace, is critical to protect safety and operational continuity. Profit After Tax (PAT) was close to previous year's result, as the additional COVID expenses in the quarter were cushioned by the Reinvestment Allowance tax incentive for the Group's new PBMS manufacturing facility.

In addition to the financial results, other important milestones were achieved in the quarter. Our sustainability focus remains undeterred and we saw great progress in our program with MBPJ to drive kerbside collection and recycling amongst the community. We had the honour of receiving the Prevention of Outbreak at Ignition Site (POIS) recognition from the Selangor Government for the effectiveness of our SOPs against COVID. We also continued to support the community through multiple donation activities and also by establishing a site to serve as buffer location for isolation of potential COVID cases.

2 Variation of results against previous quarter (Quarter 1, 2021 vs. Quarter 4, 2020)

For the first quarter ended 31 March 2021, the Group registered a turnover of RM1.45 billion, 5.8% higher compared to the fourth quarter of 2020, mainly due to higher sales during the Chinese New Year period.

Profit Before Tax was higher at RM220.4 million (+31.7 % vs the fourth quarter of 2020) primarily due to the higher sales achieved.

3 Current year prospects

We are confident to maintain solid growth momentum for the balance of the year and across businesses. We are encouraged by the signs of slow but firm recovery of OOH channels in the months ahead, while we have high confidence in the sustained momentum of our brands as preferred choices by Malaysian families. We will continue to work hard to meet their expectations and keep our brands close to their hearts and as part of their daily lives. The opening of our PBMS manufacturing facility goes in this direction of constantly looking at long term opportunities, investing early and being first to capture the opportunities offered by consumer's evolving expectations and demands.

In 2021 we will further renew our commitment with Malaysia by allocating RM300 million of capital expenditure to ramp up production capacity in several factories and upgrade technology for increased productivity and efficiency, as well as adoption of state-of-the-art automation and digitalization. We will also continue to drive our sustainability efforts across multiple fronts, with focus on Reforestation, Plastic Reduction/Collection and Recycling and constant effort to reduce the CO2 footprint of our operations.

With all the above in place, we think 2021 can shape up to be another solid year, with top line growth and resilient margins, even though a note of caution is needed, given the volatility in many commodity markets and the ongoing challenges to global supply chains derived from the global crisis in ocean freight transportation. While our hedging policies help us to mitigate these impacts over the next few months, we continue to monitor carefully the situation to anticipate and prevent any potential downside.

4 Profit forecast

We do not issue any profit forecast.

5 Tax expense

Current tax

Malaysian - current period/year
- prior year

Total current tax expense

Deferred tax

Origination and reversal of temporary differences
Over provision in prior year

Total deferred tax expense

Total income tax expense

3 months ended
31.03.2021
RM'000
45,992
(1,560)
44,432
(6,589)
7,372
783
45,215

6 Unquoted investments

Not applicable in this quarter.

7 Quoted investments

Not applicable to the Group.

8 Status of corporate proposals

There were no corporate proposals in this quarter.

9 Loans and borrowings

Group Borrowings and Debt Securities are:

	As at 31.03.2021 RM'000
Short term - Unsecured loans	
Bank overdraft	40,777
Total short term loans	40,777
Long term - Unsecured loans	
Loan from a related company	100,000
Total long term loans	100,000

10 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.03.2021 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	947,869	952,862	4,993	Less than 1 year
Commodity futures	6,304	7,588	1,284	Less than 1 year

11 Material litigation

Nestlé Products Sdn. Bhd. ("NPSB"), the wholly owned subsidiary of Nestlé (Malaysia) Berhad ("the Company") was served with a sealed Writ of Summons and Statement of Claim dated 6 March 2019, filed by Mad Labs Sdn. Bhd. ("Mad Labs"). The claim by Mad Labs against NPSB is for amongst others, the sum of RM139,344,262.25. An amended Writ of Summons dated 21 March 2019 was further filed by Mad Labs and served subsequently on 25 March 2019.

In the Statement of Claim, Mad Labs is alleging inter alia, the unauthorised and/or unlawful use of Mad Lab's QR Code, breach of an implied contract between Mad Labs and NPSB by reason of NPSB's continued use of the QR Code, unjust enrichment of NPSB by the use of the QR Code, compensation for the services which Mad Labs has rendered to NPSB and NPSB's negligence in using Mad Labs's QR Code on its products/packaging. NPSB has filed and served its Statement of Defence dated 22 April 2019 to dispute the claims made by Mad Labs. In addition to filing the Statement of Defence, NPSB has separately filed an action at the Intellectual Property Court ("IP Court") against Mad Labs and its sole director and shareholder, Chow Kien Loon ("CKL") for amongst others, to challenge the ownership of Mad Labs in the QR Code, negligence, unlawful interference with trade as well as defamation and trade libel. Mad Labs and CKL have been served the sealed Writ of Summons and Statement of Claim dated 23 April 2019 filed by NPSB through its solicitors.

On 9 December 2019, the Court has allowed the consolidation and transfer of Mad Labs' claim to the IP Court to be heard together with NPSB's claim. The IP Court has recently heard and disposed of an interlocutory striking out application filed by Mad Labs and CKL to remove CKL as a named defendant in the counter suit filed by NPSB against Mad Labs and CKL. On 21 October 2020, Mad Labs and CKL have filed a Notice of Appeal against the IP Court's dismissal of CKL's striking out application. The Court of Appeal has since on 20 January 2021 fixed the hearing date for the appeal to take place on 22 September 2021. Parties are to complete the filing of written submissions by 7 September before the appeal hearing.

Despite the Record of Appeal filed by Mad Labs and CKL, the pre-trial directions given by the IP Court remain valid and parties are required to complete the filing of trial documents as directed. Trial dates have been fixed to tentatively commence from 1 June 2021 till 4 June 2021.

Based on the opinion rendered by solicitors representing NPSB, Messrs. Zaid Ibrahim & Co., NPSB has a reasonably strong case against Mad Labs and CKL. Accordingly, the Board is of the opinion that no provision needs to be made for this claim.

12 Dividend

No dividend is proposed in this quarter.

13 Profit for the period

	3 months ended 31 Mar	
	2021 RM'000	2020 RM'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	38,129	35,192
Depreciation of right-of-use assets	9,091	8,426
Amortisation of intangible assets	290	392
Finance cost of lease liabilities	1,807	1,890
Property, plant and equipment written off	101	386
Net loss on derivatives	68	-
Impairment loss on trade receivables	-	35
Net foreign exchange loss	2,830	4,176
and after crediting:		
Gain on disposal of property, plant and equipment	22	115
Net gain on derivatives	-	29
Reversal of impairment loss on trade receivables	367	-
Reversal of provision of inventories	2,354	3,132

14 **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 31.03.2021					
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
Financial assets					
Commodity futures	1,324	-	-	1,324	1,324
Forward exchange contracts	-	12,576	-	12,576	12,576
Financial liabilities					
Forward exchange contracts	-	(7,583)	-	(7,583)	(7,583)
Commodity futures	(40)	-	-	(40)	(40)

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
Financial assets					
Loans to employees	-	-	18,589	18,589	18,589

As at 31.12.2020					
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
Financial assets					
Commodity futures	148	-	-	148	148
Forward exchange contracts	-	8,383	-	8,383	8,383
Financial liabilities					
Forward exchange contracts	-	(13,155)	-	(13,155)	(13,155)
Commodity futures	(67)	-	-	(67)	(67)

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
Financial assets					
Loans to employees	-	-	21,561	21,561	21,561

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 (2020: 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.

15 **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 RM175.2 million (RM186.3 million in March 2020) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2020).

b. Diluted earnings per share

Not applicable for the Group.

Date : 27 April, 2021

BY ORDER OF THE BOARD

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

Company Secretary