



Good food, Good life

**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 2022 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2022**

	3 months ended 31 March			3 months ended 31 March		
	2022 RM'000	2021 RM'000	%	2022 RM'000	2021 RM'000	%
<b>Revenue - Sale of goods</b>	<b>1,693,751</b>	<b>1,448,773</b>	<b>16.9%</b>	<b>1,693,751</b>	<b>1,448,773</b>	<b>16.9%</b>
Cost of sales	(1,117,989)	(929,919)		(1,117,989)	(929,919)	
<b>Gross profit</b>	<b>575,762</b>	<b>518,854</b>	<b>11.0%</b>	<b>575,762</b>	<b>518,854</b>	<b>11.0%</b>
Operating expenses	(277,993)	(290,874)		(277,993)	(290,874)	
<b>Operating profit</b>	<b>297,769</b>	<b>227,980</b>	<b>30.6%</b>	<b>297,769</b>	<b>227,980</b>	<b>30.6%</b>
Finance costs	(10,048)	(8,748)		(10,048)	(8,748)	
Finance income	550	651		550	651	
Share of profit of an equity-accounted associate, net of tax	376	494		376	494	
<b>Profit before tax</b>	<b>288,647</b>	<b>220,377</b>	<b>31.0%</b>	<b>288,647</b>	<b>220,377</b>	<b>31.0%</b>
Income tax expense	(83,467)	(45,215)		(83,467)	(45,215)	
<b>Profit after tax</b>	<b>205,180</b>	<b>175,162</b>	<b>17.1%</b>	<b>205,180</b>	<b>175,162</b>	<b>17.1%</b>
Minority interests	-	-		-	-	
<b>Profit after tax and minority interest</b>	<b>205,180</b>	<b>175,162</b>	<b>17.1%</b>	<b>205,180</b>	<b>175,162</b>	<b>17.1%</b>
<b>Profit for the period</b>	<b>205,180</b>	<b>175,162</b>	<b>17.1%</b>	<b>205,180</b>	<b>175,162</b>	<b>17.1%</b>
<b>Other comprehensive income, net of tax</b>						
<b>Item that may be reclassified to profit or loss in subsequent periods</b>						
Cash flow hedge	1,359	8,215		1,359	8,215	
<b>Total other comprehensive income for the period, net of tax</b>	<b>1,359</b>	<b>8,215</b>		<b>1,359</b>	<b>8,215</b>	
<b>Total comprehensive income for the period</b>	<b>206,539</b>	<b>183,377</b>	<b>12.6%</b>	<b>206,539</b>	<b>183,377</b>	<b>12.6%</b>
<b>Basic earnings per share (sen)</b>	<b>87.50</b>	<b>74.70</b>		<b>87.50</b>	<b>74.70</b>	
<b>Proposed/Declared dividend per share-net (sen)</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
	<b>AS AT END OF CURRENT QUARTER</b>			<b>AS AT PRECEDING FINANCIAL YEAR END</b>		
<b>Net assets per share attributable to owners of the parent (RM)</b>	2.35			2.48		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

	<b>As at 31.03.2022 RM'000</b>	<b>As at 31.12.2021 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	1,518,938	1,534,268
Right-of-use assets	200,525	208,232
Intangible assets	63,052	63,342
Investment in an associate	6,325	5,949
Deferred tax assets	29,534	23,874
Trade and other receivables	8,477	9,228
<b>Total non-current assets</b>	<b>1,826,851</b>	<b>1,844,893</b>
Trade and other receivables	470,933	377,050
Inventories	925,236	744,987
Current tax assets	-	11,003
Cash and bank balances	16,767	6,898
<b>Total current assets</b>	<b>1,412,936</b>	<b>1,139,938</b>
<b>Total assets</b>	<b>3,239,787</b>	<b>2,984,831</b>
<b>Equity</b>		
Share capital	267,500	267,500
Hedging reserve	615	(744)
Retained earnings	281,931	315,941
<b>Total equity attributable to owners of the parent</b>	<b>550,046</b>	<b>582,697</b>
<b>Liabilities</b>		
Loans and borrowings	200,000	100,000
Lease liabilities	135,399	141,351
Employee benefits	88,958	89,859
Deferred tax liabilities	151,723	142,496
<b>Total non-current liabilities</b>	<b>576,080</b>	<b>473,706</b>
Trade and other payables	1,973,595	1,626,072
Loans and borrowings	56,185	245,693
Lease liabilities	25,694	26,962
Current tax liabilities	58,187	29,701
<b>Total current liabilities</b>	<b>2,113,661</b>	<b>1,928,428</b>
<b>Total liabilities</b>	<b>2,689,741</b>	<b>2,402,134</b>
<b>Total equity and liabilities</b>	<b>3,239,787</b>	<b>2,984,831</b>
<b>Net assets per share attributable to owners of the parent (RM)</b>	<b>2.35</b>	<b>2.48</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2022**

	<i>Non-Distributable</i>		<i>Distributable</i>	<b>Total Equity</b> RM'000
	<b>Share capital</b> RM'000	<b>Hedging reserve</b> RM'000	<b>Retained earnings</b> RM'000	
<b>At 1 January 2021</b>	267,500	(3,534)	293,170	557,136
Cash flow hedge	-	8,215	-	8,215
Profit for the period	-	-	175,162	175,162
<b>Total comprehensive income for the period</b>	-	8,215	175,162	183,377
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2020	-	-	(215,740)	(215,740)
<b>At 31 March 2021</b>	267,500	4,681	252,592	524,773
<b>At 1 January 2022</b>	267,500	(744)	315,941	582,697
Cash flow hedge	-	1,359	-	1,359
Profit for the period	-	-	205,180	205,180
<b>Total comprehensive income for the period</b>	-	1,359	205,180	206,539
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2021	-	-	(239,190)	(239,190)
<b>At 31 March 2022</b>	267,500	615	281,931	550,046

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2022**

	<b>3 months ended</b> <b>31.03.2022</b> RM'000	<b>3 months ended</b> <b>31.03.2021</b> RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	288,647	220,377
<i>Adjustments for:</i>		
Amortisation and depreciation	48,220	47,510
Net finance costs	9,498	8,097
Gain on disposal of property, plant and equipment	(366)	(22)
<i>Add/ Less:</i>		
Movement in working capital	(166,045)	45,067
Income tax paid	(40,840)	(43,580)
Others	1,524	562
<b>Net cash from operating activities</b>	<b>140,638</b>	<b>278,011</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(25,454)	(43,336)
Proceeds from disposal of property, plant and equipment	911	276
Others	550	651
<b>Net cash used in investing activities</b>	<b>(23,993)</b>	<b>(42,409)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(10,048)	(8,748)
Repayment of borrowings	(100,000)	(220,000)
Payment of lease liabilities	(7,220)	(7,195)
<b>Net cash used in financing activities</b>	<b>(117,268)</b>	<b>(235,943)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(623)</b>	<b>(341)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(3,795)</b>	<b>(28,342)</b>
<b>Cash and cash equivalents at 31 March</b>	<b>(4,418)</b>	<b>(28,683)</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

## 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 2021.

**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:

3 months ended 31 March 2022	
Assets acquired RM'000	Assets disposed / write-off RM'000
Building (improvements and additions)	-
Plant and machinery, tools, furniture and equipment (include Asset Under Construction)	16
Motor vehicles	536
Information systems	9
<b>25,454</b>	<b>561</b>

**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.

**Segment revenue and results**

Revenue  
Operating Profit

3 months ended 31 March 2022		
Food & Beverages RM'000	Others RM'000	Total RM'000
1,399,666	294,085	1,693,751
260,233	37,876	298,109

**Segment revenue and results**

Revenue  
Operating Profit

3 months ended 31 March 2021		
Food & Beverages RM'000	Others RM'000	Total RM'000
1,216,393	232,380	1,448,773
210,605	17,785	228,390

The comments on page 6 apply to both segments Food & Beverages (83% of total sales) and Others (17% of total sales).

**Reconciliations of reportable segment operating profit:**

Total operating profit for reported segments  
Other unallocated expense  
**Consolidated operating profit**

3 months ended 31.03.2022 RM'000	3 months ended 31.03.2021 RM'000
298,109	228,390
(340)	(410)
<b>297,769</b>	<b>227,980</b>

**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 8.

**13 Related party transactions**

Transactions related to Nestlé S.A. and companies owned by Nestlé S.A. and other affiliates are as follows:

Sales of goods  
Rendering of services  
Purchases of goods and services  
Royalty expenses  
IT shared service expenses  
Finance costs

3 months ended 31.03.2022 RM'000
319,809
8,705
407,096
83,503
12,432
932

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, 2022 vs Quarter 1, 2021)

For the first quarter ended 31 March 2022, total turnover for the Group increased by 16.9% from RM1.45 billion to RM1.69 billion. This was driven by both higher Domestic and Export sales, growing 14.9% and 25.3% respectively. Strong performance in both the core Food and Beverage (F&B) business and the Out-of-Home (OOH) business under Nestlé Professional has benefitted from the increased mobility and re-opening of Hotel, Restaurant & Café (HORECA) channels post lockdown.

As we mark Nestlé's 110th year in Malaysia, we see solid consumption momentum, supported by our demand generation efforts as well as the solid operational execution by our factories, logistics and sales teams. We remain focused in delivering high-quality, great-tasting and nutritious products that meet the diverse needs of Malaysians, alongside ensuring excellence execution in consumer communications, digital engagement and in-store activities.

The Group introduced several exciting new products during the quarter. This included the low fat, low salt MAGGI Nutri-licious Noodles range, certified with the Ministry of Health's Healthier Choice Logo, as well as NESCAFÉ Tarik Mixes and MAGGI Chicken Marinade Pastes. The Ice Cream segment also saw new launches such as the NESTLÉ Musang King Ice Cream, NESTLÉ Mochi Boba Ice Cream and LA CREMERIA Chocolate Brownie Fudge with Seasalt. All these products are meeting great initial response across Malaysia.

The Group recorded a higher Profit Before Tax (PBT) and Profit After Tax (PAT) for the quarter, at RM288.6 million and RM205.2 million respectively. PBT was supported by stronger sales coupled with lower COVID-19 related expenses compared with the same period last year. These improved results were achieved despite the impact of increased commodity prices, as well as the impact of the Cukai Makmur (Prosperity Tax) on PAT.

We continued to accelerate our sustainability agenda during the quarter. 100% of our electricity needs come now from the green tariff enabled by the Ministry of Energy and Natural Resources (KeTSA) in Q4 2021. We are building on the positive response to our kerbside collection and recycling programme to expand the initiative to more communities, including Kuala Lumpur through a partnership with Alam Flora Environmental Solutions Sdn Bhd. Additionally, via our Project RELeaf reforestation initiative, we conducted the first tree planting activity with Sime Darby Plantation Berhad, contributing to our goal of planting three million trees by 2023. We are also transitioning many of our PET Ready to Drink bottles to recycled PET.

Last, but not least, we also recently embarked on a partnership with Universiti Putra Malaysia to spearhead the Putra Community Nutrition Ambassador Programme. Under this one-year programme, we aim to empower 100 mothers to inspire healthier and more sustainable lifestyles among People's Housing Project (PPR) communities in the Klang Valley.

### 2 Variation of results against previous quarter (Quarter 1, 2022 vs. Quarter 4, 2021)

For the first quarter ended 31 March 2022, the Group registered a turnover of RM1.69 billion, 15.5% higher compared to the fourth quarter of 2021, mainly due to higher sales during the Chinese New Year period.

Profit Before Tax was higher at RM288.6 million, mainly due to the higher sales and lower COVID-19 related expenses.

### 3 Current year prospects

We are confident in sustaining growth momentum across the year, even if we see growth levelling down from current high levels in the coming quarters.

The global environment remains very challenging, with widespread inflation gaining traction across the world and also in Asia, aggravated by the war in Ukraine impacting further prices and availability of key food commodities such as wheat, barley and sunflower oils.

Overall, 2022 is shaping as a year of solid growth in the top line and some pressure on the bottom line as we do our best to balance the tensions on our cost value chain with internal efficiencies and moderate price increases.

Despite the foreseeable hurdles, we aim to continue leveraging on all possible opportunities to drive another year of solid and resilient results, whilst making meaningful progress in our ESG agenda to contribute to Malaysia's sustainable progress.

### 4 Profit forecast

We do not issue any profit forecast.

**5 Income tax expense****Current tax**

Malaysian - current period

**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 31.03.2022 RM'000	
	80,329
	<b>80,329</b>
	3,114
	24
	<b>3,138</b>
	<b>83,467</b>

The Group's effective tax rate for the current quarter was 28.9% due to the impact of Cukai Makmur (Prosperity Tax) for YA2022.

**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:

**Short term - Unsecured loans**

Revolving credit

Bank overdraft

**Total short term loans****Long term - Unsecured loans**

Loan from a related company

**Total long term loans**

As at 31.03.2022 RM'000	
	35,000
	21,185
	<b>56,185</b>
	200,000
	<b>200,000</b>

The Group has obtained a long-term unsecured loan from Nestlé Treasury Centre-Asia Pacific of additional RM100 million in March 2022 and repayable in December 2023.

**10 Derivatives****(a) Summary of outstanding derivative assets / (liabilities) as at 31.03.2022 :**

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,003,545	1,003,257	(288)	Less than 1 year

**(b) Fair value changes of financial liabilities**

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

**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 and subsequently on 11 January 2022, the Court of Appeal has dismissed CKL's appeal with cost awarded to Nestlé.

The high court trial at the IP Court which commenced on 10 June 2021 remains on-going. The Court has since fixed 26 April 2022 for case management.

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****Profit for the period is arrived at after charging:**

Depreciation of property, plant and equipment  
 Depreciation of right-of-use assets  
 Amortisation of intangible assets  
 Finance cost of lease liabilities  
 Property, plant and equipment written off  
 Net loss on derivatives  
 Provision and write off of inventories  
 Net foreign exchange loss

**and after crediting:**

Gain on disposal of property, plant and equipment  
 Net gain on derivatives  
 Reversal of impairment loss on trade receivables  
 Reversal of provision of inventories

3 months ended 31 March	
2022	2021
RM'000	RM'000
40,223	38,129
7,707	9,091
290	290
1,535	1,807
16	101
-	68
404	-
2,083	2,830
366	22
7	-
136	367
-	2,354

**14 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 RM205.2 million (RM175.2 million in March 2021) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2021).

**b. Diluted earnings per share**

Not applicable for the Group.

**BY ORDER OF THE BOARD**  
**Tengku Ida Adura Binti Tengku Ismail**  
**Company Secretary**  
**(SSM PC No. 201908001581)**  
**(MACS 01686)**

**Date : 26 April, 2022**