



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 2023 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2023**

	3 months ended 31 March			3 months ended 31 March		
	2023 RM'000	2022 RM'000	%	2023 RM'000	2022 RM'000	%
<b>Revenue - Sale of goods</b>	<b>1,842,409</b>	<b>1,693,751</b>	<b>8.8%</b>	<b>1,842,409</b>	<b>1,693,751</b>	<b>8.8%</b>
Cost of sales	(1,279,048)	(1,117,989)		(1,279,048)	(1,117,989)	
<b>Gross profit</b>	<b>563,361</b>	<b>575,762</b>	<b>-2.2%</b>	<b>563,361</b>	<b>575,762</b>	<b>-2.2%</b>
Operating expenses	(286,303)	(277,993)		(286,303)	(277,993)	
<b>Operating profit</b>	<b>277,058</b>	<b>297,769</b>	<b>-7.0%</b>	<b>277,058</b>	<b>297,769</b>	<b>-7.0%</b>
Finance costs	(14,915)	(10,048)		(14,915)	(10,048)	
Finance income	78	550		78	550	
Share of profit of an equity-accounted associate, net of tax	96	376		96	376	
<b>Profit before tax</b>	<b>262,317</b>	<b>288,647</b>	<b>-9.1%</b>	<b>262,317</b>	<b>288,647</b>	<b>-9.1%</b>
Income tax expense	(65,172)	(83,467)		(65,172)	(83,467)	
<b>Profit after tax</b>	<b>197,145</b>	<b>205,180</b>	<b>-3.9%</b>	<b>197,145</b>	<b>205,180</b>	<b>-3.9%</b>
Minority interests	-	-		-	-	
<b>Profit after tax and minority interest</b>	<b>197,145</b>	<b>205,180</b>	<b>-3.9%</b>	<b>197,145</b>	<b>205,180</b>	<b>-3.9%</b>
<b>Profit for the period</b>	<b>197,145</b>	<b>205,180</b>	<b>-3.9%</b>	<b>197,145</b>	<b>205,180</b>	<b>-3.9%</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	499	1,359		499	1,359	
<b>Total other comprehensive income for the period, net of tax</b>	<b>499</b>	<b>1,359</b>		<b>499</b>	<b>1,359</b>	
<b>Total comprehensive income for the period</b>	<b>197,644</b>	<b>206,539</b>	<b>-4.3%</b>	<b>197,644</b>	<b>206,539</b>	<b>-4.3%</b>
<b>Basic earnings per share (sen)</b>	<b>84.07</b>	<b>87.50</b>		<b>84.07</b>	<b>87.50</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>	2.29			2.67		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2022.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2023**

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
<b>Assets</b>		
Property, plant and equipment	1,659,234	1,669,316
Right-of-use assets	178,068	184,583
Intangible assets	61,894	62,183
Investment in an associate	6,384	6,288
Deferred tax assets	26,522	24,140
Trade and other receivables	8,259	8,283
<b>Total non-current assets</b>	<b>1,940,361</b>	<b>1,954,793</b>
Trade and other receivables	475,128	445,201
Inventories	1,016,338	1,115,083
Current tax assets	23,520	30,763
Cash and bank balances	10,664	8,171
<b>Total current assets</b>	<b>1,525,650</b>	<b>1,599,218</b>
<b>Total assets</b>	<b>3,466,011</b>	<b>3,554,011</b>
<b>Equity</b>		
Share capital	267,500	267,500
Hedging reserve	(6,896)	(7,395)
Retained earnings	277,266	366,211
<b>Total equity attributable to owners of the parent</b>	<b>537,870</b>	<b>626,316</b>
<b>Liabilities</b>		
Loans and borrowings	300,000	300,000
Lease liabilities	113,840	120,036
Employee benefits	83,265	84,267
Deferred tax liabilities	167,385	164,421
<b>Total non-current liabilities</b>	<b>664,490</b>	<b>668,724</b>
Trade and other payables	1,942,188	1,724,873
Loans and borrowings	284,232	486,890
Lease liabilities	27,701	27,496
Current tax liabilities	9,530	19,712
<b>Total current liabilities</b>	<b>2,263,651</b>	<b>2,258,971</b>
<b>Total liabilities</b>	<b>2,928,141</b>	<b>2,927,695</b>
<b>Total equity and liabilities</b>	<b>3,466,011</b>	<b>3,554,011</b>
<b>Net assets per share attributable to owners of the parent (RM)</b>	<b>2.29</b>	<b>2.67</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2022.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2023**

	<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 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
<b>At 1 January 2023</b>	267,500	(7,395)	366,211	626,316
Cash flow hedge	-	499	-	499
Profit for the period	-	-	197,145	197,145
<b>Total comprehensive income for the period</b>	-	499	197,145	197,644
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2022	-	-	(286,090)	(286,090)
<b>At 31 March 2023</b>	267,500	(6,896)	277,266	537,870

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2022.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2023**

	<b>3 months ended</b> <b>31.03.2023</b> RM'000	<b>3 months ended</b> <b>31.03.2022</b> RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	262,317	288,647
<i>Adjustments for:</i>		
Amortisation and depreciation	50,275	48,220
Net finance costs	14,837	9,498
Gain on disposal of property, plant and equipment	(56)	(366)
Net write-down of slow moving inventories	14,899	404
<i>Add/Less:</i>		
Movement in working capital	(16,516)	(166,045)
Income tax paid	(67,687)	(40,840)
Others	2,033	1,120
<b>Net cash from operating activities</b>	<b>260,102</b>	<b>140,638</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(33,378)	(25,454)
Proceeds from disposal of property, plant and equipment	97	911
Others	78	550
<b>Net cash used in investing activities</b>	<b>(33,203)</b>	<b>(23,993)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(14,915)	(10,048)
Repayment of borrowings	(50,000)	(100,000)
Payment of lease liabilities	(6,833)	(7,220)
<b>Net cash used in financing activities</b>	<b>(71,748)</b>	<b>(117,268)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>155,151</b>	<b>(623)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(178,719)</b>	<b>(3,795)</b>
<b>Cash and cash equivalents at 31 March</b>	<b>(23,568)</b>	<b>(4,418)</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2022.

**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 2022.

**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:

Building (improvements and additions)  
 Plant and machinery, tools, furniture and equipment (including Asset Under Construction)  
 Motor vehicles  
 Information systems

3 months ended 31 March 2023	
Assets acquired RM'000	Assets disposed / write-off RM'000
1,056	131
30,544	636
-	31
1,778	33
<b>33,378</b>	<b>831</b>

**b. Right-of-use**

As at the end of this quarter, the movement in the right-of-use assets is as follow:

Tools and equipment

3 months ended 31 March 2023	
Addition & modification RM'000	Derecognition RM'000
842	-
<b>842</b>	-

**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 March 2023			
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	1,531,062	311,347	1,842,409
Operating Profit	242,867	34,529	277,396

3 months ended 31 March 2022			
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenue and results</b>			
Revenue	1,399,666	294,085	1,693,751
Operating Profit	260,233	37,876	298,109

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:**

	3 months ended 31.03.2023 RM'000	3 months ended 31.03.2022 RM'000
Total operating profit for reported segments	277,396	298,109
Other unallocated expense	(338)	(340)
<b>Consolidated operating profit</b>	<b>277,058</b>	<b>297,769</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:

	3 months ended 31.03.2023 RM'000
Sales of goods	325,376
Rendering of services	9,296
Purchases of goods and services	450,596
Purchases of plant and equipment	9,239
Royalty expenses	91,788
IT shared service expenses	13,549
Finance costs	3,743

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, 2023 vs Quarter 1, 2022)

For the first quarter ended 31 March 2023, the Group delivered a higher turnover of RM1.84 billion, an increase of 8.8% from RM1.69 billion in the same quarter of 2022. This was driven by improved domestic and export sales, which increased by 10% and 4% respectively on the back of a strong baseline in the previous year. Performance was very solid both in the core Food & Beverage (F&B) business as well as the Out-of-Home business under Nestlé Professional, which continued to be on a positive post-pandemic trajectory. However, Profit After Tax decreased by 3.9% due to higher commodity prices and unfavourable exchange rates, with various cost mitigation measures implemented to minimize the impact on consumers and to protect margins.

In line with our mission, our performance continues to be based on delivering high-quality, great-tasting and nutritious products that meet the diverse needs of Malaysians. Our wide product portfolio and continuous product innovation help us to remain well in tune with consumers' expectations. This focused strategy is well supported by effective consumer engagement and excellence in sales execution across all relevant channels and platforms, including digital and on-ground activation.

Reflecting its product innovation focus, the Group introduced exciting offerings in the quarter under review such as the KIT KAT Pink Ice Cream which was a huge success through the Lunar New Year festivities, amongst other Ice Cream innovations. The Group also rolled out improved taste and texture versions of its HARVEST GOURMET plant-based burger as well as a number of important new launches such as the STARBUCKS Ready-to-Drink range and the 2023 edition of NESCAFÉ Classic Kopi Kedah, made with 100% Malaysian home-grown coffee beans. At the end of the quarter, MAGGI introduced its newest Curry Stock Cube, set to become a favourite choice amongst Malaysian home cooks.

For the quarter under review, the Group recorded a Profit Before Tax and Profit After Tax of RM262.3 million and RM197.1 million respectively, slightly lower compared with the high profits achieved in the same quarter last year, before the escalation of commodity costs that followed from Q2 2022.

We remain focused on delivering solid financial performance while advancing our Environmental, Social and Governance (ESG) agenda. Amongst other initiatives, this included expanding our NESCAFÉ Grown Respectfully programme to Kelantan with the aim of further developing local coffee farming. When it comes to progressing towards plastic neutrality, our door-to-door waste collection project continues to advance and we are already reaching nearly 140,000 households. Project RELeaf also continues to advance, and we are going to complete very soon the first of the 3 million trees to be planted under this programme.

Alongside this, we continued to support vulnerable communities through various programmes, such as our Back-to-School initiative in collaboration with Empire Project, providing 2,500 students and 1,200 households with school essentials and F&B products totalling close to RM800,000. In addition, as part of our annual initiative to provide support to communities in need during the holy month of Ramadan, we distributed more than 185,000 bowls of wholesome MAGGI *bubur lambuk* meals across the nation; as well as donated 20,000 pints of LA CREMERIA Nestlé Ice Cream to bring some joyful moments of celebration to these communities.

### 2 Variation of results against previous quarter (Quarter 1, 2023 vs. Quarter 4, 2022)

For the first quarter ended 31 March 2023, the Group registered a turnover of RM1.84 billion, 11.8% higher compared to the fourth quarter of 2022, mainly due to higher sales during the Chinese New Year period.

Profit Before Tax was higher at RM262.3 million, mainly due to the higher sales and lower operating expenses.

### 3 Current year prospects

The global turbulences continue in 2023. While headline inflation has started to decline, it is still elevated, compounded by uncertainties in commodity prices and currency rates. Recent disruptions in financial markets have also exposed global vulnerabilities, with some downside risks for the global economy affecting potentially the dynamism of our export markets.

Nevertheless, while food commodity prices are expected to remain high through the first half of the year, we are optimistic this will improve in the latter half of the year. Over the long-term, we remain confident in the prospects of Malaysia, as demonstrated by our next wave of capital investments, with RM1.0 billion planned for the 2023 – 2025 cycle.

As we move forward, we are dedicated to accelerating our ESG objectives, with clear plans in place. This includes reducing our carbon emissions directly by reducing our emissions and indirectly through our reforestation efforts such as Project RELeaf. We will further phase out virgin plastics and support local farmers to transition towards regenerative agriculture through our Farmer Connect programmes. In tandem, to drive sustainable growth, we will continue to uphold the trust of Malaysians by reinforcing our capabilities to deliver products that consistently fulfil consumer expectations for quality, nutrition and taste.

### 4 Profit forecast

We do not issue any profit forecast.

**5 Income tax expense**

3 months ended 31.03.2023 RM'000
64,748
<b>64,748</b>
(387)
811
<b>424</b>
<b>65,172</b>

**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**

The Group's effective tax rate for the current quarter was 24.8% which was higher than the 24.0% statutory tax rate mainly due to certain expenses were not deductible for tax purposes.

**6 Unquoted investments**

Not applicable in this quarter.

**7 Quoted investments**

Not applicable to the Group.

**8 Status of corporate proposals**

On 22 February 2023, the Group has entered into a conditional share purchase agreement with Wyeth (Hong Kong) Holding Company Limited for the acquisition of the entire equity interest in Wyeth Nutrition (Malaysia) Sdn. Bhd. for a cash consideration of RM165.0 million which are subject to the approval of shareholders in the coming Extraordinary General Meeting.

**9 Loans and borrowings**

Group Borrowings and Debt Securities are:

As at 31.03.2023 RM'000
250,000
34,232
<b>284,232</b>
300,000
<b>300,000</b>

**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**

**10 Derivatives**

**(a) Summary of outstanding derivative assets / (liabilities) as at 31.03.2023 :**

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,040,256	1,035,495	(4,761)	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 Kuala Lumpur High Court has allowed the consolidation and transfer of Mad Labs' claim to the IP Court to be heard together with NPSB's claim. The high court trial at the IP Court which commenced on 10 June 2021 remains on-going. Parties have since completed (i) cross-examining and re-examining of all trial witnesses that were called/subpoenaed; (ii) the filing of all written submissions on 20 February 2023; and (iii) all oral submissions by their respective representing solicitors before the Judge on 10 April 2023. The IP Court has fixed 1 June 2023 for decision to be delivered.

Based on the initial opinion rendered by Messrs. Zaid Ibrahim & Co., the then solicitors of NPSB, 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  
 Impairment loss on trade receivables  
 Net write-down of slow moving 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  
 Net foreign exchange gain

3 months ended 31 March	
2023 RM'000	2022 RM'000
42,629	40,223
7,357	7,707
289	290
1,338	1,535
790	16
106	-
32	-
14,899	404
-	2,083
56	366
-	7
-	136
4,794	-

**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 RM197.1 million (RM205.2 million in March 2022) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2022).

**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 : 25 April, 2023**