



Nestlé
Good food, Good life

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

The Directors are pleased to present the following report for the period ended 30 September 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

	3 months ended 30 September			9 months ended 30 September		
	2024 RM'000	2023 RM'000	%	2024 RM'000	2023 RM'000	%
Revenue - Sale of goods	1,446,183	1,772,261	-18.4%	4,752,028	5,365,592	-11.4%
Cost of sales	(993,907)	(1,210,261)		(3,260,767)	(3,675,546)	
Gross profit	452,276	562,000	-19.5%	1,491,261	1,690,046	-11.8%
Operating expenses	(330,450)	(346,750)		(954,904)	(943,733)	
Operating profit	121,826	215,250	-43.4%	536,357	746,313	-28.1%
Finance costs	(17,511)	(15,121)		(46,449)	(44,409)	
Finance income	101	174		182	274	
Share of (loss)/profit of an equity-accounted associate, net of tax	(308)	(29)		(921)	254	
Profit before tax	104,108	200,274	-48.0%	489,169	702,432	-30.4%
Income tax expense	(18,697)	(66,572)		(114,648)	(190,666)	
Profit after tax	85,411	133,702	-36.1%	374,521	511,766	-26.8%
Minority interests	-	-		-	-	
Profit after tax and minority interest	85,411	133,702	-36.1%	374,521	511,766	-26.8%
Profit for the period	85,411	133,702	-36.1%	374,521	511,766	-26.8%
Other comprehensive income, net of tax						
Item that may be reclassified to profit or loss in subsequent periods						
Cash flow hedge	(13,795)	5,056		(13,257)	6,874	
Total other comprehensive (loss)/income for the period, net of tax	(13,795)	5,056		(13,257)	6,874	
Total comprehensive income for the period	71,616	138,758	-48.4%	361,264	518,640	-30.3%
Basic earnings per share (sen)	36.42	57.02		159.71	218.24	
Proposed/Declared dividend per share-net (sen)	35.00	70.00		105.00	140.00	
	AS AT END OF CURRENT QUARTER			AS AT PRECEDING FINANCIAL YEAR END		
Net assets per share attributable to owners of the parent (RM)	2.44			2.88		

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024**

	As at 30.09.2024 RM'000	As at 31.12.2023 RM'000
Assets		
Property, plant and equipment	1,764,087	1,749,545
Right-of-use assets	212,984	237,703
Intangible assets	234,361	234,360
Investment in an associate	5,051	5,972
Deferred tax assets	12,709	26,765
Trade and other receivables	9,482	8,871
Total non-current assets	2,238,674	2,263,216
Trade and other receivables	478,789	462,968
Inventories	835,239	831,435
Current tax assets	16,569	565
Cash and bank balances	31,739	11,038
Total current assets	1,362,336	1,306,006
Total assets	3,601,010	3,569,222
Equity		
Share capital	267,500	267,500
Hedging reserve	(13,514)	(257)
Retained earnings	317,864	407,653
Total equity attributable to owners of the parent	571,850	674,896
Liabilities		
Loans and borrowings	300,000	300,000
Lease liabilities	148,068	170,202
Employee benefits	23,598	87,229
Deferred tax liabilities	188,410	199,011
Total non-current liabilities	660,076	756,442
Trade and other payables	1,665,741	1,671,552
Loans and borrowings	652,652	419,796
Lease liabilities	33,870	33,164
Current tax liabilities	16,821	13,372
Total current liabilities	2,369,084	2,137,884
Total liabilities	3,029,160	2,894,326
Total equity and liabilities	3,601,010	3,569,222
Net assets per share attributable to owners of the parent (RM)	2.44	2.88

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2024**

	<i>Non-Distributable</i>		<i>Distributable</i>	Total Equity RM'000
	Share capital RM'000	Hedging reserve RM'000	Retained earnings RM'000	
At 1 January 2023	267,500	(7,395)	366,211	626,316
Cash flow hedge	-	6,874	-	6,874
Profit for the period	-	-	511,766	511,766
Total comprehensive income for the period	-	6,874	511,766	518,640
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2022	-	-	(286,090)	(286,090)
- Interim dividend for the year 2023	-	-	(164,150)	(164,150)
At 30 September 2023	267,500	(521)	427,737	694,716
At 1 January 2024	267,500	(257)	407,653	674,896
Cash flow hedge	-	(13,257)	-	(13,257)
Profit for the period	-	-	374,521	374,521
Total comprehensive income for the period	-	(13,257)	374,521	361,264
<u>Dividends to owners of the parent</u>				
- Interim dividend for the year 2023	-	-	(300,160)	(300,160)
- Interim dividend for the year 2024	-	-	(164,150)	(164,150)
At 30 September 2024	267,500	(13,514)	317,864	571,850

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024**

	9 months ended 30.09.2024 RM'000	9 months ended 30.09.2023 RM'000
Cash flows from operating activities		
Profit before tax	489,169	702,432
<i>Adjustments for:</i>		
Amortisation and depreciation	162,820	153,713
Impairment loss on property, plant and equipment	35,649	47,999
Net finance costs	46,267	44,135
(Loss)/Gain on disposal of property, plant and equipment	(325)	820
Net write-down of slow moving inventories	1,153	741
<i>Add/Less:</i>		
Movement in working capital	(207,279)	127,101
Income tax paid	(119,562)	(171,929)
Retirement benefit paid	(66,458)	(7,280)
Others	2,798	10,179
Net cash from operating activities	344,232	907,911
Cash flows from investing activities		
Acquisition of property, plant and equipment	(187,145)	(188,387)
Acquisition of a subsidiary, net of cash acquired	-	(151,090)
Proceeds from disposal of property, plant and equipment	1,402	1,042
Others	182	694
Net cash used in investing activities	(185,561)	(337,741)
Cash flows from financing activities		
Finance costs paid	(46,449)	(44,409)
Proceeds from/(repayment of) borrowings	150,000	(10,000)
Dividends paid	(300,160)	(286,090)
Payment of lease liabilities	(24,217)	(20,423)
Net cash used in financing activities	(220,826)	(360,922)
Net (decrease)/increase in cash and cash equivalents	(62,155)	209,248
Cash and cash equivalents at 1 January	(8,758)	(178,719)
Cash and cash equivalents at 30 September	(70,913)	30,529

This financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2023.

NOTES TO THE FINANCIAL REPORT

1 Basis of preparation

This 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 2023.

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 Sep 2024		9 months ended 30 Sep 2024	
	Assets acquired RM'000	Assets disposed / write-off RM'000	Assets acquired RM'000	Assets disposed / write-off RM'000
Building (improvements and additions)	7,354	17	10,850	17
Plant and machinery, tools, furniture and equipment (including Asset Under Construction)	53,174	445	173,670	1,584
Motor vehicles	-	-	393	30
Information systems	1,332	-	2,232	11
	61,860	462	187,145	1,642

b. Right-of-use

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

	3 months ended 30 Sep 2024		9 months ended 30 Sep 2024	
	Addition RM'000	Derecognition RM'000	Addition RM'000	Derecognition RM'000
Building	239	-	2,789	-
	239	-	2,789	-

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 Chief Executive Officer and Chief Financial Officer.

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

9 months ended 30 September 2024		
Food & Beverages RM'000	Others RM'000	Total RM'000
3,676,496	1,075,532	4,752,028
395,926	141,785	537,711

Segment revenue and results

Revenue
Operating Profit

9 months ended 30 September 2023		
Food & Beverages RM'000	Others RM'000	Total RM'000
4,389,050	976,542	5,365,592
638,516	108,809	747,325

The comments on page 6 apply to both segments Food & Beverages (77% of total sales) and Others (23% of total sales).

Reconciliations of reportable segment operating profit:

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

9 months ended 30.09.2024 RM'000	9 months ended 30.09.2023 RM'000
537,711	747,325
(1,354)	(1,012)
536,357	746,313

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 Material events subsequent to the current quarter

There were no material events subsequent to the current quarter up to the date of this report.

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 12 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
Purchases of plant and equipment
Royalty expenses
IT shared service expenses

3 months ended 30.09.2024 RM'000	9 months ended 30.09.2024 RM'000
322,581	924,045
12,937	39,132
421,235	1,577,385
4,437	48,027
69,516	234,077
22,172	54,469

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 3, 2024 vs Quarter 3, 2023)

During the third quarter of 2024, the Group reported a turnover of RM1.45 billion. This represents a decrease of 18.4% compared to the same period in the previous year which recorded exceptionally high sales. This decline was chiefly attributed to the reduction in domestic sales, which is impacted by consumer hesitancy amidst cautious spending and affordability concerns.

The Group reiterates its previous guidance about returning to healthy growth latest by end of H1 2025 based on its solid fundamentals. The Group's focus on delivering high-quality, nutritious, and great-tasting Halal products that offer value to consumers allows it to protect its solid market leadership and to remain resilient in a very challenging external context. The Group remains attuned to evolving consumer trends and to ensure that all core brands and products continue to meet the expectations of Malaysian consumers and to win in the marketplace. Internally, the Group is driving a rigorous efficiency program enabled by digitalization, that is unlocking resources at different levels, helping to support brand investments while protecting its margins.

On the innovation front, the Group has recently added NESCAFÉ Gold to its range of Ready-To-Drink products with very positive market acceptance. It has also introduced the MAGGI Syiok range of premium noodles and launched the KIT KAT Beverages Mix drink. Additionally, the introduction of new varieties in ice cream and limited edition products such as KIT KAT Candy Crush demonstrates the Company's commitment to meet diverse consumer preferences through the extension of its core range with relevant innovations.

Profit Before Tax (PBT) and Profit After Tax (PAT) amounted to RM104.1 million and RM85.4 million respectively, reflecting the impact of lower turnover alongside our ongoing efforts to enhance internal efficiencies and implement cost-saving initiatives. During the quarter, the Group recognized impairment losses on certain assets following a comprehensive assessment of their recoverable amounts and as part of ongoing efforts to constantly adapt its asset footprint to future business requirements.

2 Review of performance (Year-to-date, 2024 vs Year-to-date, 2023)

For the first nine months ended 30 September 2024, the Group's turnover decreased by 11.4% to RM4.75 billion from a historic high number of RM5.37 billion in the same period last year. Consumer hesitancy and cautious spending remain the key factor for the decrease with some signs of progressive improvement in the later part of the quarter.

The Group registered healthy PBT of RM489.2 million and PAT of RM374.5 million respectively, for the first nine months of the year.

In line with the Group's commitment to delivering value for shareholders, the Board declared a second interim dividend of RM0.35 per share for the financial year ending 31 December 2024.

3 Variation of results against previous quarter (Quarter 3, 2024 vs Quarter 2, 2024)

For the third quarter ended 30 September 2024, the Group reported a turnover of RM1.45 billion, representing a 5.1% decrease compared to the second quarter of 2024.

Consequently, PBT decreased to RM104.1 million, reflecting the lower sales and some pressure on key commodity price and foreign exchange impacts.

4 Current year prospects

While market conditions are expected to remain challenging but progressively improving in the near term, the Group anticipates a return to healthy growth by the first half of 2025. We remain confident in our fundamental strength as the leading FMCG player across the multiple categories where we compete. We will continue to build trust in our brands through our responsible corporate actions and by offering Malaysians the best range of great tasting Halal products that meet their health, nutrition and lifestyle expectations under brands they trust. As we have done through our 112 years of presence in the Nation, we will continue to invest in Malaysia for the long run, creating jobs and development opportunities for Malaysians and contributing to the betterment of communities and the planet.

5 Profit forecast

We do not issue any profit forecast.

6 **Income tax expense**

	3 months ended 30.09.2024 RM'000	9 months ended 30.09.2024 RM'000
Current tax		
Malaysian - Current period	27,119	108,878
- Over provision in prior year	(1,871)	(1,871)
Total current tax expense	25,248	107,007
Deferred tax		
Origination and reversal of temporary differences	454	13,892
Over provision in prior year	(7,005)	(6,251)
Total deferred tax (income)/expense	(6,551)	7,641
Total income tax expense	18,697	114,648

The Group's effective tax rates for the current quarter and nine months ended 30 September 2024 were 18.0% and 23.4% respectively. The effective tax rates were lower than the 24.0% statutory tax rate mainly due to the overprovision for prior years tax expenses accounted for at time of submission of tax return.

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 announced but not completed at the date of this report.

10 **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 financial institution

Total long term loans

As at 30.09.2024 RM'000
550,000
102,652
652,652
300,000
300,000

11 **Derivatives**

a. **Summary of outstanding derivative assets / (liabilities) as at 30.09.2024 :**

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,391,786	1,358,252	(33,534)	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.

12 Material litigation

In March 2019, Nestlé Products Sdn. Bhd. ("NPSB" or "the Appellant"), a subsidiary of Nestlé (Malaysia) Berhad, was served with a Writ of Summons and Statement of Claim by Mad Labs Sdn. Bhd. ("Mad Labs"), seeking for amongst others, the sum amounting to RM139,344,262.25. Mad Labs alleged unauthorised use of their QR Code, breach of an implied contract, unjust enrichment and negligence. NPSB subsequently filed its Statement of Defence and a separate action against Mad Labs and its sole Director and shareholder, Chow Kien Loon 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. Both suits filed by Mad Labs and NPSB were subsequently consolidated and heard by the High Court (Intellectual Property Division). The trial which commenced in June 2021 concluded in April 2023, with the High Court delivering the following oral findings:

- Mad Labs does not own any intellectual property rights in the QR Code. Damages on royalty basis amounting to RM139,344,262.25 was dismissed;
- Mad Labs' claim for breach of an implied contract was dismissed;
- Mad Labs and its director were negligent; damages to be assessed in favor of NPSB;
- NPSB's report to the Malaysian Communications and Multimedia Commission was not malicious;
- While Mad Labs lacks ownership in the QR Code, it was generated by and under the exclusive control of Mad Labs which gave rise to Mad Labs having the "right to sell" the QR Code. NPSB was directed to compensate Mad Labs for continued use after the trial period;
- A permanent injunction against NPSB's use of the QR Code was granted;
- Mad Labs and its director were not found guilty of defamation and NPSB's claim for unlawful interference with trade was also dismissed.

The High Court has further directed for damages and costs to be separately assessed and determined, which is currently on-going.

Pending the issuance of the full written judgment by the High Court judge, both NPSB and Mad Labs have since filed their Records of Appeal with the Court of Appeal on 27 December and 28 December 2023 respectively to appeal against the High Court decision.

The solicitors, LindaWang Su & Boo, representing NPSB are of the view that NPSB has a reasonably fair chance of success in its appeal at the Court of Appeal. At this juncture, the Board is of the opinion that no provision needs to be made for this claim.

13 Dividend

The Board of Directors has declared an interim dividend of 35 sen per share (2023: 70 sen per share) in respect of year ending 31 December 2024 which will be paid on 12 December 2024 to shareholders whose names appear on the Record of Depositors on 21 November 2024. 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 5.00 p.m. on 21 November 2024 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

Profit for the period is arrived at after charging/(crediting) the following:

	3 months ended 30 September		9 months ended 30 September	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Depreciation of property, plant and equipment	45,722	44,998	135,312	131,018
Depreciation of right-of-use assets	9,044	6,830	27,508	21,826
Amortisation of intangible assets	-	289	-	869
Finance cost of lease liabilities	1,859	1,221	5,772	3,859
Impairment loss on property, plant and equipment	24,675	44,339	35,649	47,999
Property, plant and equipment written off	452	823	565	1,615
(Gain)/Loss on disposal of property, plant and equipment	(268)	302	(325)	820
Net loss on derivatives	56	69	163	123
(Reversal of)/Allowance for expected credit loss on trade receivables	(68)	59	(357)	106
Net (reversal of write-down)/write-down of slow moving inventories	(1,017)	(5,016)	1,153	741
Net foreign exchange (gain)/loss	(10,976)	8,385	(9,641)	9,988

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 RM374.5 million (RM511.8 million in September 2023) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2023).

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 : 24 October, 2024