INTERIM REPORT

NESTLÉ (MALAYSIA) BERHAD

(110925-W)

(Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 31 December 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2007

	3 months ended 31 December		12 months ended 31 December	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Revenue - Sales of goods	856,696	787,795	3,416,028	3,275,541
Cost of sales	(617,499)	(515,907)	(2,290,719)	(2,171,096)
Gross profit	239,197	271,888	1,125,309	1,104,445
Operating expenses	(182,993)	(196,656)	(715,926)	(732,170)
Operating profit	56,204	75,232	409,383	372,275
Interest costs	(3,940)	(2,882)	(14,842)	(10,090)
Interest income	75	259	443	765
Share of post tax profit / (loss) of an associate	178	175	314	335
Profit before tax	52,517	72,784	395,298	363,285
Tax expense	(18,677)	(21,311)	(103,256)	(99,066)
Profit after taxation	33,840	51,473	292,042	264,219
Minority interests	-	-	-	-
Profit after tax and minority interest	33,840	51,473	292,042	264,219
Net profit for the period	33,840	51,473	292,042	264,219
Basic earning per share (sen)	14.43	21.95	124.54	112.67
Dividend per share - net (sen)	78.81	65.00	113.81	100.00

	AS AT END OF CURRENT QUARTER	**AS AT PRECEDING FINANCIAL YEAR END**
Net assets per share attributable to equity holders (RM)	2.72	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 2006.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	As at 31.12.2007 RM'000	As at 31.12.2006 RM'000
Non current assets		
Property, plant and equipment	520,124	491,696
Intangible assets	61,280	66,342
Prepaid lease payments	53,968	55,003
Investment in associate	3,600	3,417
Deferred tax assets	2,631	6,709
Receivables, deposits and prepayments*	22,194	19,414
	663,797	642,581
Current assets		
Receivables, deposits and prepayments	461,081	429,631
Inventories	446,602	330,674
Cash and cash equivalents	31,670	55,828
	939,353	816,133
Total assets	**1,603,150**	**1,458,714**
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	402,759	324,606
Total equity	637,259	559,106
Non current liabilities		
Loans and borrowings	5,179	107,208
Employee benefits	40,321	64,277
Deferred tax liabilities	50,630	45,558
	96,130	217,043
Current liabilities		
Payables and accruals **	550,187	592,614
Loans and borrowings	302,703	66,758
Taxation	16,871	23,193
	869,761	682,565
	1,603,150	**1,458,714**
Net assets per share attributable to shareholders (RM)	2.72	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 2006.

* Staff loans of RM19,414,000 has been restated from current assets to non current assets in 2006 for comparative purposes.

** Payables include intra group loan for the amount of Japanese Yen 1.7 billion, equivalent to RM50.1 million (Dec 2006: Japanese Yen 5.5 billion, equivalent to RM163.0 million).

CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD ENDED 31 DECEMBER 2007

	12 months ended 31.12.2007 RM'000	12 months ended 31.12.2006 RM'000
Net gain / (loss) on cash flow hedge	4,570	(6,989)
Defined benefit plan actuarial gains / (losses)	25,213	(1,879)
Tax on income and expense recognised directly in equity	(9,167)	2,478
Income and expense recognised directly in equity	20,616	(6,390)
Profit for the year	292,042	264,219
Total recognised income and expense for the year, net of tax	312,658	257,829
Total recognised income and expense for the year attributable to shareholders of the Company	312,658	257,829

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2007

	12 months ended 31.12.2007 RM'000	12 months ended 31.12.2006 RM'000
Cash flows from operating activities		
Profit before taxation	395,298	363,285
Adjustments for non-cash items:		
Amortisation and depreciation	76,389	76,158
Impairment of assets	1,889	-
Amortisation of prepaid lease payments	1,035	1,035
Net interest expense	14,399	9,325
Less:		
Increase in working capital	(80,338)	(14,417)
Income tax paid	(109,595)	(70,069)
Interest paid	(14,842)	(10,090)
Others	6,422	2,830
Net cash generated from operating activities	290,657	358,057
Cash flows from investing activities		
Purchase of property, plant and equipment	(102,640)	(79,065)
Others	1,919	2,771
Net cash used in investing activities	(100,721)	(76,294)
Cash flows from financing activities		
Proceeds from / (Repayment of) borrowings	20,411	(37,039)
Dividend payment	(234,505)	(222,775)
Net cash used in financing activities	(214,094)	(259,814)
Net (decrease) / increase in cash and cash equivalents	(24,158)	21,949
Cash and cash equivalents as at 1 January	55,828	33,879
Cash and cash equivalents as at 31 December	31,670	55,828

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006.

Notes:

1 Basis of preparation

This interim financial report is based on the audited financial statements for the quarter ended 31 December 2007 and has been prepared in compliance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Bursa Malaysia Securities Berhad Listing Requirements. The accounting policies and methods of computation adopted by the Group in this report are consistent with those adopted in the financial statements for the year ended 31 December 2006.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006.

2 There was no qualification made on the preceding audited financial statements.

3 The Group's operations are affected by festive seasons.

4 Items affecting assets, liabilities, equity, net income or cash flow.

There was no unusual item affecting assets, liabilities, equity, net income or cash flow of the Group.

a. Fixed Assets

As at the end of this quarter, the Group has acquired / disposed the following assets:

	3 months ended 31 December 2007		12 months ended 31 December 2007	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	10,076	137	13,058	137
Plant and machinery	11,899	147	57,941	234
Tools and furniture *	14,578	902	23,330	1,067
Motor vehicles	2,275	-	3,526	115
Information system	1,943	22	5,429	91
	40,771	1,208	103,284	1,644

* Inclusive of assets acquired through finance lease amounting to RM644,000 during the year.

b. Intangible Assets

There was no capitalisation of intangible assets in this quarter.

5 Changes in estimates

There was no significant change in estimates for prior periods that have materially affected the results of this quarter.

6 Debts and equity security

In 2003, the Group, through one of its subsidiaries, secured an agreement with local financial institutions for an Islamic banking facility totaling RM 700 million. Please refer to note 10 of the Bursa Malaysia Listing Requirement report for details.

7 Dividends paid

Dividends paid during the reporting period are as follows:

	12 months ended 31 Dec 2007 (RM'000)
Interim dividend for the financial year ended 31 December 2007	
20.55 sen per share less tax	35,175
27.40 sen per share less tax	46,905
Final dividend for the financial year ended 31 December 2006	
73.97 sen per share less tax	126,630
11.00 sen per share tax exempt	25,795
Total	234,505

8 Segment information

The principal activity of the Group is the manufacture, marketing and sale of food products. Breakdown of local sales and export sales are as follows:

	12 months ended 31 December 2007		12 months ended 31 December 2006	
	(RM'000)	% of total sales	(RM'000)	% of total sales
Local sales	2,665,232	78.0%	2,741,136	83.7%
Export sales	750,796	22.0%	534,405	16.3%
Total	3,416,028	100.0%	3,275,541	100.0%

9 Valuation of property, plant and equipment

There was no change or amendment to the valuation of property, plant and equipment from the previous annual financial statements.

10 Events subsequent to balance sheet date

There was no subsequent event to the balance sheet date.

11 Changes in the composition of the Group

There was no change in the composition of the Group in this quarter.

12 Changes in contingent liabilities

As of the date of this report, there was no contingent liability to the Group.

13 Related party transactions

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

	3 months ended 31 Dec 2007 (RM'000)	12 months ended 31 Dec 2007 (RM'000)
IT shared service	5,627	21,513
Net interest expense	379	1,599
Purchases of goods and services	83,230	327,927
Sales of finished goods	204,787	671,767
Royalties	32,552	136,939

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 4, 2007 vs Quarter 4, 2006)

Strong sales performance were recorded by the Group, posting MYR 857 million in turnover, 8.7% higher than last year. Higher demand was generated from festive celebrations, most of them falling in the last quarter of the year. Exports continued to show impressive performance with the highest quarterly sales recorded.

As expected and highlighted in the last quarter review, the full impact of the steep increase in input costs did materialise in this quarter, mainly coming from milks solid, palm oil and coffee beans. This has significantly affected the gross profit margin which reduced from 34.5% to 27.9% of turnover.

The Group has however benefited from the operational efficiency programme and its effects are reflected in the lower operating expenses for the quarter. However, they are not material enough to offset the negative impact from high input costs. As a result, the operating profit margin eroded from 9.5% to 6.6% of turnover.

2 Review of performance (Year-to-date, 2007 vs Year-to-date, 2006)

The Group registered a turnover of MYR 3.4 billion, an increase of 4.3% against 2006. On a like for like basis, taking into consideration the divestiture of the Canned Liquid Milk business, the Group has performed remarkably well, achieving double digit growth of 14.9%. The excellent performance was attributed to the strong demand from domestic as well as from the export markets especially in the Middle East. Coffee and Beverages as well as most of the other business units, namely Food, Foodservices, Nutrition, Confectionery, Liquid Drinks, Ice-Cream and Chilled Dairy enjoyed a very satisfactory level of growth. The Export Business Unit, based upon high Halal quality products has further penetrated ASEAN and Middle East countries especially in the Milk Powders product category, but also MILO, MAGGI and many others. The growth in Exports jumped by more than 40%, representing 22 % of total turnover.

Product Innovation and Renovation ensured that the Group's product portfolio continually refreshed and introduced new nutritious and convenient offerings. Driven by both local and global initiatives, the emphasis is on Nutrition, Health and Wellness through R&D on Halal products (such as improved recipes and taste, by reducing sugar levels, sodium content and no added MSG) and new proprietary technologies has contributed to the growth. Consumer preference tests are systematically conducted to validate the consumers taste preference for the Group's products versus competitors'. This strategy, along with placing high importance on the ever changing consumer preferences and lifestyles, has made the Group successful in creating new and sustainable demand for product launches in 2007.

The unprecedented upsurge in the prices of major raw materials (mainly milk solids, palm oil, coffee beans and wheat flour) has affected the Group's ability to maintain the gross profit margin. The price of milk solids has more than doubled from 2006's average, while prices for palm oil were about 50% higher and about 20% higher for coffee beans. Compared with last year, the gross profit margin dropped by 80bps, partly offset by the right timing of the divestiture of the Canned Liquid Milk business in the early part of the year.

The profit margin before tax increased to 11.6%, improving by 50bps over 2006, thanks to the Group's continuous drive for Operational Excellence coupled with a vast programme of internal savings across the entire value chain. Initiatives to protect the profit before tax, while having had to increase consumer prices, included optimizing promotional expenses, marketing and other general expenses in order to mitigate the gross profit margin erosion due to higher input costs.

The profit margin after tax improved by 40bps, to 8.5% of the turnover.

3 Variation of results against previous quarter (Quarter 4, 2007 vs. Quarter 3, 2007)

The Group has registered a turnover of MYR 857 million, slightly lower than previous quarter. As expected and highlighted in the last quarter review, the full impact of the steep increase in input costs did materialise in this quarter, mainly coming from milks solid, palm oil and coffee beans. This has significantly affected the gross profit margin that reduced from 38.5% to 27.9% of turnover.

4 Current year prospects

2008 will continue to be a very challenging year as the high prices of commodities remain a concern. Palm oil and wheat flour have now more than doubled from early 2007, whilst coffee beans rose by more than 40% and these prices are anticipated to remain at high and unprecedented levels for quite a while; milks prices are only expected to soften in the second half of the year. The Group will keep pursuing its initiatives to further optimize its operations to mitigate as much as possible the impact of higher input costs and will increase prices as and when necessary. The Group will also constantly drive for higher sales and continue to protect and grow market shares. Major investments have been planned in 2008 to introduce new products as well as to increase the capacity to meet the rising demand in the country as well as for exports. Innovation and Renovation will remain key to offer consumers new, exciting, convenient, affordable and nutritious products. The Group will strive to ensure that its on-going yearly profitability level will be protected moving forward. As already highlighted, 2008 will be marked by more volatile quarterly readings than in previous years.

5 Profit forecast

Not applicable as there is no forecast / profit guarantee.

6 Tax expense

	Taxation for this quarter 31.12.2007 RM'000	Cumulative year 31.12.2007 RM'000
- Current tax		
-current year	13,012	97,380
-prior year	5,893	5,893
- Deferred tax for the current period	(228)	(17)
	18,677	103,256

7 Unquoted investments

Not applicable in this quarter.

8 Quoted investments

Not applicable to the Group.

9 Status of corporate proposals

There was no corporate proposal in this quarter.

10 Borrowings

The Group has issued the following medium term note:

Issue	Tenure	Issue date	Amount (RM '000)	Repayment date
MTN - Al-Murabahah	5 years	23.07.2003	100,000	23.07.2008

Group Borrowings and Debt Securities are:

	As at 31.12.2007 RM'000
Short term - Unsecured loans	
Revolving credit / banker's acceptance	200,100
MTN - Al-Murabahah	100,000
Short term - Secured loans	
Finance lease (payable within a year)	2,603
Total short term loans	302,703
Long term - Secured loans	
Finance lease	5,179
Total long term loans	5,179

All the above debts are in Ringgit Malaysia.

11 Off balance sheet financial instruments.

a. Forward Forex Contracts

The following forward contracts purchased are outstanding as at 21.02.2008:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
Japanese Yen	3,714,883	0.0293 - 0.0311	112,223	Apr '08 - May '08

Transactions in foreign currencies during the period are recorded in Ringgit Malaysia at rates ruling on transaction dates or at contracted rates where applicable. Outstanding balances at the end of the period are revalued at current market (mark-to-market) rates. All gains and losses are dealt with through the Income Statement upon maturity and for those open positions they are treated as equity and reported in Hedging Reserves following FRS139 (cash flow hedge). There is minimal credit and market risk because the contracts are hedged with reputable banks.

b. Futures and Options Commodity Contracts

Summary of outstanding futures and options commodity contracts purchased as at 21.02.2008 :

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	3,278	20,535	Mar '08 - Jul '08
Coffee Futures Position - USD	10,889	35,063	Mar '08 - May '08
Coffee Options Position - USD	31	100	May '08 - Sep '08
Palm Oil Futures Position - RM	-	23,765	Mar '08 - Sep '08

Summary of outstanding futures and options commodity contracts sold as at 21.02.2008:

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	3,053	19,126	Mar '08 - Jul '08
Coffee Futures Position - USD	8,219	26,465	Mar '08 - May '08
Coffee Options Position - USD	30	97	May '08 - Sep '08
Palm Oil Futures Position - RM	-	5,980	Mar '08 - Sep '08

Outstanding balances at the end of the period are revalued at current market price (mark-to-market) and gains and losses are dealt with in the Hedging Reserve account before maturity. There is minimal credit and market risk because the contracts are hedged with a reputable broker.

12 Material litigation

As of the date of this report, there was no material litigation against the Group.

13 Dividend

a) The Board of Directors has proposed to declare a net final dividend of 78.81sen per share. If approved by the shareholders at the Annual General Meeting tentatively to be held on 24 April 2008, this dividend will be paid on 29 May 2008 to shareholders registered at the close of business on 14 May 2008.

Details as follows:

	Amount (RM'000)
106.5 sen per share less tax (26% in 2008)	184,809
Total	184,809

b) The total dividend paid / proposed for the current financial period up to 31 December 2007 is 113.81 sen net after tax compared to 100.00 sen in 2006.

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 RM 292.0 million (RM 264.2 million in December 2006) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2006)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : February 28, 2008