



Nestlé

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

The Directors are pleased to present the Interim Report for the period ended 31 March 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2008

	3 months ended 31 March		3 months ended 31 March	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue - Sales of goods	927,688	844,450	927,688	844,450
Cost of sales	(639,922)	(570,622)	(639,922)	(570,622)
Gross profit	287,766	273,828	287,766	273,828
Operating expenses	(159,455)	(177,559)	(159,455)	(177,559)
Operating profit	128,311	96,269	128,311	96,269
Interest costs	(3,538)	(2,900)	(3,538)	(2,900)
Interest income	41	172	41	172
Share of post tax profit of an associate	(56)	84	(56)	84
Profit before tax	124,758	93,625	124,758	93,625
Tax expense	(30,413)	(23,798)	(30,413)	(23,798)
Profit after taxation	94,345	69,827	94,345	69,827
Minority interests	-	-	-	-
Profit after tax and minority interest	94,345	69,827	94,345	69,827
Net profit for the period	94,345	69,827	94,345	69,827
Basic earning per share (sen)	40.23	29.78	40.23	29.78
Dividend per share - (sen)	61.19	15.00 (net)	61.19 †	15.00 (net)
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	3.11		2.72	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

	As at 31.03.2008 RM'000	As at 31.12.2007 RM'000
Non current assets		
Property, plant and equipment	520,476	520,124
Intangible assets	61,024	61,280
Prepaid lease payments	53,709	53,968
Investment in associate	3,544	3,600
Deferred tax assets	3,462	2,631
Receivables, deposits and prepayments	22,016	22,194
	<u>664,231</u>	<u>663,797</u>
Current assets		
Receivables, deposits and prepayments	514,370	461,081
Inventories	518,671	446,602
Cash and cash equivalents	60,504	31,670
	<u>1,093,545</u>	<u>939,353</u>
Total assets	<u>1,757,776</u>	<u>1,603,150</u>
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	494,949	402,759
Total equity	<u>729,449</u>	<u>637,259</u>
Non current liabilities		
Loans and borrowings	4,439	5,179
Employee benefits	40,321	40,321
Deferred tax liabilities	47,899	50,630
	<u>92,659</u>	<u>96,130</u>
Current liabilities		
Payables and accruals **	669,134	550,187
Loans and borrowings	243,867	302,703
Taxation	22,667	16,871
	<u>935,668</u>	<u>869,761</u>
	<u>1,757,776</u>	<u>1,603,150</u>
Net assets per share attributable to shareholders (RM)	<u>3.11</u>	<u>2.72</u>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

** Payables include intra group loan for the amount of Japanese Yen 3.7 billion, equivalent to RM118.8 million. (Dec 2007: Japanese Yen 1.7 billion, equivalent to RM50.1 million).

**CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR PERIOD ENDED
31 MARCH 2008**

	3 months ended 31.03.2008 RM'000	3 months ended 31.03.2007 RM'000
Net (loss) / gain on cash flow hedge	(3,274)	4,996
Tax on income and expense recognised directly in equity	1,119	(1,385)
Income and expense recognised directly in equity	(2,155)	3,611
Profit for the year	94,345	69,827
Total recognised income and expense for the year, net of tax	92,190	73,438
Total recognised income and expense for the year attributable to shareholders of the Company	92,190	73,438

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 MARCH 2008**

	3 months ended 31.03.2008 RM'000	3 months ended 31.03.2007 RM'000
Cash flows from operating activities		
Profit before taxation	124,758	93,625
<i>Adjustments for non-cash items:</i>		
Amortisation and depreciation	18,646	19,172
Amortisation of prepaid lease payments	259	259
Net interest expense	3,497	2,728
<i>Less:</i>		
Increase in working capital	(78,127)	(56,202)
Income tax paid	(27,060)	(25,069)
Interest paid	(3,538)	(2,900)
Others	75	1,880
Net cash generated from operating activities	38,510	33,493
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,766)	(10,187)
Others	46	337
Net cash used in investing activities	(18,720)	(9,850)
Cash flows from financing activities		
Proceeds from / (Repayment of) borrowings	9,044	(30,008)
Net cash generated from / (used in) financing activities	9,044	(30,008)
Net increase / (decrease) in cash and cash equivalents	28,834	(6,365)
Cash and cash equivalents as at 1 January	31,670	55,828
Cash and cash equivalents as at 31 March	60,504	49,463

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

INTERIM FINANCIAL REPORT

Notes:

1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2008 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 2007.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

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 were no unusual items 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:

Building (improvements and additions)
Plant and machinery
Tools and furniture
Motor vehicles
Information system

3 months ended 31 March 2008	
Assets acquired RM'000	Assets disposed RM'000
37	-
16,518	6
1,910	-
-	-
301	16
18,766	22

b. Intangible Assets

There was no capitalisation of intangible assets 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

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 9 of the Bursa Malaysia Listing Requirement report for details.

7 Dividends paid

There was no dividend payment in this quarter.

The proposed final dividend of 78.81sen net per share for the financial year ended 31 December 2007 will be paid on 29 May 2008. The special dividend of 61.19 sen per share declared for the financial year ended 31 December 2008 will also be paid on the same day.

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:

	3 months ended 31 March 2008		3 months ended 31 March 2007	
	(RM'000)	% of total sales	(RM'000)	% of total sales
Local sales	737,993	79.6%	701,009	83.0%
Export sales	189,695	20.4%	143,441	17.0%
Total	927,688	100.0%	844,450	100.0%

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 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 contingent liabilities 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 Mar 2008 (RM'000)	3 months ended 31 Mar 2008 (RM'000)
IT shared service	5,408	5,408
Net interest expense	260	260
Purchases of goods and services	112,314	112,314
Sales of finished goods	167,235	167,235
Royalties	38,184	38,184

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, 2008 vs Quarter 1, 2007)

For the first quarter of 2008, the Group has registered a turnover of MYR 928 million, up 9.9% from the same period last year. Domestic sales increased by 5.3% on the back of a very strong Q1 in 2007 (still inclusive of one month of Canned Liquid Milks sales). Exports sales increased by 32%, to be compared with a very soft Q1 2007. Product Innovation and Renovation ensured that the Group's product portfolio is updated with new, nutritious and convenient offerings to its consumers and customers. 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. These have contributed to the growth.

The ongoing upsurge in the prices of major raw materials (mainly milk solids, palm oil, coffee beans and wheat flour) continues to put high pressure on the Group's ability to maintain the gross profit margin. The price of milk solids itself has more than doubled from 2006's average, so did the price of wheat flour, while prices for palm oil were about 90% higher and about 40% higher for coffee beans than late 2007. As a consequence, compared with last year's first quarter, the gross profit margin dropped by 140bps in the first quarter of 2008 to 31.0%.

Arising from continuous operational efficiencies and reduced first quarter marketing and promotional activities, the profit margin before tax ended at an unsustainably high level of 13.4%. The net profit margin after tax for the quarter is 10.2%. Both margins are expected to soften to levels in line with the past full year's readings as a result of high input costs.

2 Variation of results against previous quarter (Quarter 1, 2008 vs. Quarter 4, 2007)

The Group has registered a turnover of MYR 928 million, an increase of 8.3% against the previous quarter.

3 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 the foreseeable future; milks prices are only expected to soften later in 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. 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.

4 Profit forecast

Not applicable as there is no forecast / profit guarantee.

5 Tax expense

- Current tax
- Deferred tax for the current period

Taxation for this quarter 31.03.2008 RM'000	Cumulative year 31.03.2008 RM'000
32,856	32,856
(2,443)	(2,443)
30,413	30,413

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 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:

Short term - Unsecured loans

	As at 31.03.2008 RM'000
Revolving credit	41,200
Banker's acceptance	100,000
MTN - Al-Murabahah	100,000

Short term - Secured loans

Finance lease (payable within a year)	2,667
Total short term loans	243,867

Long term - Secured loans

Finance lease	4,439
Total long term loans	4,439

All the above debts are in Ringgit Malaysia.

10 Off balance sheet financial instruments.

a. Swap Forex Contracts

The following swap contracts purchased are outstanding as at 16.04.2008:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
Japanese Yen	2,005,226	0.0304 - 0.0311	61,641	Apr '08 - Jun '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 16.04.2008 :

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	4,579	28,479	May '08 - Jul '09
Coffee Futures Position - USD	16,052	50,716	May '08 - Sep '08
Coffee Options Position - USD	202	638	Jul '08 - Sep '08
Palm Oil Futures Position - RM	-	32,169	May '08 - Sep '08

Summary of outstanding futures and options commodity contracts sold as at 16.04.2008:

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	2,550	15,860	May '08 - Jul '08
Coffee Futures Position - USD	6,626	20,935	May '08 - Jul '08
Cocoa Options Position - GBP	24	149	Sep '08
Coffee Options Position - USD	60	190	Jul '08 - Sep '08
Palm Oil Futures Position - RM	-	6,217	May '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.

11 Material litigation

As of the date of this report, there were no material litigations against the Group.

12 Dividend

The Board of Directors has declared a special dividend of 61.19 sen per share (2007 interim dividend : 20.55 sen gross per share, less 27% income tax) in respect of Financial Year ending 31 December 2008 which will be paid on 29 May 2008 to shareholders whose names appear on the Record of Depositors on 14 May 2008.

A Depositor shall qualify for entitlement only in respect of:

- shares transferred into the Depositor's Securities Account before 4.00 p.m. on 14 May 2008 in respect of ordinary transfers.
- shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

13 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 94.3 million (RM 69.9 million in March 2007) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2007)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : April 23, 2008