INTERIM REPORT

NESTLÉ (MALAYSIA) BERHAD

(110925-W)

(Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	3 months ended 30 September		9 months ended 30 September	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue - Sales of goods	961,822	861,442	2,904,420	2,559,332
Cost of sales	(650,203)	(529,791)	(2,002,515)	(1,673,220)
Gross profit	311,619	331,651	901,905	886,112
Operating expenses	(190,818)	(174,064)	(549,804)	(532,933)
Operating profit	120,801	157,587	352,101	353,179
Interest costs	(7,791)	(4,014)	(15,711)	(10,902)
Interest income	65	35	138	368
Share of post tax profit of an associate	(12)	(43)	27	136
Profit before tax	113,063	153,565	336,555	342,781
Tax expense	(25,521)	(37,599)	(72,947)	(84,579)
Profit after taxation	87,542	115,966	263,608	258,202
Minority interests	-	-	-	-
Profit after tax and minority interest	87,542	115,966	263,608	258,202
Net profit for the period	87,542	115,966	263,608	258,202
Basic earning per share (sen)	37.33	49.45	112.41	110.11
Dividend per share - net (sen)	-	-	111.19	35.00

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
Net assets per share attributable to equity holders (RM)	1.91	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 30 SEPTEMBER 2008

	As at 30.09.2008 RM'000	As at 31.12.2007 RM'000
Non current assets		
Property, plant and equipment	575,684	520,124
Intangible assets	61,024	61,280
Prepaid lease payments	53,192	53,968
Investment in associate	3,627	3,600
Deferred tax assets	5,065	2,631
Receivables, deposits and prepayments	23,996	22,194
	722,588	663,797
Current assets		
Receivables, deposits and prepayments	437,599	461,081
Inventories	501,209	446,602
Cash and cash equivalents	47,676	31,670
	986,484	939,353
Total assets	**1,709,072**	**1,603,150**
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	213,972	402,759
Total equity	448,472	637,259
Non current liabilities		
Loans and borrowings	3,956	5,179
Employee benefits	40,321	40,321
Deferred tax liabilities	39,165	50,630
	83,442	96,130
Current liabilities		
Payables and accruals **	923,198	550,187
Loans and borrowings	234,712	302,703
Taxation	19,248	16,871
	1,177,158	869,761
	1,709,072	**1,603,150**
Net assets per share attributable to shareholders (RM)	1.91	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.

** Payables include intra group loan for the amount of Malaysian Ringgit 319.2 million. (Dec 2007: Japanese Yen 1.7 billion, equivalent to RM50.1 million).

CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR PERIOD ENDED 30 SEPTEMBER 2008

	9 months ended 30.09.2008 RM'000	9 months ended 30.09.2007 RM'000
Net (loss) / gain on cash flow hedge	(9,163)	4,734
Tax on income and expense recognised directly in equity	2,318	(1,312)
Income and expense recognised directly in equity	(6,845)	3,422
Profit for the year	263,608	258,202
Total recognised income and expense for the year, net of tax	256,763	261,624
Total recognised income and expense for the year attributable to shareholders of the Company	256,763	261,624

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 30 SEPTEMBER 2008

	9 months ended 30.09.2008 RM'000	9 months ended 30.09.2007 RM'000
Cash flows from operating activities		
Profit before taxation	336,555	342,781
Adjustments for non-cash items:		
Amortisation and depreciation	55,063	56,892
Impairment of assets		
Amortisation of prepaid lease payments	776	776
Net interest expense	15,573	10,534
Less:		
(Decrease) / increase in working capital	61,841	(74,273)
Income tax paid	(82,150)	(79,856)
Interest paid	(15,696)	(10,902)
Others	(1,134)	1,784
Net cash generated from operating activities	370,828	247,736
Cash flows from investing activities		
Purchase of property, plant and equipment	(109,997)	(62,513)
Others	1,278	1,195
Net cash used in investing activities	(108,719)	(61,318)
Cash flows from financing activities		
Proceeds from borrowings	199,447	38,907
Dividend payment	(445,550)	(234,505)
Net cash used in financing activities	(246,103)	(195,598)
Net increase / (decrease) in cash and cash equivalents	16,006	(9,180)
Cash and cash equivalents as at 1 January	31,670	55,828
Cash and cash equivalents as at 30 September	47,676	46,648

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 30 September 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:

	3 months ended 30 Sept 2008		9 months ended 30 Sept 2008	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	3,079	-	3,436	-
Plant and machinery	35,622	2	90,031	17
Tools and furniture *	7,634	-	14,457	-
Motor vehicles	469	-	935	12
Information system	743	1	1,591	19
	47,547	3	110,450	48

* Inclusive of assets acquired through finance lease amounting to RM453,000 during the year.

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. As at the end of the quarter, no amount was outstanding.

7 **Dividends paid**

Dividends paid during the reporting period are as follows:

	9 months ended 30 Sept 2008 (RM'000)
Interim dividend for the financial year ended 31 December 2008	
50.00 sen per share	117,250
Special dividend for the financial year ended 31 December 2008	
61.19 sen per share	143,491
Final dividend for the financial year ended 31 December 2007	
106.50 sen per share less tax	184,809
Total	445,550

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:

	9 months ended 30 September 2008		9 months ended 30 September 2007	
	(RM'000)	% of total sales	(RM'000)	% of total sales
Local sales	2,251,362	77.5%	2,034,127	79.5%
Export sales	653,058	22.5%	525,205	20.5%
Total	2,904,420	100.0%	2,559,332	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 30 Sept 2008 (RM'000)	9 months ended 30 Sept 2008 (RM'000)
IT shared service	6,011	17,109
Net interest expense	2,631	3,272
Purchases of goods and services	106,499	318,468
Sales of finished goods	192,059	573,341
Royalties	38,450	116,478

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, 2008 vs Quarter 3, 2007)

As expected and mentioned earlier, the quarterly readings of revenues and profit margins have been more volatile in 2008 than in 2007. For Q3 2008, the Group registered a turnover of RM 962 million, 11.7% higher than in same period last year. The satisfactory growth was managed by strong trade and consumer promotional support in the domestic market while moderate growth was registered by the exports business. The overall consumer confidence decreased in the wake of higher energy costs and generalized inflation.

Even though some of these commodities have now declined from their all time highs earlier in 2008, the prices are still very high when compared to 2007. Some of these input cost price reductions have unfortunately been minimized by the weaker Ringgit. The overall food and beverage industry has been under unprecedented input cost pressures for the past 20 months. Milk prices went up 40% between early 2007 and end August 2008, palm oil prices increased by 30% during the same period, wheat flour increased by 70%, cocoa increased by 90%, coffee increased by 60%, rice increase by 80% to name a few raw materials. Consequently, the gross profit margin is still much lower for the 3rd quarter than in same period last year, down from 38.5% to 32.4%.

Renewed efforts on internal savings such as optimising marketing expenses and other general expenses have contributed to offset part of the impact of higher raw and packaging material input costs. The operating profit margin for the quarter at 12.6% was lower by 570bps against the same period last year. The same impact was seen on the profit before tax margin, a reduction from 17.8% to 11.8%. It is important to note that the 3rd quarter 2007 profit margin readings were not yet fully impacted by the unprecedented higher raw and packaging material prices.

2 Review of performance (Year-to-date, 2008 vs Year-to-date, 2007)

It is vital for the Group to be recognized as the leader in Nutrition, Health & Wellness, and as the industry benchmark for financial performance, trusted by all stakeholders. Living on these values the Group has managed to sustain a double digit turnover growth of 13.5% for the first 9 months, against the same period last year. The turnover was at RM 2.9 billion. This is quite an achievement, considering the market was rather difficult and uncertain after the sharp fuel price increase in June this year. The exports, exclusively of Halal products, contributed about 23% of the total turnover and grew by 24%.

For its domestic business, turnover grew by 10.7% in the 9 months ending 30.09.2008 against the same period last year. This good result was due to the continuous efforts of the Group to provide healthy and nutritious solutions and value-added products to meet the needs of our consumers. The Group has also placed great importance on affordability by continuously introducing Popularly Positioned Products (PPP) with clear nutritional benefits which ensure that all levels of income, particularly the lower income group of the population, can afford to buy and enjoy our products. MILO® wafer, NESTUM® SARAPAN BERKHASIAT, NESPRAY® CERGAS and MAGGI® CUKUP RASA are among the successful launches.

However, the Group's total input costs were still higher than last year, even though some commodity prices have now come off their all time highs seen earlier in 2008. The gross profit margin is still under pressure at 31.1% of turnover, down from 34.6%, in the same period 2007.

The level of the Group’s operating expenses for the period has been contained which clearly showed the Group’s commitment in managing its operations optimally. The operating profit margin is slightly up at 12.1% from 11.9% at the end of June 2008, in line with the full 2007 operating profit which was at 12.0%.

The net profit margin after tax is stable, at 9.1% slightly higher than 2007 full year at 8.5%. It is important to note that the 3rd quarter 2007 profit margin readings were not yet fully impacted by the unprecedented higher raw and packaging material prices.

3 Variation of results against previous quarter (Quarter 3, 2008 vs. Quarter 2, 2008)

The Group has registered a turnover of MYR 962 million, 5.2% lower than in the previous quarter. As expected and mentioned earlier, the quarterly readings of revenues and profit margins have been more volatile in 2008 than in 2007.

4 Current year prospects

Even though some commodity prices have declined from their all time highs earlier in 2008, the current prices for key raw material such as Milks, Coffee, Cocoa and Wheat flour, are still much higher than in 2007. Consequently, the remaining part of 2008 will continue to be challenging for the Food and Beverage industry. As part of its on going drive in "Nourishing Malaysia", the Group will take necessary steps to counter the current lower consumer confidence and possible upcoming consumption slowdown. The Group will continue to implement CAPEX for manufacturing of Halal products as planned and will improve further its value chain efficiencies in order to deliver its long term sustainable and profitable growth model. Indeed, major investments exceeding RM 200 mio have been planned in 2008 onwards to introduce new HALAL nutritious and affordable products as well as to increase the manufacturing capacity for domestic and export markets. It is key to be recognised as the leader in Nutrition, Health & Wellness and as the industry benchmark for financial performance, trusted by all stakeholders.

5 Profit forecast

Not applicable as there is no forecast / profit guarantee.

6 **Tax expense**

	Taxation for this quarter 30.09.2008 RM'000	Cumulative year 30.09.2008 RM'000
- Current tax	35,316	84,528
- Deferred tax for the current period	(9,795)	(11,581)
	25,521	72,947

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 in this quarter.

10 **Borrowings**

Group Borrowings and Debt Securities are:

	As at 30.09.2008 RM'000
Short term - Unsecured loans	
Revolving credit	192,000
Banker's acceptance	40,000
Short term - Secured loans	
Finance lease (payable within a year)	2,712
Total short term loans	234,712
Long term - Secured loans	
Finance lease	3,956
Total long term loans	3,956

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 23.10.2008:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
US Dollar	3,500	3.3854 - 3.4230	11,956	Oct '08 - Nov '08

b. Swap Forex Contracts

The following swap contracts sold are outstanding as at 23.10.2008:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
US Dollar	3,000	3.4338 - 3.4700	10,338	Oct '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 IAS 39 (cash flow hedge). There is minimal credit and market risk because the contracts are hedged with reputable banks.

c. Futures and Options Commodity Contracts

Summary of outstanding futures and options commodity contracts purchased as at 23.10.2008 :

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	4,406	25,531	Dec '08 to May '09
Coffee Futures Position - USD	22,871	81,684	Nov '08 to Mar '09
Palm Oil Futures Position - RM	-	15,070	Dec '08 to May '09

Summary of outstanding futures and options commodity contracts sold as at 23.10.2008:

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	710	4,114	Dec '08
Coffee Futures Position - USD	8,269	29,533	Nov '08 to Jan '09
Cocoa Options Position - GBP	5	29	Dec '08
Coffee Options Position - USD	32	114	Dec '08 - Jan '09

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 were no material litigations against the Group.

13 Dividend

No dividend is proposed in this quarter.

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 263.6 million (RM 258.2 million in September 2007) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2007)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Date : October 30, 2008

Company Secretary