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 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

	3 months ended 31 December		12 months ended 31 December	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue - Sales of goods	972,648	856,696	3,877,068	3,416,028
Cost of sales	(670,803)	(617,499)	(2,673,318)	(2,290,719)
Gross profit	301,845	239,197	1,203,750	1,125,309
Operating expenses	(189,416)	(182,993)	(739,220)	(715,926)
Operating profit	112,429	56,204	464,530	409,383
Interest costs	(7,380)	(3,940)	(23,091)	(14,842)
Interest income	1	75	139	443
Share of post tax profit of an associate	(252)	178	(225)	314
Profit before tax	104,798	52,517	441,353	395,298
Tax expense	(27,519)	(18,677)	(100,466)	(103,256)
Profit after taxation	77,279	33,840	340,887	292,042
Minority interests	-	-	-	-
Profit after tax and minority interest	77,279	33,840	340,887	292,042
Net profit for the period	77,279	33,840	340,887	292,042
Basic earning per share (sen)	32.95	14.43	145.37	124.54
Dividend per share - net (sen)	80.00	78.81	191.19	113.81

	AS AT END OF CURRENT QUARTER	**AS AT PRECEDING FINANCIAL YEAR END**
Net assets per share attributable to equity holders (RM)	2.20	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 DECEMBER 2008

	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
Non current assets		
Property, plant and equipment	633,526	520,124
Intangible assets	61,024	61,280
Prepaid lease payments	52,933	53,968
Investment in associate	3,242	3,600
Deferred tax assets	3,980	2,631
Receivables, deposits and prepayments	23,814	22,194
	778,519	663,797
Current assets		
Receivables, deposits and prepayments	391,483	461,081
Inventories	459,489	446,602
Current tax assets	5,220	-
Cash and cash equivalents	25,690	31,670
	881,882	939,353
Total assets	**1,660,401**	**1,603,150**
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	281,255	402,759
Total equity	515,755	637,259
Non current liabilities		
Loans and borrowings	2,690	5,179
Employee benefits	54,698	40,321
Deferred tax liabilities	56,801	50,630
	114,189	96,130
Current liabilities		
Payables and accruals **	904,368	550,187
Loans and borrowings	105,953	302,703
Taxation	20,136	16,871
	1,030,457	869,761
	1,660,401	**1,603,150**
Net assets per share attributable to shareholders (RM)	2.20	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 31 DECEMBER 2008

	12 months ended 31.12.2008 RM'000	12 months ended 31.12.2007 RM'000
Net (loss) / gain on cash flow hedge	(5,214)	4,570
Defined benefit plan actuarial (losses) / gains	(17,279)	25,213
Tax on income and expense recognised directly in equity	5,652	(9,167)
Income and expense recognised directly in equity	(16,841)	20,616
Profit for the year	340,887	292,042
Total recognised income and expense for the year, net of tax	324,046	312,658
Total recognised income and expense for the year attributable to shareholders of the Company	324,046	312,658

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 DECEMBER 2008

	12 months ended 31.12.2008 RM'000	12 months ended 31.12.2007 RM'000
Cash flows from operating activities		
Profit before taxation	441,353	395,298
Adjustments for non-cash items:		
Amortisation and depreciation	74,380	76,389
Impairment of assets	-	1,889
Amortisation of prepaid lease payments	1,035	1,035
Net interest expense	22,952	14,399
Less:		
Decrease / (increase) in working capital	134,944	(80,338)
Income tax paid	(91,947)	(109,595)
Interest paid	(23,091)	(14,842)
Others	(3,654)	6,422
Net cash generated from operating activities	555,972	290,657
Cash flows from investing activities		
Purchase of property, plant and equipment	(188,055)	(102,640)
Others	2,359	1,919
Net cash used in investing activities	(185,696)	(100,721)
Cash flows from financing activities		
Proceeds from borrowings	69,294	20,411
Dividend payment	(445,550)	(234,505)
Net cash used in financing activities	(376,256)	(214,094)
Net decrease in cash and cash equivalents	(5,980)	(24,158)
Cash and cash equivalents as at 1 January	31,670	55,828
Cash and cash equivalents as at 31 December	25,690	31,670

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 audited financial statements for the quarter ended 31 December 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 31 Dec 2008		12 months ended 31 Dec 2008	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	22,913	74	26,349	74
Plant and machinery	27,593	744	117,624	761
Tools and furniture *	21,112	173	35,569	173
Motor vehicles	1,510	66	2,445	78
Information system	5,058	5	6,649	24
	78,186	1,062	188,636	1,110

* Inclusive of assets acquired through finance lease amounting to RM581,000 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:

	12 months ended 31 Dec 2008 (RM'000)
Interim dividend for the financial year ended 31 December 2008	
50.00 sen per share under single-tier system	117,250
Special dividend for the financial year ended 31 December 2008	
61.19 sen per share under single-tier system	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:

	12 months ended 31 December 2008		12 months ended 31 December 2007	
	RM'000	% of total sales	RM'000	% of total sales
Local sales	2,956,615	76.3%	2,665,232	78.0%
Export sales	920,453	23.7%	750,796	22.0%
Total	3,877,068	100.0%	3,416,028	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 Dec 2008 (RM'000)	12 months ended 31 Dec 2008 (RM'000)
IT shared service	4,579	21,688
Net interest expense	3,684	6,956
Purchases of goods and services	99,827	418,295
Sales of finished goods	243,636	816,977
Royalties	36,426	152,904

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, 2008 vs Quarter 4, 2007)

As expected and mentioned earlier, the quarterly readings of revenues and profit margins have been more volatile in 2008 than in 2007. The business performance of the Group has always been managed on a full year perspective. For the quarter ended 31 Dec 2008, the Group registered a turnover of RM973 million, a double digit growth of 13.5% against the same period last year. Although the Malaysian economy started to slow down during the quarter, a series of fuel price reductions helped to contain the inflation and ease the tight consumer spending. Responding to the Government initiatives for lower consumer prices, Nestle has also brought down some of the prices by incurring higher trade spend . Given the current state of consumers sentiment on the economy, stronger than ever emphasis was also given to the Popularly Positioned Products (PPP), aimed at delivering nutritionally balanced products at an affordable price. Coupled with Nutrition, Health and Wellness initiatives, most of the categories have benefited from these initiatives by registering double digit growth for the quarter.

The movements of commodity prices were rather mixed. Whilst the cost of milk powders declined, the costs of coffee beans and cocoa powders were showing the opposite trend. Imported commodities were also negatively affected by the weaker Ringgit.

Stronger emphasis was made towards costs containment as well as achieving internal cost savings. The strategies have been outlined and guided by Nestle Continuous Excellence programme aimed at cost optimisation across the value chain of ensuring supply and process excellence in the manufacturing area. This cost containment initiatives, together with positive sales mix and lower input costs in some of the product categories, have enabled the Group to improve further the profit margin before tax from 6.1% of turnover to 10.8%. The same trend was recorded for the profit margin after tax, improving from 4.0% to 7.9% of turnover.

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

For the year ended 31 Dec 2008, the Group has posted a turnover of RM 3.9 billion, 13.5% higher than previous year. The commendable performance was expected as the Group has been consistently registering double digit growth, every quarter since beginning of the year. The path to become a Nutrition, Health and Wellness Company is well on track and this has always been the reference for improved and new product developments. Whilst most of the categories delivered their targets, 2008 saw better than expected growth in categories such as Milks, Performance and Healthcare Nutrition, Confectionery and Chilled Dairy.

Exports continued to grow after having more offerings of Asian ethnic products in Europe. The developments include launch of Halal range of MAGGI products into European key markets, namely France, Netherland and Switzerland.

Following the global economic slowdown in the last quarter, commodity prices - except for coffee beans and cocoa powders, have softened and have been on a bearish trend. For imported commodities, however the weak Ringgit against US Dollar has offset some of the savings realised from price declines. As illustrated in the 4th quarter, the Group managed to secure some of these benefits but on a yearly basis, input costs are higher than last year. The Group has partially passed on the costs to consumers to ensure products affordability and competitiveness in the market. As a result, the gross margin has slipped from last year of 32.9% to 31.0% of turnover .

During the year, the Group has embarked on another Nestle Continuous Excellence journey with focus on cost optimisation across the entire value chain (including R&D) and Total Performance Management in the manufacturing plants with special focus on "war on waste". This has translated into internal savings that have helped the Group to be more competitive, sustainable and has positively impacted on the operating profit margin resulting in a 12% of turnover, flat versus last year.

Efficient working capital management arising from AMEX-Maybank distributor card programme and better cash management planning have positively impacted the free cash flow for the year. This has allowed the Group to pay and propose higher dividend for the financial year 2008, 68% higher than in the previous year. However, the profit margin before tax slightly declined from 11.6% of turnover in 2007 to 11.4% in 2008 due to higher financing costs resulted from heavy capital expenditures for the year. A lower tax expense, stemming from government investment tax incentives pushed the profit margin after tax slightly higher from 8.5% to 8.8% of turnover.

3 Variation of results against previous quarter (Quarter 4, 2008 vs. Quarter 3, 2008)

As expected and mentioned earlier, the quarterly readings of revenues and profit margins have been more volatile in 2008 than in 2007. The business performance has always been managed from the full year perspective. Against the last quarter, the turnover at RM973 million improved marginally by 1.1%. The lower operating profit margin, though benefited from the lower input cost was affected by the mix of different profit margin of products sold.

4 Current year prospects

In spite of the expected tough economic environment for 2009, the Group still expects to deliver positive performance. As part of its on going drive to "Nourishing Malaysia", the Group will take necessary steps to counter the bearish consumer sentiment and likelihood of tight spending. The Group will continue to focus on its longer term objectives and strategies to generate demand and continue to expand and implement CAPEX for manufacturing of Halal products for 2009. It is key for the Group 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 31.12.2008 RM'000	Cumulative year 31.12.2008 RM'000
- Current year tax	5,300	89,828
- Prior year tax	164	164
- Deferred tax for the current period	22,055	10,474
	27,519	100,466

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 31.12.2008 RM'000
Short term - Unsecured loans	
Revolving credit	103,000
Short term - Secured loans	
Finance lease (payable within a year)	2,953
Total short term loans	105,953
Long term - Secured loans	
Finance lease	2,690
Total long term loans	2,690

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 19.02.2009:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
US Dollar	44,000	3.5023 - 3.5985	157,931	Feb '09 - Mar '09

The following forward contracts sold are outstanding as at 19.02.2009:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
US Dollar	120,000	3.6067 - 3.6215	433,974	Feb '09 - Jul '09

b. Swap Forex Contracts

The following swap contracts sold are outstanding as at 19.02.2009:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
US Dollar	2,000	3.6024 - 3.6129	7,219	Feb '09

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 19.02.2009 :

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	5,839	30,502	Mar '09 to Dec '09
Coffee Futures Position - GBP	15,263	79,731	Mar '09 to Jul '09
Coffee Futures Position - USD	2,714	9,931	Mar '09 to May '09
Cocoa Options Position - GBP	96	501	May '09

Summary of outstanding futures and options commodity contracts sold as at 19.02.2009:

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	1,979	10,338	Mar '09 to Jul '09
Coffee Futures Position - GBP	4,380	22,880	Mar '09
Coffee Futures Position - USD	1,148	4,201	Mar '09
Cocoa Options Position - GBP	32	167	Jul '09 to Sep '09
Coffee Options Position - GBP	14	73	Sep '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

The Board of Directors has proposed to declare a final dividend of 80.00 sen per share, under single-tier system in respect of financial year ended 31 December 2008. If approved by the shareholders at the Annual General Meeting tentatively to be held on 16 April 2009, this dividend will be paid on 28 May 2009 to shareholders whose names appear on the Record of Depositors on 7 May 2009. 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 4.00 p.m. on 7 May 2009 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.

The total net dividend per share paid / proposed for the current financial period up to 31 December 2008 is 191.19 sen compared to 113.81 sen in 2007.

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 340.9 million (RM 292.0 million in December 2007) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2007)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : February 26, 2009