



Nestlé

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

The Directors are pleased to present the Interim Report for the period ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2009

	3 months ended 30 June		6 months ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue - Sales of goods	922,857	1,014,910	1,906,789	1,942,598
Cost of sales	(604,309)	(712,390)	(1,273,952)	(1,352,312)
Gross profit	318,548	302,520	632,837	590,286
Operating expenses	(209,594)	(199,532)	(387,655)	(358,987)
Operating profit	108,954	102,988	245,182	231,299
Interest costs	(4,738)	(4,382)	(10,467)	(7,920)
Interest income	10	32	28	73
Share of post tax profit of an associate	45	95	(68)	39
Profit before tax	104,271	98,733	234,675	223,491
Tax expense	(18,816)	(17,013)	(48,866)	(47,426)
Profit after taxation	85,455	81,720	185,809	176,065
Minority interests	-	-	-	-
Profit after tax and minority interest	85,455	81,720	185,809	176,065
Net profit for the period	85,455	81,720	185,809	176,065
Basic earning per share (sen)	36.44	34.85	79.24	75.08
Dividend per share - net (sen)	50.00	50.00	50.00 †	111.19
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	2.19		2.20	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009

	As at 30.06.2009 RM'000	As at 31.12.2008 RM'000
Non current assets		
Property, plant and equipment	696,716	633,526
Intangible assets	61,024	61,024
Prepaid lease payments	52,415	52,933
Investment in an associate	3,176	3,242
Deferred tax assets	2,633	3,980
Receivables, deposits and prepayments	24,378	23,814
	<u>840,342</u>	<u>778,519</u>
Current assets		
Receivables, deposits and prepayments	389,398	391,483
Inventories	452,266	459,489
Current tax assets	4,692	5,220
Cash and cash equivalents	35,653	25,690
	<u>882,009</u>	<u>881,882</u>
Total assets	<u>1,722,351</u>	<u>1,660,401</u>
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	279,989	281,255
Total equity	<u>514,489</u>	<u>515,755</u>
Non current liabilities		
Loans and borrowings	1,851	2,690
Employee benefits	54,698	54,698
Deferred tax liabilities	73,051	56,801
	<u>129,600</u>	<u>114,189</u>
Current liabilities		
Payables and accruals **	898,587	904,368
Loans and borrowings	163,639	105,953
Taxation	16,036	20,136
	<u>1,078,262</u>	<u>1,030,457</u>
	<u>1,722,351</u>	<u>1,660,401</u>
Net assets per share attributable to shareholders (RM)	<u>2.19</u>	<u>2.20</u>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

** Payables include intra group loan for the amount of Malaysian Ringgit 321.0 million. (June 2008: Japanese Yen 7.7 billion, equivalent to RM237.9 million).

**CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR PERIOD ENDED
30 JUNE 2009**

	6 months ended 30.06.2009 RM'000	6 months ended 30.06.2008 RM'000
Net gain on cash flow hedge	702	1,469
Tax on income and expense recognised directly in equity	(176)	(341)
Income and expense recognised directly in equity	526	1,128
Profit for the period	185,809	176,065
Total recognised income and expense for the year, net of tax	186,335	177,193
Total recognised income and expense for the year attributable to shareholders of the Company	186,335	177,193

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
30 JUNE 2009**

	6 months ended 30.06.2009 RM'000	6 months ended 30.06.2008 RM'000
Cash flows from operating activities		
Profit before taxation	234,675	223,491
<i>Adjustments for non-cash items:</i>		
Amortisation and depreciation	41,079	36,815
Amortisation of prepaid lease payments	518	518
Net interest expense	10,439	7,847
<i>Less:</i>		
Decrease / (increase) in working capital	3,634	(39,496)
Income tax paid	(35,016)	(52,415)
Interest paid	(10,467)	(7,920)
Others	327	(407)
Net cash generated from operating activities	245,189	168,433
Cash flows from investing activities		
Purchase of property, plant and equipment	(105,028)	(62,449)
Others	555	487
Net cash used in investing activities	(104,473)	(61,962)
Cash flows from financing activities		
Proceeds from borrowings	56,847	264,185
Dividend payment	(187,600)	(328,300)
Net cash used in financing activities	(130,753)	(64,115)
Net increase in cash and cash equivalents	9,963	42,356
Cash and cash equivalents as at 1 January	25,690	31,670
Cash and cash equivalents as at 30 June	35,653	74,026

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

INTERIM FINANCIAL REPORT

Notes:

1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2009 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 2008.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

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. Fixed Assets

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

	3 months ended 30 June 2009		6 months ended 30 June 2009	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	2,033	29	2,058	29
Plant and machinery	44,499	47	98,064	557
Tools and furniture	3,215	65	3,922	113
Motor vehicles	46	75	196	75
Information system	635	12	788	15
	50,428	228	105,028	789

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

As we are not expecting to utilise, the Al-Murabahah CP/MTM issued by one of the subsidiaries in March 2003, has been pre-maturely terminated in June 2009.

7 Dividends paid

There was no dividend payment in this quarter.

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:

	6 months ended 30 June 2009		6 months ended 30 June 2008	
	RM'000	% of total sales	RM'000	% of total sales
Local sales	1,510,438	79.2%	1,510,188	77.7%
Export sales	396,351	20.8%	432,410	22.3%
Total	1,906,789	100.0%	1,942,598	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

a. Purchase of raw materials from Phytes Biotek Sdn. Bhd. (PBSB) for 3 months ended 30 June 2009 is RM12,680 (6 months ended 30 June 2009 is RM15,240). Biotropics Malaysia Berhad is the holding company of PBSB. Mohd Rafik bin Shah Mohamad is deemed interested via his directorships in both Nestle (Malaysia) Berhad and Biotropics Malaysia Berhad.

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

	3 months ended 30 June 2009 (RM'000)	6 months ended 30 June 2009 (RM'000)
IT shared service	5,189	10,540
Net interest expense	2,407	5,507
Purchases of goods and services	93,999	225,795
Sales of finished goods	165,960	340,198
Royalties	37,813	78,300

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 2, 2009 vs Quarter 2, 2008)

The Group registered a turnover of RM 922.9 million, 9.1% lower than the same period last year. The contraction was largely attributed to lower selling prices of milk based products sold to the countries in the Middle East. The strengthening of Ringgit against the Dollar during the same period has further compounded this effect. New products manufactured for exports, namely NESTLE COFFEE-MATE non-dairy creamer and MAGGI TastyLite noodles helped cushion the negative sales impact. The domestic market has also been difficult. The slowdown in the local economy and changes in the consumer spending behaviour (spending less and saving more) have affected the domestic sales. In line with raw materials price declines, price reductions for MILO and milk products ranging between 7% - 12 % in February this year have made the products more affordable to our consumers.

The better quality of product mix and lower commodities prices have enabled the Group to achieve profit before tax RM 104.3 million, 5.6% higher than the previous year. Profit after tax stood at RM85.5 million shows an improvement of 4.6% against last year. However, the Group remains cautious for the balance of the year as some commodity prices such as Cocoa and Sugar have escalated with uncertainties in supply and demand.

2 Review of performance (Year-to-date, 2009 vs Year-to-date, 2008)

For the half year ended 30 June 2009, the Group has posted a turnover of RM1.9 billion; 1.8% lower than the same period last year. Domestic sales remained flat, reflecting the slowdown in the local economy and changes in consumer spending behaviour (spending less and saving more). In line with raw materials price declines, price reductions for MILO and milk products ranging between 7% - 12 % in February this year have made the products more affordable to our consumers. The overall lower turnover was mainly attributed to a 8% reduction in exports largely driven by lower selling prices of milk based products. This was partially offset by new products launched for the export market, namely NESTLÉ COFFEE-MATE non-dairy creamer and MAGGI TastyLite noodles.

The challenging economic environment notwithstanding, the Group continued to invest in building its brands. The Group intensified its marketing activities to generate higher demand and to stay competitive while protecting its market share. Most of the campaigns during the period under review were focused on giving more value to the consumers, either "RM / SEN off" or free grammage; helping consumers to save during this time. Also worth noting is the major campaign by NESCAFÉ promoting coffee containing antioxidants and educating consumers on the goodness of coffee.

The Group's continued focus on prudent spending and on full cost optimisation across the entire value chains with greater emphasis on "war on waste" has helped during the tough economic climate. The Group has been proactive in tracking performance and focusing on action plans to address gaps. Externally, there was some good news in the form of lower input costs, whereby since late 2008, the prices of most major commodities have been less volatile. Albeit, the Group remains cautious for the balance of the year as some commodity prices such as Cocoa and Sugar have escalated with uncertainties in supply and demand.

Against such a backdrop, the Group was able to register a profit before tax of RM234.7 million, 5.0% higher than previous year. Owing to increased capital investment tax incentives, the profit after tax was at RM185.8 million, higher by 5.5% than the previous period.

3 Variation of results against previous quarter (Quarter 2, 2009 vs. Quarter 1, 2009)

Against the last quarter, the turnover at RM922.9 million was lower by 6.2%. As mentioned in the above year over year comparisons, this decrease was mainly attributed to the selling price of exported milk products. Movements in the profit margins result from the timing of marketing and promotional activities, with spending being heavier in the second quarter.

4 Current year prospects

With the nation's economy poised for recovery in the second half of the year, the Group expects to deliver positive top line and bottom line growth. While the year is undeniably challenging, Nestlé will work harder to meet these targets. The Group will continue to focus on its longer term objectives and strategies by continuing to expand and invest in the manufacturing of Halal products. The recent RM 110 million investment to expand the capacity of the NESCAFÉ plant in Shah Alam is part of this overall strategy. The Group will continue to make investments in line with its objective of being the leader in Nutrition, Health & Wellness, as well as an industry benchmark for its financial performance and trusted by all stakeholders.

5 Profit forecast

Not applicable as there is no forecast / profit guarantee.

6 Tax expense

- Current year tax
- Deferred tax for the current period

	Taxation for this quarter 30.06.2009 RM'000	Cumulative year 30.06.2009 RM'000
	11,914	31,444
	6,902	17,422
	18,816	48,866

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:

Short term - Unsecured loans

- Revolving credit
- Banker's acceptance

Short term - Secured loans

- Finance lease (payable within a year)

Total short term loans

	As at 30.06.2009 RM'000
	61,400
	100,000
	2,239
	163,639

Long term - Secured loans

- Finance lease

Total long term loans

	1,851
	1,851

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 20.08.2009:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
Australia Dollar	1,300	2.5325 - 2.5424	3,295	Sep '09 - Dec '09
US Dollar	7,164	3.5042 - 3.5307	25,263	Aug '09 - Nov '09

b. Swap Forex Contracts

The following swap contracts purchased are outstanding as at 20.08.2009:

Foreign Currency	Amount ('000)	Exchange rate	Equivalent in RM'000	Maturity date
US Dollar	1,368	3.5143	4,806	Nov '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 20.08.2009 :

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	5,618	32,793	Sep '09 - May '10
Coffee Futures Position - GBP	16,722	97,610	Sep '09 - May '10
Coffee Futures Position - USD	2,225	7,862	Dec '09
Palm Oil Futures Position - RM		11,705	Oct '09 - Mar '10

Summary of outstanding futures and options commodity contracts sold as at 20.08.2009:

Description	Total amount ('000)		Position
	Foreign	RM	
Cocoa Futures Position - GBP	3,133	18,288	Sep '09 - Dec '09
Coffee Futures Position - GBP	419	2,446	Sep '09 - Nov '09
Cocoa Options Position - GBP	8	47	Sep '09
Coffee Options Position - GBP	3	18	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 declared an interim dividend of 50.00 sen per share (2009 total interim - 50.00 sen per share; 2008 total special and interim - 111.19 sen per share) in respect of financial year ending 31 December 2009 which will be paid on 08 October 2009 to shareholders whose names appear on the Record of Depositors on 17 September 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:

- shares transferred into the Depositor's Securities Account before 4.00 p.m. on 17 September 2009 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.

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 185.8 million (RM 176.1 million in June 2008) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 2008)

b. Diluted earnings per share

Not applicable for the Group

Date : August 27, 2009

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary