



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 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2010

	3 months ended 31 March		3 months ended 31 March	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue - Sales of goods	1,020,487	983,932	1,020,487	983,932
Cost of sales	(678,178)	(669,643)	(678,178)	(669,643)
Gross profit	342,309	314,289	342,309	314,289
Operating expenses	(166,654)	(178,061)	(166,654)	(178,061)
Operating profit	175,655	136,228	175,655	136,228
Interest costs	(5,116)	(5,729)	(5,116)	(5,729)
Interest income	3	18	3	18
Share of post tax profit of an associate	75	(113)	75	(113)
Profit before tax	170,617	130,404	170,617	130,404
Tax expense	(31,819)	(30,050)	(31,819)	(30,050)
Profit after taxation	138,798	100,354	138,798	100,354
Minority interests	-	-	-	-
Profit after tax and minority interest	138,798	100,354	138,798	100,354
Net profit for the period	138,798	100,354	138,798	100,354
Other comprehensive income, net of tax				
Cash flow hedge	4,224	645	4,224	645
Total other comprehensive income for the period, net of tax	4,224	645	4,224	645
Total comprehensive income for the period	143,022	100,999	143,022	100,999
Basic earnings per share (sen)	59.19	42.79	59.19	42.79
Dividend per share - net (sen)	-	-	-	-
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	3.03		2.42	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010**

	As at 31.03.2010 RM'000	As at 31.12.2009 RM'000
Non current assets		
Property, plant and equipment	842,145	860,253
Intangible assets	61,024	61,024
Investment in an associate	3,544	3,467
Deferred tax assets	6,203	7,379
Receivables, deposits and prepayments	23,218	22,923
	<u>936,134</u>	<u>955,046</u>
Current assets		
Receivables, deposits and prepayments	436,156	370,421
Inventories	396,487	354,381
Current tax assets	3,362	7,118
Cash and cash equivalents	30,118	25,751
	<u>866,123</u>	<u>757,671</u>
Total assets	<u>1,802,257</u>	<u>1,712,717</u>
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	475,701	332,679
Total equity	<u>710,201</u>	<u>567,179</u>
Non current liabilities		
Loans and borrowings	327,736	328,039
Employee benefits	48,411	48,411
Deferred tax liabilities	72,865	70,309
	<u>449,012</u>	<u>446,759</u>
Current liabilities		
Payables and accruals	582,919	622,228
Loans and borrowings	35,526	56,458
Taxation	24,599	20,093
	<u>643,044</u>	<u>698,779</u>
	<u>1,802,257</u>	<u>1,712,717</u>
Net assets per share attributable to shareholders (RM)	<u>3.03</u>	<u>2.42</u>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 MARCH 2010**

	Non Distributable		Distributable	Total Equity RM'000
	<i>Share capital and share premium</i>	<i>Hedging reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	
At 1 January 2009	267,500	(2,814)	251,069	515,755
Total comprehensive income for the period	-	645	100,354	100,999
At 31 March 2009	267,500	(2,169)	351,423	616,754
At 1 January 2010	267,500	(109)	299,788	567,179
Total comprehensive income for the period	-	4,224	138,798	143,022
At 31 March 2010	267,500	4,115	438,586	710,201

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 MARCH 2010**

	3 months ended 31.03.2010 RM'000	3 months ended 31.03.2009 RM'000
Cash flows from operating activities		
Profit before taxation	170,617	130,404
<i>Adjustments for non-cash items:</i>		
Amortisation and depreciation	25,224	20,821
Net interest expense	5,113	5,711
<i>Less:</i>		
(Increase)/Decrease in working capital	(141,859)	19,664
Income tax paid	(21,233)	(16,924)
Others	65	259
Net cash generated from operating activities	37,927	159,935
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,213)	(54,600)
Others	3	448
Net cash used in investing activities	(7,210)	(54,152)
Cash flows from financing activities		
Interest paid	(5,116)	(5,729)
Repayment of borrowings	(15,630)	(88,760)
Net cash used in financing activities	(20,746)	(94,489)
Net increase in cash and cash equivalents	9,971	11,294
Cash and cash equivalents as at 1 January	20,147	25,690
Cash and cash equivalents as at 31 March	30,118	36,984

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

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 2010 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 2009 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 July 2009 and 1 January 2010. The adoption of these standards, amendments and interpretations have no material impact to these interim financial statements except for the adoption of the following standards which impact the presentation and disclosure aspect:

FRS 8 - Operating Segments
FRS101 - Presentation of Financial Statements (revised)

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

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:

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

3 months ended 31 Mar 2010	
Assets acquired RM'000	Assets disposed RM'000
268	-
6,321	54
624	3
-	-
-	14
7,213	71

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

There is no issuance of debts and equity security in this quarter.

7 Dividends paid

There was no dividend payment in this quarter.

8 Operating segment

FRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker, which is defined as the Executive Board.

The Group is focused in two areas of activity, Food & Beverages and Others which includes Nutrition and Nestle Professional.

	3 months ended 31 March 2010		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	836,084	184,403	1,020,487
Operating profit	133,498	42,157	175,655
Profit before tax	129,371	41,246	170,617
Segment assets			
Segment assets	1,559,874	242,383	1,802,257

	3 months ended 31 March 2009		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	798,456	185,476	983,932
Operating profit	97,017	39,211	136,228
Profit before tax	92,291	38,113	130,404
Segment assets			
Segment assets	1,430,167	234,756	1,664,923

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 2010 (RM'000)
IT shared service	6,474
Net interest expense	2,434
Purchases of goods and services	78,114
Sales of finished goods	206,014
Royalties	40,710

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, 2010 vs Quarter 1, 2009)

For the first 3 months of 2010, the Group registered a turnover of RM 1,020.5 million, 3.7% higher than the same period last year.

Exports representing 23% of total sales, achieved a double digit growth. This growth was mainly contributed by Nescafe products manufactured from the new lines invested last year and Non Dairy Creamer.

The strengthening of the global economy and higher GDP growth forecasted by the Bank Negara, helped to improve local consumers' sentiments. To this effect, domestic sales further improved by 6.2% against prior quarter, and were higher by 0.7% against the same period last year.

Whilst the economic indicators showed a very positive sign for a strong recovery, this created higher demand for most of the major commodities, in particular Skimmed Milk Powder and Cocoa, the prices of which increased by more than 50% against the same period last year.

The above trend affected the Group's gross profit margin, which was 280 bps lower than the prior quarter. However, against the same period last year, the gross profit margin was higher by 160 bps, mainly due to better quality product mix and some exceptional items recorded in Q1 2009.

Operational expenses were exceptionally low in the first 3 months, mainly due to the timing of major marketing campaigns that are scheduled in the following quarters. This has allowed the Group to post a higher profit margin before tax of 16.7% and profit margin after tax of 13.6%.

2 Variation of results against previous quarter (Quarter 1, 2010 vs. Quarter 4, 2009)

The positive development in the world economy and higher 2010 GDP growth forecasted by Bank Negara helped to improve consumers' sentiments. Both domestic and exports registered good increases, translating into a 7.3% growth against quarter 4, 2009.

Against the 4th quarter, the operational expenses were exceptionally low in the first 3 months, mainly due to the timing of major marketing campaigns that are scheduled in the following quarters. This has allowed the Group to post a higher profit margin before tax of 16.7% and profit margin after tax of 13.6%.

3 Current year prospects

With the world economy starting to show improvement in 2010, we foresee the Malaysian economy to benefit from the higher global demand for its products. Bank Negara has forecasted a strong GDP growth for 2010, and we expect the Group to fully leverage this positive economic development to grow the top and bottom line. However, we remain cautious and we will take the necessary measures to ensure the Group's performance in 2010 is kept on track. 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.

4 Profit forecast

We do not issue any profit forecast.

5 Tax expense

- Current year tax
- Deferred tax for the current period

Taxation for this quarter 31.03.2010 RM'000	Cumulative year 31.03.2010 RM'000
29,495	29,495
2,324	2,324
31,819	31,819

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

Group Borrowings and Debt Securities are:

Short term - Unsecured loans

Revolving credit

Short term - Secured loans

Finance lease (payable within a year)

Total short term loans

As at 31.03.2010 RM'000
32,000
3,526
35,526

Long term - Unsecured loans

Intra group loans

Long term - Secured loans

Finance lease

Total long term loans

319,264
8,472
327,736

All the above debts are in Ringgit Malaysia.

10 Derivatives

Summary of outstanding derivatives as at 31.03.2010 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	404,906	5,140	Less than 1 year
Commodity futures	47,895	222	Less than 1 year

11 Material litigation

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

12 Dividend

No dividend is proposed in this quarter.

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 138.8 million (RM 100.4 million in March 2009) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2009)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : April 21, 2010