



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 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2011

	3 months ended 31 March		3 months ended 31 March	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue - Sales of goods	1,184,998	1,020,487	1,184,998	1,020,487
Cost of sales	(779,091)	(678,178)	(779,091)	(678,178)
Gross profit	405,907	342,309	405,907	342,309
Operating expenses	(210,044)	(166,654)	(210,044)	(166,654)
Operating profit	195,863	175,655	195,863	175,655
Interest costs	(4,973)	(5,116)	(4,973)	(5,116)
Interest income	151	3	151	3
Share of post tax profit of an associate	66	75	66	75
Profit before tax	191,107	170,617	191,107	170,617
Tax expense	(38,421)	(31,819)	(38,421)	(31,819)
Profit after taxation	152,686	138,798	152,686	138,798
Minority interests	-	-	-	-
Profit after tax and minority interest	152,686	138,798	152,686	138,798
Net profit for the period	152,686	138,798	152,686	138,798
Other comprehensive income, net of tax				
Cash flow hedge	2,459	4,224	2,459	4,224
Total other comprehensive income for the period, net of tax	2,459	4,224	2,459	4,224
Total comprehensive income for the period	155,145	143,022	155,145	143,022
Basic earnings per share (sen)	65.11	59.19	65.11	59.19
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)	3.28		2.62	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Non current assets		
Property, plant and equipment	879,026	897,505
Intangible assets	61,024	61,024
Investment in an associate	3,255	3,189
Deferred tax assets	8,833	10,441
Receivables, deposits and prepayments	23,319	22,653
	<u>975,457</u>	<u>994,812</u>
Current assets		
Receivables, deposits and prepayments	422,093	354,303
Inventories	348,769	380,539
Current tax assets	223	344
Cash and cash equivalents	33,002	48,683
	<u>804,087</u>	<u>783,869</u>
Total assets	<u>1,779,544</u>	<u>1,778,681</u>
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	533,981	378,836
Total equity	<u>768,481</u>	<u>613,336</u>
Non current liabilities		
Loans and borrowings	165,698	326,298
Employee benefits	39,740	42,537
Deferred tax liabilities	80,042	75,595
	<u>285,480</u>	<u>444,430</u>
Current liabilities		
Payables and accruals	699,408	623,269
Loans and borrowings	2,582	87,256
Taxation	23,593	10,390
	<u>725,583</u>	<u>720,915</u>
	<u>1,779,544</u>	<u>1,778,681</u>
Net assets per share attributable to shareholders (RM)	<u>3.28</u>	<u>2.62</u>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 MARCH 2011**

	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 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
At 1 January 2011	267,500	4,016	341,820	613,336
Total comprehensive income for the period	-	2,459	152,686	155,145
At 31 March 2011	267,500	6,475	494,506	768,481

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 MARCH 2011**

	3 months ended 31.03.2011 RM'000	3 months ended 31.03.2010 RM'000
Cash flows from operating activities		
Profit before taxation	191,107	170,617
<i>Adjustments for non-cash items:</i>		
Amortisation, depreciation and impairment	25,238	25,224
Net interest expense	4,822	5,113
<i>Less:</i>		
Decrease/(Increase) in working capital	42,732	(141,859)
Income tax paid	(19,861)	(21,233)
Others	(2,803)	65
Net cash generated from operating activities	241,235	37,927
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,820)	(7,213)
Others	151	3
Net cash used in investing activities	(6,669)	(7,210)
Cash flows from financing activities		
Interest paid	(4,973)	(5,116)
Repayment of borrowings	(218,904)	(15,630)
Net cash used in financing activities	(223,877)	(20,746)
Net increase in cash and cash equivalents	10,689	9,971
Cash and cash equivalents as at 1 January	22,313	20,147
Cash and cash equivalents as at 31 March	33,002	30,118

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

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 2011 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 2010 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 March 2010, 1 July 2010 and 1 January 2011. The adoption of these standards, amendments and interpretations have no material impact to these interim financial statements.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

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 31 March 2011	
Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	2
Plant and machinery	5,786
Tools and furniture	1,032
	6,820
	60

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.

Segment revenues and results

Sales

Earnings before interest and tax

3 months ended 31 March 2011		
Food & Beverages	Others	Total
RM'000	RM'000	RM'000
959,803	225,195	1,184,998
157,953	37,824	195,778

Segment revenues and results

Sales

Earnings before interest and tax

3 months ended 31 March 2010		
Food & Beverages	Others	Total
RM'000	RM'000	RM'000
836,084	184,403	1,020,487
133,421	42,157	175,578

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. Nestle purchases raw materials from Malayan Sugar Manufacturing Sdn. Bhd. (MSM) and Malaysia Cocoa Manufacturing Sdn. Bhd. (MCM) as well as acquires services from Sanicare Hygiene Services Sdn Bhd and Cold Chain Network (M) Sdn Bhd. Felda Global Ventures has interest in MCM & MSM. Dato' Mohd Rafik bin Shah Mohamad is deemed interested via his directorships in Nestle (Malaysia) Berhad, Felda Global Ventures, Sanicare Hygiene Services Sdn Bhd and Cold Chain Network (M) Sdn Bhd.

Purchase of raw materials and services from the above three companies as follows:

Malayan Sugar Manufacturing Sdn Bhd
Sanicare Hygiene Services Sdn. Bhd
Cold Chain Network (M) Sdn Bhd
Malaysia Cocoa Manufacturing Sdn. Bhd. (MCM)

3 months ended 31 Mar 2011 (RM'000)
5,012
13
1,280
14,648

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

IT shared service
Net interest expense
Purchases of goods and services
Sales of finished goods
Royalties

3 months ended 31 Mar 2011 (RM'000)
5,869
2,722
77,186
241,580
47,060

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 (Year-to-date, 2011 vs Year-to-date, 2010)

For the first quarter ending 31 March 2011, the Group registered a turnover of RM 1.2 billion, 16.1% higher than the same period last year. The robust double digit growth was driven by both domestic and export sales.

After the strong rebound of the Malaysian economy in 2010, the improvement in consumer confidence led to a robust double digits growth in domestic sales. This growth was accentuated by the stocks level reduction in the trade in quarter 1 2010. Towards the end of the quarter, the Group also introduced new products, such as NESTEA in the retail channel and MILO Sejuk.

Exports sales also grew by double digit, sustaining the strong performance achieved last year. The expanding economies of the neighbouring Asian countries played an important role in this encouraging performance.

From an input cost perspective, the prices of all key raw materials consumed by the Group were on an uptrend versus the same period last year. The high volatility in the commodity market continues to be driven by supply tensions, strong demand and speculative investments. Despite higher input cost, favourable product sale mix as well as price increases on selected products contributed to a slight improvement in gross profit margin.

The operating profit stood at RM196 million, an improvement of 11.5% over the same period last year. On a profit margin basis, it showed a slight reduction due to higher operating expenses versus an unusually low cost base in quarter 1, 2010.

Profit before and after tax also grew respectively 12.0% and 10.0%, and showed a similar margin trend as the operating profit.

2 Variation of results against previous quarter (Quarter 1, 2011 vs. Quarter 4, 2010)

Against quarter 4 2010, the turnover of RM1.2 billion represents an increase of 22.9% driven by the same factors described in section 1.

Favourable product sale mix as well as price increases on selected products helped maintain the gross profit margin at a similar level as previous quarter. The strong improvement in profit margin is the result of high levels of operating expenses incurred in quarter 4 2010 due to the timing of some fixed expenses.

3 Current year prospects

After an encouraging 2010, the local economy is expected to further grow, leveraging on the Economic Transformation Plan recently presented by the government. The sharp increase in the global commodity prices and the government's gradual reduction in food and fuel subsidies which put pressure on the Group's input costs, remains a challenge which needs to be addressed. The Group will continue to closely monitor the development of commodity prices, evaluate and adjust its pricing policy accordingly. Where possible the Group will leverage operational efficiencies and cost savings initiatives to avoid passing on price increases to consumers.

The Group will take advantage of the improvement in both the local and international economies to further grow both top and bottom line. It will also increase its marketing investment in line with Nestle's objective of being the leader in Nutrition, Health & Wellness, as well as an industry benchmark for its financial performance and being 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

Cumulative year 31.03.2011 RM'000	
	33,185
	5,236
	38,421

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 - Secured loans

Finance lease (payable within a year)

Total short term loans

As at 31.03.2011 RM'000	
	2,582
	2,582

Long term - Unsecured loans

Intra group loans

Long term - Secured loans

Finance lease

Total long term loans

	159,264
	6,434
	165,698

All the above debts are in Ringgit Malaysia.

10 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.03.2011 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	404,714	5,310	Less than 1 year
Commodity futures	258,307	(863)	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 Realised and unrealised profit disclosure

	As at 31.03.2011	As at 31.12.2010
	RM'000	RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	595,301	439,849
Unrealised	(101,050)	(98,219)
Total share of retained profits from an associated company:		
Realised	636	563
Unrealised	(381)	(373)
Total retained profits as per consolidated accounts	494,506	341,820

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 152.7 million (RM 138.8 million in March 2010) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2010)

b. Diluted earnings per share

Not applicable for the Group

Date : April 20, 2011

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary