



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 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2011

	3 months ended 30 June		6 months ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue - Sales of goods	1,155,567	1,050,863	2,340,565	2,071,350
Cost of sales	(780,368)	(704,298)	(1,559,459)	(1,382,476)
Gross profit	375,199	346,565	781,106	688,874
Operating expenses	(242,962)	(222,403)	(453,007)	(389,056)
Operating profit	132,237	124,162	328,099	299,818
Interest costs	(4,503)	(6,536)	(9,476)	(11,652)
Interest income	102	6	253	9
Share of post tax profit of an associate	(61)	(162)	5	(87)
Profit before tax	127,775	117,470	318,881	288,088
Tax expense	(21,226)	(17,317)	(59,647)	(49,136)
Profit after taxation	106,549	100,153	259,234	238,952
Minority interests	-	-	-	-
Profit after tax and minority interest	106,549	100,153	259,234	238,952
Net profit for the period	106,549	100,153	259,234	238,952
Other comprehensive income, net of tax				
Cash flow hedge	(394)	2,560	2,065	6,784
Total other comprehensive income for the period, net of tax	(394)	2,560	2,065	6,784
Total comprehensive income for the period	106,155	102,713	261,299	245,736
Basic earnings per share (sen)	45.44	42.71	110.55	101.90
Dividend per share - net (sen)	55.00	50.00	55.00	50.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	2.58		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 30 JUNE 2011**

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Non current assets		
Property, plant and equipment	870,956	897,505
Intangible assets	61,024	61,024
Investment in an associate	3,194	3,189
Deferred tax assets	8,431	10,441
Receivables, deposits and prepayments	23,484	22,653
	<u>967,089</u>	<u>994,812</u>
Current assets		
Receivables, deposits and prepayments	419,441	354,303
Inventories	404,242	380,539
Current tax assets	191	344
Cash and cash equivalents	49,772	48,683
	<u>873,646</u>	<u>783,869</u>
Total assets	<u>1,840,735</u>	<u>1,778,681</u>
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	370,460	378,836
Total equity	<u>604,960</u>	<u>613,336</u>
Non current liabilities		
Loans and borrowings	329,982	326,298
Employee benefits	40,853	42,537
Deferred tax liabilities	79,523	75,595
	<u>450,358</u>	<u>444,430</u>
Current liabilities		
Payables and accruals	745,155	623,269
Loans and borrowings	12,556	87,256
Taxation	27,706	10,390
	<u>785,417</u>	<u>720,915</u>
	<u>1,840,735</u>	<u>1,778,681</u>
Net assets per share attributable to shareholders (RM)	<u>2.58</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 30 JUNE 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	-	6,784	238,952	245,736
Dividends paid:				
- 2009 Final	-	-	(234,500)	(234,500)
At 30 June 2010	267,500	6,675	304,240	578,415
At 1 January 2011	267,500	4,016	341,820	613,336
Total comprehensive income for the period	-	2,065	259,234	261,299
Dividends paid:				
- 2010 Final	-	-	(269,675)	(269,675)
At 30 June 2011	267,500	6,081	331,379	604,960

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
30 JUNE 2011**

	6 months ended 30.06.2011 RM'000	6 months ended 30.06.2010 RM'000
Cash flows from operating activities		
Profit before taxation	318,881	288,088
<i>Adjustments for non-cash items:</i>		
Amortisation, depreciation and impairment	50,506	50,229
Net interest expense	9,223	11,643
<i>Less:</i>		
Decrease/(Increase) in working capital	34,914	(102,092)
Income tax paid	(36,928)	(31,421)
Others	(1,277)	149
Net cash generated from operating activities	375,319	216,596
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,345)	(34,012)
Others	282	192
Net cash used in investing activities	(24,063)	(33,820)
Cash flows from financing activities		
Interest paid	(9,476)	(11,652)
(Repayment of)/Proceed from borrowings	(44,646)	71,815
Dividend payment	(269,675)	(234,500)
Net cash used in financing activities	(323,797)	(174,337)
Net increase in cash and cash equivalents	27,459	8,439
Cash and cash equivalents as at 1 January	22,313	20,147
Cash and cash equivalents as at 30 June	49,772	28,586

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 30 June 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 30 June 2011		6 months ended 30 June 2011	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	3,560	-	3,562	-
Plant and machinery	9,559	316	15,345	316
Tools and furniture	3,733	14	4,765	74
Motor vehicles	366	45	366	45
Information system	307	7	307	7
	17,525	382	24,345	442

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

Dividends paid during the reporting period are as follows:

	6 months ended 30 Jun 2011 (RM'000)
Final dividend for the financial year ended 31 December 2010 115.00 sen per share (single-tier)	269,675
Total	269,675

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.

	6 months ended 30 June 2011		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	1,921,217	419,348	2,340,565
Earnings before interest and tax	263,836	64,263	328,099

	6 months ended 30 June 2010		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	1,716,107	355,243	2,071,350
Earnings before interest and tax	234,493	65,325	299,818

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 independent 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 four companies as follows:

	3 months ended 30 Jun 2011 (RM'000)	6 months ended 30 Jun 2011 (RM'000)
Malayan Sugar Manufacturing Sdn Bhd	7,942	12,954
Sanicare Hygiene Services Sdn. Bhd	17	30
Cold Chain Network (M) Sdn Bhd	1,782	3,062
Malaysia Cocoa Manufacturing Sdn. Bhd. (MCM)	14,119	28,767

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

	3 months ended 30 Jun 2011 (RM'000)	6 months ended 30 Jun 2011 (RM'000)
IT shared service	6,325	12,194
Net interest expense	2,191	4,913
Purchases of goods and services	98,210	175,396
Sales of finished goods	268,884	510,464
Royalties	43,637	90,697

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, 2011 vs Quarter 2, 2010)

The Group registered a turnover of RM 1.2 billion, 10.0% higher than the same period last year. Sales in both domestic and exports performed well, with the latter growing at a faster rate and contributing slightly more than 25% of the total Group sales in the second quarter.

Supported by innovation and renovation activities, domestic sales continue to grow well. New products introduced towards the end of the last quarter such as MILO Sejuk and NESTEA are showing good results in the market.

Sustained economic growth in the region helped drive the Group's export performance. The fast growing demand for coffee creamers and soluble coffees within the Asean region contributed largely to the robust double digit export growth. The capacity investments made in the last three years have paid off, as the Group was able to fully capitalise on higher regional demand following the global economic turnaround in early 2009.

Operating profit increased by 6.5% to RM132.2 million. Higher raw material costs, coupled with strong promotional and marketing investments reduce slightly the percentage of profit margin. Lower financing cost offset by a higher effective tax rate drove the net profit to show a similar percentage margin trend.

2 Review of performance (Year-to-date, 2011 vs Year-to-date, 2010)

For the first six months ending 30 June 2011, the Group registered a turnover of RM 2.3 billion, 13.0% higher than the same period last year. The robust double digit growth was driven by both domestic and export sales.

On the domestic front, overall sales were strong across categories supported by innovation and renovation activities. The first half saw many new product launches, providing new growth opportunities for the Group. MILO Sejuk, NESTEA and MAT KOOL Split were among the notable new products introduced in the local market. Initial assessments are positive, indicating good acceptance from the consumers.

Exports recorded a strong double digit growth in the first six months, a very encouraging performance. Beyond the high demand for soluble coffees and coffee creamers, MILO powders and MAGGI Noodles further contributed to the strong Export sales which now represent close to a quarter of the Group's total turnover.

From an input cost perspective, most of the major raw materials consumed by the Group were on an uptrend or remained at high levels. Key materials such as coffee beans and cocoa powders have risen quite substantially and have contributed to the higher input costs. The volatility in the commodity market continues to be driven by supply tensions, strong demand and speculative investments. Over the period, price increases on selective products and operational savings partially cushioned the impact of the input cost evolution and have allowed the gross profit margin to remain flat.

New product launches required marketing and promotional activities to drive awareness and induce trial. To this effect, the Group intensified its marketing activities, investing in media and consumer promotions to strengthen its brands and to introduce new products. The higher marketing and promotional expenses incurred to support the sales growth caused a slight percentage margin reduction on profit before tax. The net profit increased by 8.5% to RM259.2 million showing a similar percentage margin trend.

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

Against the last quarter, the turnover at RM1.2 billion contracted by 2.5%. The lower operating profit and margin were mainly driven by the higher raw material costs and strong marketing and promotional activities which took place in quarter 2.

4 Current year prospects

The prospects for the global economy are uncertain due to unfavourable economic condition in both Europe and the United States. The sharp increase in the global commodity prices and the Malaysian government's move to gradually reduce food and fuel subsidies is putting pressure on the Group's input costs. The Group will continue to closely monitor the development of commodity prices, leverage operational efficiencies and cost savings initiatives to minimize or avoid passing on price increases to consumers.

After the strong performance in the first half, the Group will continue to intensify 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.

5 Profit forecast

We do not issue any profit forecast.

6 Tax expense

- Current year tax
- Deferred tax for the current period

Taxation for this quarter 30.06.2011 RM'000	Cumulative year 30.06.2011 RM'000
21,212	54,397
14	5,250
21,226	59,647

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

Banker's acceptance

Short term - Secured loans

Finance lease (payable within a year)

Total short term loans**Long term - Unsecured loans**

Intra group loans

Long term - Secured loans

Finance lease

Total long term loans

All the above debts are in Ringgit Malaysia.

As at 30.06.2011 RM'000
10,000
2,556
12,556
324,264
5,718
329,982

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.06.2011 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	399,713	2,263	Less than 1 year
Commodity futures	322,289	7,840	Less than 1 year

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 55.00 sen per share (2010: 50.00 sen per share) in respect of financial year ending 31 December 2011 which will be paid on 5 October 2011 to shareholders whose names appear on the Record of Depositors on 14 September 2011. 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 14 September 2011 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.

14 Realised and unrealised profit disclosure

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	437,013	439,849
Unrealised	(105,828)	(98,219)
Total share of retained profits from an associated company:		
Realised	575	563
Unrealised	(381)	(373)
Total retained profits as per consolidated accounts	331,379	341,820

15 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 259.2 million (RM 239.0 million in June 2010) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 2010)

b. Diluted earnings per share

Not applicable for the Group

Date : August 18, 2011

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary