



# 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 September 2011 as follows:

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

	3 months ended 30 September		9 months ended 30 September	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Revenue - Sales of goods</b>	1,171,468	991,076	3,512,033	3,062,426
Cost of sales	(810,166)	(663,418)	(2,369,625)	(2,045,894)
<b>Gross profit</b>	361,302	327,658	1,142,408	1,016,532
Operating expenses	(218,139)	(189,827)	(671,145)	(578,883)
<b>Operating profit</b>	143,163	137,831	471,263	437,649
Interest costs	(5,427)	(5,191)	(14,903)	(16,843)
Interest income	114	11	367	20
Share of post tax profit of an associate	230	1	235	(86)
<b>Profit before tax</b>	138,080	132,652	456,962	420,740
Tax expense	(28,080)	(19,465)	(87,727)	(68,601)
<b>Profit after taxation</b>	110,000	113,187	369,235	352,139
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	110,000	113,187	369,235	352,139
<b>Net profit for the period</b>	110,000	113,187	369,235	352,139
<b>Other comprehensive income, net of tax</b>				
Cash flow hedge	(27,979)	(2,900)	(25,914)	3,884
<b>Total other comprehensive income for the period, net of tax</b>	(27,979)	(2,900)	(25,914)	3,884
<b>Total comprehensive income for the period</b>	82,021	110,287	343,321	356,023
<b>Basic earnings per share (sen)</b>	46.91	48.27	157.46	150.17
<b>Dividend per share - net (sen)</b>	-	-	55.00	50.00
	<b>AS AT END OF CURRENT QUARTER</b>		<b>AS AT PRECEDING FINANCIAL YEAR END</b>	
<b>Net assets per share attributable to equity holders (RM)</b>	2.93		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 SEPTEMBER 2011**

	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
<b>Non current assets</b>		
Property, plant and equipment	868,344	897,505
Intangible assets	61,024	61,024
Investment in an associate	3,424	3,189
Deferred tax assets	7,257	10,441
Receivables, deposits and prepayments	23,566	22,653
	<u>963,615</u>	<u>994,812</u>
<b>Current assets</b>		
Receivables, deposits and prepayments	401,220	354,303
Inventories	461,752	380,539
Current tax assets	151	344
Cash and cash equivalents	67,557	48,683
	<u>930,680</u>	<u>783,869</u>
<b>Total assets</b>	<b><u>1,894,295</u></b>	<b><u>1,778,681</u></b>
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	234,500	234,500
Reserves	452,482	378,836
<b>Total equity</b>	<u>686,982</u>	<u>613,336</u>
<b>Non current liabilities</b>		
Loans and borrowings	330,262	326,298
Employee benefits	40,374	42,537
Deferred tax liabilities	72,631	75,595
	<u>443,267</u>	<u>444,430</u>
<b>Current liabilities</b>		
Payables and accruals	732,034	623,269
Loans and borrowings	2,561	87,256
Taxation	29,451	10,390
	<u>764,046</u>	<u>720,915</u>
	<b><u>1,894,295</u></b>	<b><u>1,778,681</u></b>
<b>Net assets per share attributable to shareholders (RM)</b>	<u>2.93</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 SEPTEMBER 2011**

	Non Distributable		Distributable	Total Equity RM'000
	<i>Share capital and share premium</i> RM'000	<i>Hedging reserve</i> RM'000	<i>Retained profits</i> RM'000	
<b>At 1 January 2010</b>	267,500	(109)	299,788	567,179
<b>Total comprehensive income for the period</b>	-	3,884	352,139	356,023
<b>Dividends paid:</b>				
- 2009 Final	-	-	(234,500)	(234,500)
<b>At 30 September 2010</b>	267,500	3,775	417,427	688,702
<b>At 1 January 2011</b>	267,500	4,016	341,820	613,336
<b>Total comprehensive income for the period</b>	-	(25,914)	369,235	343,321
<b>Dividends paid:</b>				
- 2010 Final	-	-	(269,675)	(269,675)
<b>At 30 September 2011</b>	267,500	(21,898)	441,380	686,982

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 SEPTEMBER 2011**

	<b>9 months ended 30.09.2011 RM'000</b>	<b>9 months ended 30.09.2010 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	456,962	420,740
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	75,792	74,955
Net interest expense	14,536	16,823
Increase in working capital	(54,867)	(64,224)
Income tax paid	(59,614)	(58,666)
Others	(1,813)	166
<b>Net cash generated from operating activities</b>	<b>430,996</b>	<b>389,794</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(46,296)	(58,340)
Others	399	269
<b>Net cash used in investing activities</b>	<b>(45,897)</b>	<b>(58,071)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(14,903)	(16,843)
Repayment of borrowings	(55,277)	(50,016)
Dividend payment	(269,675)	(234,500)
<b>Net cash used in financing activities</b>	<b>(339,855)</b>	<b>(301,359)</b>
<b>Net increase in cash and cash equivalents</b>	<b>45,244</b>	<b>30,364</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>22,313</b>	<b>20,147</b>
<b>Cash and cash equivalents as at 30 September</b>	<b>67,557</b>	<b>50,511</b>

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 September 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 September 2011		9 months ended 30 September 2011	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	3,227	-	6,789	-
Plant and machinery	15,406	5,308	30,751	5,624
Tools and furniture	3,651	1,182	8,416	1,256
Motor vehicles	-	101	366	146
Information system	583	523	890	530
	<b>22,867</b>	<b>7,114</b>	<b>47,212</b>	<b>7,556</b>

\* Inclusive of assets acquired through finance lease amounting to RM916,000 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

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

#### 7 Dividends paid

Dividends paid during the reporting period are as follows:

	3 months ended 30 Sep 2011 (RM'000)	9 months ended 30 Sep 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.

	9 months ended 30 September 2011		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenues and results</b>			
Sales	2,898,135	613,898	3,512,033
Earnings before interest and tax	388,201	83,062	471,263

	9 months ended 30 September 2010		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenues and results</b>			
Sales	2,540,850	521,576	3,062,426
Earnings before interest and tax	343,614	94,035	437,649

## 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 Sep 2011 (RM'000)	9 months ended 30 Sep 2011 (RM'000)
Malayan Sugar Manufacturing Sdn Bhd	8,059	21,013
Sanicare Hygiene Services Sdn. Bhd	12	42
Cold Chain Network (M) Sdn Bhd	1,433	4,495
Malaysia Cocoa Manufacturing Sdn. Bhd. (MCM)	4,851	33,618

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

	3 months ended 30 Sep 2011 (RM'000)	9 months ended 30 Sep 2011 (RM'000)
IT shared service	6,743	18,937
Net interest expense	3,285	8,198
Purchases of goods and services	115,462	290,858
Sales of finished goods	256,140	766,604
Royalties	45,539	136,236

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 3, 2011 vs Quarter 3, 2010)

In the third quarter of 2011, the Group registered a turnover of RM 1.2 billion, 18.2% higher than the same period last year. Both domestic and exports sales showed strong performance, which led to a robust double digit growth.

The good domestic growth performance was noted for all categories and some with double digit especially for Milks, Coffee and Beverage, Confectionery as well as Nestle Liquid Drinks. The encouraging sales were further driven by higher demand during the fasting month, followed by Hari Raya celebrations.

Sustained economic growth in the region helped drive the Group's export performance. The increase demand for Coffee Creamers and Soluble Coffees within the Asean region contributed to the strong 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.

Escalating prices of key raw materials consumed by the Group such as coffee beans, cocoa powder, skimmed milk powder and palm oil have negatively impacted the gross profit margin which reduced by 230bps, despite increasing by 10.3% in absolute terms.

The profit before tax increased by 4.1% in value with an underlying lower margin percentage, driven by the gross profit evolution and higher investments in marketing activities.

Net profit was slightly lower due to the timing of the Halal Tax incentives utilisation.

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

For the nine months ending 30 September 2011, the Group registered a turnover of RM 3.5 billion, 14.7% higher than the same period last year. The robust double digit growth was driven by both domestic and export sales.

On the domestic front, the good third quarter sales further strengthened the market share performance of many product categories. Product innovations and renovations continued to create new growth opportunities and generated new market demand. Since the beginning of the year there have been many new products introduced by the Group. MILO SEJUK, NESTEA and Mat KOOL Ice Cream continue to perform well and recent launches such as NESTLE CRUNCHY BITE wafer and NESCAFE MENU KOPI O have received good response from the market.

Exports which represent almost 25% of the total turnover continued to record a strong double digit growth. The high demand for Soluble Coffees, Coffee Creamers and MILO powders further contributed to expand export sales, of which more than 50% are realised in the ASEAN region.

From an input cost perspective, the prices of major raw materials consumed by the Group remain at high levels. These key materials are coffee beans, cocoa powder, skimmed milk powder and palm oil. The volatility in the commodity market continues to be driven by supply tensions, strong demand and speculative investments. Over the period, the gross profit increased by 12.4% to reach RM1.1 billion. Despite the price increases on selective products, which partially cushioned the impact of the input cost evolution, the gross profit margin declined by 70bps.

Profit margin before tax followed the same trend as the gross margin. The net profit stood at RM369 million, an increase of 4.9% vs prior period.

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

Against the last quarter, the turnover at RM1.2 billion was higher by 1.4%. The reduction in gross profit was mainly driven by the higher raw material costs as stated in the above year-to-date comments. Lower operating expenses in the third quarter helped cushion this impact. The operating profit was higher by 8.3%.

### 4 Current year prospects

The high prices of key raw materials remain a concern to the Group. To mitigate some of the impact, the Group continues to implement operational saving initiatives by leveraging on the Nestle Continuous Excellence platform. 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 of the first nine months, the Group will continue to strengthen 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 30.09.2011 RM'000	Cumulative year 30.09.2011 RM'000
24,471	78,868
3,609	8,859
28,080	87,727

**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 - Secured loans**

Finance lease ( payable within a year )

**Total short term loans**

As at 30.09.2011 RM'000
2,561
2,561

**Long term - Unsecured loans**

Intra group loans

**Long term - Secured loans**

Finance lease

**Total long term loans**

324,264
5,998
330,262

All the above debts are in Ringgit Malaysia.

**11 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 30.09.2011 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	392,841	(17,589)	Less than 1 year
Commodity futures	248,852	(20,672)	Less than 1 year

**12 Material litigation**

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

**13 Dividend**

No dividend is proposed in this quarter.



**14 Realised and unrealised profit disclosure**

	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	511,966	439,849
Unrealised	(71,010)	(98,219)
Total share of retained profits from an associated company:		
Realised	424	563
Unrealised	-	(373)
Total retained profits as per consolidated accounts	441,380	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 369.2 million (RM 352.1 million in September 2010) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2010)

**b. Diluted earnings per share**

Not applicable for the Group

**Date : November 4, 2011**

**BY ORDER OF THE BOARD**

**Mohd. Shah Bin Hashim (LS0006824)**

**Company Secretary**