



# 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 December 2011 as follows:

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

	3 months ended 31 December		12 months ended 31 December	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Revenue - Sales of goods</b>	1,188,961	963,893	4,700,994	4,026,319
Cost of sales	(789,252)	(636,133)	(3,158,877)	(2,682,027)
<b>Gross profit</b>	399,709	327,760	1,542,117	1,344,292
Operating expenses	(291,544)	(277,918)	(962,689)	(856,801)
<b>Operating profit</b>	108,165	49,842	579,428	487,491
Interest costs	(6,495)	(4,826)	(21,398)	(21,669)
Interest income	91	15	458	35
Share of post tax profit of an associate	86	(27)	321	(113)
<b>Profit before tax</b>	101,847	45,004	558,809	465,744
Tax expense	(14,781)	(5,745)	(102,508)	(74,346)
<b>Profit after taxation</b>	87,066	39,259	456,301	391,398
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	87,066	39,259	456,301	391,398
<b>Net profit for the period</b>	87,066	39,259	456,301	391,398
<b>Other comprehensive income, net of tax</b>				
Cash flow hedge	(542)	241	(26,456)	4,125
Defined benefit plan actuarial gains	(3,671)	2,384	(3,671)	2,384
<b>Total other comprehensive income for the period, net of tax</b>	(4,213)	2,625	(30,127)	6,509
<b>Total comprehensive income for the period</b>	82,853	41,884	426,174	397,907
<b>Basic earnings per share (sen)</b>	37.13	16.74	194.58	166.91
<b>Dividend per share - net (sen)</b>	125.00	115.00	180.00	165.00
	<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>	2.73	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 DECEMBER 2011**

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
<b>Non current assets</b>		
Property, plant and equipment	889,741	897,505
Intangible assets	61,024	61,024
Investment in an associate	3,210	3,189
Deferred tax assets	9,482	10,441
Receivables, deposits and prepayments	23,802	22,653
	<u>987,259</u>	<u>994,812</u>
<b>Current assets</b>		
Receivables, deposits and prepayments	444,854	354,303
Inventories	517,573	380,539
Current tax assets	176	344
Cash and cash equivalents	52,461	48,683
	<u>1,015,064</u>	<u>783,869</u>
<b>Total assets</b>	<b><u>2,002,323</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	406,360	378,836
<b>Total equity</b>	<u>640,860</u>	<u>613,336</u>
<b>Non current liabilities</b>		
Loans and borrowings	337,711	326,298
Employee benefits	42,316	42,537
Deferred tax liabilities	66,696	75,595
	<u>446,723</u>	<u>444,430</u>
<b>Current liabilities</b>		
Payables and accruals	878,321	623,269
Loans and borrowings	4,223	87,256
Taxation	32,196	10,390
	<u>914,740</u>	<u>720,915</u>
	<b><u>2,002,323</u></b>	<b><u>1,778,681</u></b>
<b>Net assets per share attributable to shareholders (RM)</b>	<u>2.73</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 DECEMBER 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	
<b>At 1 January 2010</b>	267,500	(109)	299,788	567,179
<b>Total comprehensive income for the period</b>	-	4,125	393,782	397,907
<b>Dividends paid:</b>				
- 2009 Final	-	-	(234,500)	(234,500)
- 2010 Interim	-	-	(117,250)	(117,250)
<b>At 31 December 2010</b>	267,500	4,016	341,820	613,336
<b>At 1 January 2011</b>	267,500	4,016	341,820	613,336
<b>Total comprehensive income for the period</b>	-	(26,456)	452,630	426,174
<b>Dividends paid:</b>				
- 2010 Final	-	-	(269,675)	(269,675)
- 2011 Interim	-	-	(128,975)	(128,975)
<b>At 31 December 2011</b>	267,500	(22,440)	395,800	640,860

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 DECEMBER 2011**

	12 months ended 31.12.2011 RM'000	12 months ended 31.12.2010 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	558,809	465,744
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	101,743	102,621
Net interest expense	20,940	21,634
Increase in working capital	(41,245)	(7,785)
Income tax paid	(78,432)	(77,221)
Others	20,029	3,933
<b>Net cash generated from operating activities</b>	<b>581,844</b>	<b>508,926</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(93,015)	(143,915)
Others	2,332	3,527
<b>Net cash used in investing activities</b>	<b>(90,683)</b>	<b>(140,388)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(21,398)	(21,669)
(Proceeds from)/Repayment of borrowings	(40,965)	7,047
Dividend payment	(398,650)	(351,750)
<b>Net cash used in financing activities</b>	<b>(461,013)</b>	<b>(366,372)</b>
<b>Net increase in cash and cash equivalents</b>	<b>30,148</b>	<b>2,166</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 31 December</b>	<b>52,461</b>	<b>22,313</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 audited financial statements for the quarter ended 31 December 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 December 2011		12 months ended 31 December 2011	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Land	518	-	518	-
Building (improvements and additions)	9,758	136	16,547	136
Plant and machinery	14,037	6,486	44,788	6,938
Tools and furniture	25,584	1,963	34,000	2,076
Motor vehicles	3,772	752	4,138	797
Information system	3,088	36	3,978	43
	<b>56,757</b>	<b>9,373</b>	<b>103,969</b>	<b>9,990</b>

\* Inclusive of assets acquired through finance lease amounting to RM10,954,000 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 31 Dec 2011 (RM'000)	12 months ended 31 Dec 2011 (RM'000)
Interim dividend for the financial year ended 31 December 2011 55.00 sen per share under single-tier system	128,975	128,975
Final dividend for the financial year ended 31 December 2010 115.00 sen per share (single-tier)	-	269,675
Total	128,975	398,650

## 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.

12 months ended 31 December 2011			
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenues and results</b>			
Sales	3,897,769	803,225	4,700,994
Operating Profit	481,346	108,272	589,618
12 months ended 31 December 2010			
	Food & Beverages RM'000	Others RM'000	Total RM'000
<b>Segment revenues and results</b>			
Sales	3,347,644	678,675	4,026,319
Operating Profit	393,490	103,465	496,955

## 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, Cold Chain Network (M) Sdn Bhd and Felda Prodata System 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 31 Dec 2011 (RM'000)	12 months ended 31 Dec 2011 (RM'000)
Malayan Sugar Manufacturing Sdn Bhd	11,044	32,057
Felda Prodata System Sdn Bhd	-	52
Sanicare Hygiene Services Sdn. Bhd	26	68
Cold Chain Network (M) Sdn Bhd	1,609	6,104
Malaysia Cocoa Manufacturing Sdn. Bhd. (MCM)	17,201	50,819

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

	3 months ended 31 Dec 2011 (RM'000)	12 months ended 31 Dec 2011 (RM'000)
IT shared service	6,529	25,466
Net interest expense	3,319	11,517
Purchases of goods and services	143,596	434,454
Sales of finished goods	253,981	1,020,585
Royalties	46,368	182,604

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 4, 2011 vs Quarter 4, 2010)

In the fourth quarter of 2011, the Group registered a turnover of RM 1.2 billion, 23.3% higher than the same period last year. The robust double digit growth was driven by solid domestic and export performance.

The good domestic growth was noted for all categories with stronger demand for Milks, Coffee and Beverage, Confectionery as well as Nestlé Liquid Drinks. Positive consumer sentiment was partly driven by the people friendly budget announced by the Government in October.

The Group also benefited from the resilient and strong economies in the ASEAN region which contributed to more than half of its exports. As a result, sales grew rapidly and the good growth momentum continued in the last quarter of the year. Thanks to previous years investments in Coffee Creamer and Soluble Coffee manufacturing lines, the Group fully capitalised on export growth opportunities in these categories.

The strong demand for commodities kept the prices of key raw materials consumed at higher levels. These high input cost put pressure on the Group's gross margin which reduced by 40 bps.

The quarter also saw higher investment in marketing activities that continues to produce good results. Higher sales for the quarter resulted in a better absorption of fixed costs, which more than offset the input cost and marketing investments. As a result, the net profit increased to RM 87.1 million with an underlying improved margin.

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

The Group registered a turnover of RM 4.7 billion, 16.8% higher than the same period last year. The robust double digit growth was driven by strong sales performance in both domestic and exports.

On the domestic front, the excellent results were driven by solid performance in many product categories. Focus on fewer but bigger innovations and renovations helped the Group launch new exciting products to capture new market segments and support the overall growth. The most recent launch of NESCAFÉ Dolce Gusto Beverage System has been well received by the market. The earlier launches such as MILO Sejuk, NESTLÉ CRUNCHY BITE wafer and NESTEA Ice Lemon Tea also show a positive sales trend.

The Group exports its products across the globe, more than half of which were contributed by the ASEAN region. Benefiting from the resilient and strong economic performance in this region, exports continue to grow at a double digit and represent almost 25% of total sales.

From an input cost perspective, the prices of major raw materials consumed were much higher. While we were able to partially mitigate these higher cost by the on-going initiatives under the NCE (Nestle Continuous Excellence) program, which helped cut waste and increase efficiency across the value chain, the net impact of higher input cost reduced the gross profit margin by 60 bps.

Thanks to higher revenues and better absorption of fixed cost, profit margin before tax improved by 30 bps to reach RM 558.8 million, while net profit stood at RM 456.3 million with an underlying flat margin.

### 3 Variation of results against previous quarter (Quarter 4, 2011 vs. Quarter 3, 2011)

Against the previous quarter, the turnover at RM1.2 billion was higher by 1.5%. The improvement in the gross profit margin was mainly due to the product sales mix. From an operating profit perspective, the lower margin was largely driven by strong promotional marketing investments towards the year-end.

### 4 Current year prospects

We expect 2012 to be a very challenging year as many uncertainties could dampen global economic growth and further drive volatility in commodity costs. The Group will continue to capitalise on product innovation and renovation as well as promoting nutritional diets and healthy lifestyles in line with the Government's goal of creating a healthy and productive society.

In 2012, the Group will remain focused on growing both top and bottom line. It 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
- Prior year tax
- Deferred tax for the current period

Taxation for this quarter 31.12.2011 RM'000	Cumulative year 31.12.2011 RM'000
22,460	101,328
(922)	(922)
(6,757)	2,102
14,781	102,508

**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 31.12.2011 RM'000
4,223
4,223

**Long term - Unsecured loans**

Intra group loans

**Long term - Secured loans**

Finance lease

**Total long term loans**

324,264
13,447
337,711

All the above debts are in Ringgit Malaysia.

**11 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 31.12.2011 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	422,574	(8,912)	Less than 1 year
Commodity futures	183,156	(24,192)	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 proposed to declare a final dividend of 125.00 sen per share, under single-tier system (2010: 115.00 sen per share) in respect of financial year ended 31 December 2011. If approved by the shareholders at the Annual General Meeting to be held on 26 April 2012, this dividend will be paid on 30 May 2012 to shareholders whose names appear on the Record of Depositors on 16 May 2012. Under current rules, single-tier dividends are not taxable in the hands 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 16 May 2012 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 31.12.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	441,895	379,864
Unrealised	(86,243)	(98,219)
Total share of retained profits from an associated company:		
Realised	210	189
Unrealised	-	-
Less : Consolidation adjustments	39,938	59,987
Total retained profits as per consolidated accounts	395,800	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 456.3 million (RM 391.4 million in December 2010) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2010)

**b. Diluted earnings per share**

Not applicable for the Group

**Date : February 23, 2012**

**BY ORDER OF THE BOARD**

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

**Company Secretary**