



# 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 2012 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2012**

	3 months ended 31 March		3 months ended 31 March	
	2012 RM'000	2011 (restated) RM'000	2012 RM'000	2011 (restated) RM'000
<b>Revenue - Sales of goods</b>	1,164,128	1,072,760	1,164,128	1,072,760
Cost of sales	(778,303)	(710,753)	(778,303)	(710,753)
<b>Gross profit</b>	385,825	362,007	385,825	362,007
Operating expenses	(173,096)	(166,144)	(173,096)	(166,144)
<b>Operating profit</b>	212,729	195,863	212,729	195,863
Interest costs	(5,741)	(4,973)	(5,741)	(4,973)
Interest income	74	151	74	151
Share of post tax (loss)/profit of an associate	(235)	66	(235)	66
<b>Profit before tax</b>	206,827	191,107	206,827	191,107
Tax expense	(48,747)	(43,955)	(48,747)	(43,955)
<b>Profit after taxation</b>	158,080	147,152	158,080	147,152
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	158,080	147,152	158,080	147,152
<b>Net profit for the period</b>	158,080	147,152	158,080	147,152
<b>Other comprehensive income, net of tax</b>				
Cash flow hedge	26,045	2,459	26,045	2,459
<b>Total other comprehensive income for the period, net of tax</b>	26,045	2,459	26,045	2,459
<b>Total comprehensive income for the period</b>	184,125	149,611	184,125	149,611
<b>Basic earnings per share (sen)</b>	67.41	62.75	67.41	62.75
<b>Dividend per share - net (sen)</b>	-	-	-	-
	<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>	3.57		2.78	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2012**

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
<b>Non current assets</b>			
Property, plant and equipment	876,343	889,741	897,505
Intangible assets	61,024	61,024	61,024
Investment in an associate	2,975	3,210	3,189
Deferred tax assets	18,506	18,460	19,415
Receivables, deposits and prepayments	22,679	23,802	22,653
	<u>981,527</u>	<u>996,237</u>	<u>1,003,786</u>
<b>Current assets</b>			
Receivables, deposits and prepayments	480,431	444,854	354,303
Inventories	460,269	517,573	380,539
Current tax assets	263	176	344
Cash and cash equivalents	32,399	52,461	48,683
	<u>973,362</u>	<u>1,015,064</u>	<u>783,869</u>
<b>Total assets</b>	<b><u>1,954,889</u></b>	<b><u>2,011,301</u></b>	<b><u>1,787,655</u></b>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	234,500	234,500	234,500
Reserves	602,344	418,219	419,868
<b>Total equity</b>	<u>836,844</u>	<u>652,719</u>	<u>654,368</u>
<b>Non current liabilities</b>			
Loans and borrowings	216,716	337,711	326,298
Employee benefits	40,107	42,316	42,537
Deferred tax liabilities	74,746	63,815	43,537
	<u>331,569</u>	<u>443,842</u>	<u>412,372</u>
<b>Current liabilities</b>			
Payables and accruals	683,283	878,321	623,269
Loans and borrowings	46,204	4,223	87,256
Taxation	56,989	32,196	10,390
	<u>786,476</u>	<u>914,740</u>	<u>720,915</u>
	<b><u>1,954,889</u></b>	<b><u>2,011,301</u></b>	<b><u>1,787,655</u></b>
<b>Net assets per share attributable to shareholders (RM)</b>	<u>3.57</u>	<u>2.78</u>	<u>2.79</u>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 31 MARCH 2012**

	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 2011	267,500	4,016	382,852	654,368
Total comprehensive income for the period	-	2,459	147,152	149,611
At 31 March 2011	267,500	6,475	530,004	803,979
At 1 January 2012	267,500	(22,440)	407,659	652,719
Total comprehensive income for the period	-	26,045	158,080	184,125
At 31 March 2012	267,500	3,605	565,739	836,844

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED  
31 MARCH 2012**

	3 months ended 31.03.2012 RM'000	3 months ended 31.03.2011 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	206,827	191,107
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	25,003	25,238
Net interest expense	5,667	4,822
(Increase)/Decrease in working capital	(150,136)	42,732
Income tax paid	(21,836)	(19,861)
Others	10,441	(2,803)
<b>Net cash generated from operating activities</b>	<b>75,966</b>	<b>241,235</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(11,791)	(6,820)
Others	518	151
<b>Net cash used in investing activities</b>	<b>(11,273)</b>	<b>(6,669)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(5,741)	(4,973)
Repayment of borrowings	(79,014)	(218,904)
<b>Net cash used in financing activities</b>	<b>(84,755)</b>	<b>(223,877)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(20,062)</b>	<b>10,689</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>52,461</b>	<b>22,313</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>32,399</b>	<b>33,002</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

## 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 2012 and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These are the Group's interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. An explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 14.

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 March 2012	
Assets acquired RM'000	Assets disposed RM'000
1,271	-
4,890	137
4,672	292
698	1,247
260	413
11,791	2,089

**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 Nestlé Professional.

	3 months ended 31 March 2012		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenues and results</b>			
Sales	942,039	222,089	1,164,128
Operating Profit	174,531	38,303	212,834

	3 months ended 31 March 2011		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenues and results</b>			
Sales	862,474	210,286	1,072,760
Operating Profit	164,945	39,465	204,410

Both segments Food & Beverages (81% of total sales) and Others (19% of total sales) share the same Group's performance trend as elaborated in page 10.

## 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. Nestlé acquires services from Sanicare Hygiene Services Sdn Bhd and Cold Chain Network (M) Sdn Bhd. Dato' Mohd Rafik bin Shah Mohamad is deemed interested via his independent directorships in Nestlé (Malaysia) Berhad, Sanicare Hygiene Services Sdn. Bhd. and Cold Chain Network (M) Sdn. Bhd.

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

	3 months ended 31 Mar 2012 (RM'000)
Sanicare Hygiene Services Sdn. Bhd	15
Cold Chain Network (M) Sdn Bhd	1,721

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

	3 months ended 31 Mar 2012 (RM'000)
IT shared service	8,127
Net interest expense	2,644
Purchases of goods and services	110,145
Sales of finished goods	257,050
Royalties	51,437

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

#### 14 Explanation of transition to MFRSs

As stated in note 1, these are the Group's first consolidated interim financial report prepared in accordance with MFRSs.

In preparing its opening MFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSs. An explanation of how the transition from the previous FRSs to the new MFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany these tables.

#### Reconciliation of financial position

	As at 01.01.2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
<b>Non current assets</b>			
Property, plant and equipment	897,505	-	897,505
Intangible assets	61,024	-	61,024
Investment in an associate	3,189	-	3,189
Deferred tax assets	10,441	8,974	19,415
Receivables, deposits and prepayments	22,653	-	22,653
	<u>994,812</u>	<u>8,974</u>	<u>1,003,786</u>
<b>Current assets</b>			
Receivables, deposits and prepayments	354,303	-	354,303
Inventories	380,539	-	380,539
Current tax assets	344	-	344
Cash and cash equivalents	48,683	-	48,683
	<u>783,869</u>	<u>-</u>	<u>783,869</u>
<b>Total assets</b>	<b><u>1,778,681</u></b>	<b><u>8,974</u></b>	<b><u>1,787,655</u></b>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	234,500	-	234,500
Reserves	378,836	41,032	419,868
<b>Total equity</b>	<u>613,336</u>	<u>41,032</u>	<u>654,368</u>
<b>Non current liabilities</b>			
Loans and borrowings	326,298	-	326,298
Employee benefits	42,537	-	42,537
Deferred tax liabilities	75,595	(32,058)	43,537
	<u>444,430</u>	<u>(32,058)</u>	<u>412,372</u>
<b>Current liabilities</b>			
Payables and accruals	623,269	-	623,269
Loans and borrowings	87,256	-	87,256
Taxation	10,390	-	10,390
	<u>720,915</u>	<u>-</u>	<u>720,915</u>
	<b><u>1,778,681</u></b>	<b><u>8,974</u></b>	<b><u>1,787,655</u></b>

14 Explanation of transition to MFRSs (continued)

Reconciliation of financial position (continued)

	As at 31.12.2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
<b>Non current assets</b>			
Property, plant and equipment	889,741	-	889,741
Intangible assets	61,024	-	61,024
Investment in an associate	3,210	-	3,210
Deferred tax assets	9,482	8,978	18,460
Receivables, deposits and prepayments	23,802	-	23,802
	987,259	8,978	996,237
<b>Current assets</b>			
Receivables, deposits and prepayments	444,854	-	444,854
Inventories	517,573	-	517,573
Current tax assets	176	-	176
Cash and cash equivalents	52,461	-	52,461
	1,015,064	-	1,015,064
<b>Total assets</b>	<b>2,002,323</b>	<b>8,978</b>	<b>2,011,301</b>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	234,500	-	234,500
Reserves	406,360	11,859	418,219
<b>Total equity</b>	640,860	11,859	652,719
<b>Non current liabilities</b>			
Loans and borrowings	337,711	-	337,711
Employee benefits	42,316	-	42,316
Deferred tax liabilities	66,696	(2,881)	63,815
	446,723	(2,881)	443,842
<b>Current liabilities</b>			
Payables and accruals	878,321	-	878,321
Loans and borrowings	4,223	-	4,223
Taxation	32,196	-	32,196
	914,740	-	914,740
	<b>2,002,323</b>	<b>8,978</b>	<b>2,011,301</b>

14 Explanation of transition to MFRSs (continued)

Reconciliation of comprehensive income

	3 months ended 31 March 2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
<b>Revenue - Sales of goods</b>	1,184,998	(112,238)	1,072,760
Cost of sales	(779,091)	68,338	(710,753)
<b>Gross profit</b>	405,907	(43,900)	362,007
Operating expenses	(210,044)	43,900	(166,144)
<b>Operating profit</b>	195,863	-	195,863
Interest costs	(4,973)	-	(4,973)
Interest income	151	-	151
Share of post tax profit of an associate	66	-	66
<b>Profit before tax</b>	191,107	-	191,107
Tax expense	(38,421)	(5,534)	(43,955)
<b>Profit after taxation</b>	152,686	(5,534)	147,152
Minority interests	-	-	-
<b>Profit after tax and minority interest</b>	152,686	(5,534)	147,152
<b>Net profit for the period</b>	152,686	(5,534)	147,152
<b>Other comprehensive income, net of tax</b>			
Cash flow hedge	2,459	-	2,459
Defined benefit plan actuarial gains	-	-	-
<b>Total other comprehensive income for the period, net of tax</b>	2,459	-	2,459
<b>Total comprehensive income for the period</b>	155,145	(5,534)	149,611



14 Explanation of transition to MFRSs (continued)

Reconciliation of comprehensive income (continued)

	Year ended 31 December 2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
<b>Revenue - Sales of goods</b>	4,700,994	(454,250)	4,246,744
Cost of sales	(3,158,877)	296,342	(2,862,535)
<b>Gross profit</b>	1,542,117	(157,908)	1,384,209
Operating expenses	(962,689)	157,908	(804,781)
<b>Operating profit</b>	579,428	-	579,428
Interest costs	(21,398)	-	(21,398)
Interest income	458	-	458
Share of post tax profit of an associate	321	-	321
<b>Profit before tax</b>	558,809	-	558,809
Tax expense	(102,508)	(29,173)	(131,681)
<b>Profit after taxation</b>	456,301	(29,173)	427,128
Minority interests	-	-	-
<b>Profit after tax and minority interest</b>	456,301	(29,173)	427,128
<b>Net profit for the period</b>	456,301	(29,173)	427,128
<b>Other comprehensive income, net of tax</b>			
Cash flow hedge	(26,456)	-	(26,456)
Defined benefit plan actuarial gains	(3,671)	-	(3,671)
<b>Total other comprehensive income for the period, net of tax</b>	(30,127)	-	(30,127)
<b>Total comprehensive income for the period</b>	426,174	(29,173)	397,001

(i) Deferred tax on investment tax incentives

In the previous years, the Group treats investment tax incentives as part of the tax base of an asset and does not recognise the resulting deferred tax asset on initial recognition of the asset and subsequently.

Under MFRS 112, *Income Taxes*, the Group has now recognised the deferred tax asset arising from the unutilised investment tax incentives.

(ii) Presentation of revenue

Certain allowances and discounts, granted to trade chains, distributors, retailers and consumers for services rendered to the Group concerning trade and consumer promotions, selling, distribution, advertising etc. were previously reported as cost of sales and expenses under marketing and administration expenses as well as distribution expenses on grounds that they are incurred to generate sales. These allowances and discounts, as from 1 January 2012, are disclosed as a deduction of sales in conformity with Nestlé S.A. Group policy and with the practice generally applied by consumer goods companies.

## ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

### 1 Review of performance (Year-to-date, 2012 vs Year-to-date, 2011)

For the first quarter ending 31 March 2012, the Group registered a turnover of RM1.16 billion, 8.5% higher than the same period last year. The good performance was driven by both Domestic and Export sales.

The strong Domestic sales can be attributed to the encouraging performance of the fast growing categories within the Group's portfolio, in particular Confectionery, Nestlé Liquid Drinks, Chilled Dairy and Ice Cream had a very good start, achieving robust double digit growth in the first quarter. The good results were also supported by the positive consumer sentiment, supported by the government's incentive schemes to stimulate the economy such as BR1M and higher fuel subsidies.

Thanks to the stable and consistent economic performance in the ASEAN economies, Exports sales continue to show a good momentum. Although slower than last year, this growth is well within expectations considering 2011 was an extraordinarily strong year for Exports.

From a cost perspective, the high commodities prices remain a concern to the Group. Through its internal cost savings programme (Nestlé Continuous Excellence), the Group managed to offset some of the input costs increase. Against the previous corresponding period, the gross profit margin was marginally affected, showing a reduction of 60 bps.

Despite the input cost trend and marketing activities celebrating Nestlé's 100 years anniversary in Malaysia, the Group continued to leverage its NCE savings initiatives to sustain the bottom line. Consequently, profit before tax grew 8.2% to RM207 million with an underlying flat margin while net profit improved 7.4% to RM158 million, with a slight margin reduction of 10 bps.

### 2 Variation of results against previous quarter (Quarter 1, 2012 vs. Quarter 4, 2011)

The turnover of RM1.16 billion was higher by 8.5%, contributed by the good performance of domestic and export sales. The gross profit margin was slightly lower as input costs have remained high since last year. The significant improvement in the operating profit was largely due to the timing of fixed cost as typically higher spending is incurred in Q4.

### 3 Current year prospects

We expect 2012 to be another 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 while promoting nutritionally balance 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 while celebrating its 100 years anniversary with many activities and events dedicated to our consumers and stakeholders. The Group continues to pursue its marketing investment in line with Nestlé'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	
31.03.2012	
RM'000	
	46,542
	2,205
	48,747

### 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:

	As at 31.03.2012 RM'000
<b>Short term - Unsecured loans</b>	
Revolving credit	41,700
<b>Short term - Secured loans</b>	
Finance lease ( payable within a year )	4,504
<b>Total short term loans</b>	<b>46,204</b>
<b>Long term - Unsecured loans</b>	
Intra group loans	204,264
<b>Long term - Secured loans</b>	
Finance lease	12,452
<b>Total long term loans</b>	<b>216,716</b>

All the above debts are in Ringgit Malaysia.

## 10 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.03.2012 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	497,293	8,898	Less than 1 year
Commodity futures	160,544	(4,057)	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 31.03.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	590,133	441,895
Unrealised	(80,104)	(74,384)
Total share of retained profits from an associated company:		
Realised	(25)	210
Unrealised	-	-
Less : Consolidation adjustments	55,735	39,938
Total retained profits as per consolidated accounts	<b>565,739</b>	<b>407,659</b>

## 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 158.1 million (RM 147.2 million in March 2011) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2011)

### b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : April 25, 2012