



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 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2014

	3 months ended 31 March		3 months ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue - Sales of goods	1,272,712	1,227,351	1,272,712	1,227,351
Cost of sales	(799,223)	(779,537)	(799,223)	(779,537)
Gross profit	473,489	447,814	473,489	447,814
Operating expenses	(230,215)	(200,716)	(230,215)	(200,716)
Operating profit	243,274	247,098	243,274	247,098
Finance costs	(6,461)	(4,576)	(6,461)	(4,576)
Finance income	1,955	544	1,955	544
Share of post tax profit of an associate	45	49	45	49
Profit before tax	238,813	243,115	238,813	243,115
Tax expense	(55,286)	(58,698)	(55,286)	(58,698)
Profit after tax	183,527	184,417	183,527	184,417
Minority interests	-	-	-	-
Profit after tax and minority interest	183,527	184,417	183,527	184,417
Profit for the period	183,527	184,417	183,527	184,417
Other comprehensive expense, net of tax				
Item that is or may be reclassified subsequently to profit or loss				
Cash flow hedge	(1,495)	(210)	(1,495)	(210)
Total other comprehensive expense for the period, net of tax	(1,495)	(210)	(1,495)	(210)
Total comprehensive income for the period	182,032	184,207	182,032	184,207
Basic earnings per share (sen)	78.26	78.64	78.26	78.64
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)	4.26		3.48	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Assets		
Property, plant and equipment	1,046,417	1,046,463
Intangible assets	61,024	61,024
Investment in an associate	3,664	3,619
Deferred tax assets	19,766	25,775
Trade and other receivables	21,163	21,866
Total non-current assets	1,152,034	1,158,747
Trade and other receivables	636,706	502,207
Inventories	394,346	408,614
Current tax assets	1,781	3,970
Cash and cash equivalents	79,400	15,196
Total current assets	1,112,233	929,987
Total assets	2,264,267	2,088,734
Equity		
Share capital	234,500	234,500
Reserves	763,976	581,944
Total equity attributable to owners of the Company	998,476	816,444
Liabilities		
Loans and borrowings	91,663	92,343
Employee benefits	22,476	25,337
Deferred tax liabilities	81,144	82,748
Total non-current liabilities	195,283	200,428
Trade and other payables	1,012,195	1,022,999
Loans and borrowings	4,172	7,555
Current tax liabilities	54,141	41,308
Total current liabilities	1,070,508	1,071,862
Total liabilities	1,265,791	1,272,290
Total equity and liabilities	2,264,267	2,088,734
Net assets per share attributable to shareholders (RM)	4.26	3.48

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 MARCH 2014**

	Non Distributable		Distributable	Total Equity RM'000
	Share capital and share premium	Hedging reserve	Retained profits	
	RM'000	RM'000	RM'000	
At 1 January 2013	267,500	(950)	484,656	751,206
Cash flow hedge	-	(210)	-	(210)
Profit for the period	-	-	184,417	184,417
Total comprehensive (expense)/income for the period	-	(210)	184,417	184,207
At 31 March 2013	267,500	(1,160)	669,073	935,413
At 1 January 2014	267,500	407	548,537	816,444
Cash flow hedge	-	(1,495)	-	(1,495)
Profit for the period	-	-	183,527	183,527
Total comprehensive (expense)/income for the period	-	(1,495)	183,527	182,032
At 31 March 2014	267,500	(1,088)	732,064	998,476

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 MARCH 2014**

	3 months ended 31.03.2014 RM'000	3 months ended 31.03.2013 RM'000
Cash flows from operating activities		
Profit before tax	238,813	243,115
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	27,400	26,997
Net finance costs	4,506	4,032
Increase in working capital	(104,395)	(80,517)
Income tax paid	(35,359)	(32,202)
Others	(1,142)	(3,085)
Net cash from operating activities	129,823	158,340
Cash flows from investing activities		
Acquisition of property, plant and equipment	(27,518)	(9,324)
Others	1,984	884
Net cash used in investing activities	(25,534)	(8,440)
Cash flows from financing activities		
Finance costs paid	(6,461)	(4,576)
Repayment of borrowings / other payables	(30,765)	(1,266)
Net cash used in financing activities	(37,226)	(5,842)
Net increase in cash and cash equivalents	67,063	144,058
Cash and cash equivalents at 1 January	12,337	34,593
Cash and cash equivalents at 31 March	79,400	178,651

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

INTERIM FINANCIAL REPORT

Notes:

1 Basis of preparation

This interim financial report 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 and International Financial Reporting Standards. 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 2013.

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. Property, plant and equipment

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 systems

3 months ended 31 March 2014	
Assets acquired	Assets disposed
RM'000	RM'000
403	-
26,658	9
398	136
-	18
59	-
27,518	163

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

MFRS 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 include Nutrition and Nestlé Professional.

3 months ended 31 March 2014		
Food & Beverages RM'000	Others RM'000	Total RM'000
Revenue	1,037,593	1,272,712
Operating Profit	197,398	242,100

3 months ended 31 March 2013		
Food & Beverages RM'000	Others RM'000	Total RM'000
Revenue	1,004,166	1,227,351
Operating Profit	201,852	246,982

The comments on page 6 apply to both segments Food & Beverages (82% of total sales) and Others (18% of total sales).

Reconciliations of reportable segment operating profit:

Total operating profit for reported segments

Unallocated income

Consolidated operating profit

3 months ended 31 Mar 2014 RM'000	3 months ended 31 Mar 2013 RM'000
242,100	246,982
1,174	116
243,274	247,098

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

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

IT shared service

Net finance costs

Purchases of goods and services

Sales of finished goods

Royalties

3 months ended 31 Mar 2014 RM'000
7,806
1,056
119,981
209,786
61,247

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 1, 2014 vs Quarter 1, 2013)

For the first quarter ending 31 March 2014, the Group registered a turnover of RM1.3 billion, 3.7% higher than the same period last year.

The growth was led by a robust +9.2% domestic performance which was fuelled by continuous investments in marketing and promotional activities. The Nestlé's "Lebih Baik, Lebih Nilai" campaign launched in March successfully created awareness among Malaysians of the importance of healthy lifestyles and also demonstrated that eating healthy is not only pleasurable, but also affordable for families.

During the campaign, a range of key Nestlé products were offered in economic value packs. The campaign offerings resulted in several product categories such as Confectionery, Foods and Liquid Drinks posting a strong robust double digit growth.

Exports sales came in lower compared to the previous corresponding period. This was mainly due to lower demand from affiliated companies, a trend the Group experienced in the second half of 2013. Against the last quarter of 2013 however, the first quarter export sales were slightly higher.

From an input cost perspective, the price of the major commodities consumed by the Group was favourable except for Milk Powders which have risen since last year. Benefitting from the overall commodity trend as well as from higher efficiency achieved in our operations, the Gross Profit for the first quarter increased by 5.7%, translating in an underlying margin improvement.

The investments in marketing and promotional activities linked to the Nestlé "Lebih Baik, Lebih Nilai" campaign have strengthened the brands and have driven strong sales. In terms of timing, these investments took place in the first quarter which is earlier than in previous years. As a result, the operating profit declined slightly compared to last year's quarter. A lower tax expense however offset the shortfall and the Net Profit for the quarter stood at RM184 million flat against the same period last year.

2 Variation of results against previous quarter (Quarter 1, 2014 vs. Quarter 4, 2013)

In the first quarter of 2014, the Group registered a turnover of RM1.3 billion, 11.8% higher than the previous quarter. This positive trend is mainly driven by the strong domestic performance linked to the successful Nestlé's "Lebih Baik, Lebih Nilai" campaign that was launched in March.

The higher net profit of RM184 million was the result of a combination of higher turnover, favourable input costs, and timing of fixed expenses.

3 Current year prospects

We remain cautiously optimistic for the remaining of 2014. The external environment is showing some signs of recovery in the developed world while the emerging markets economies are still experiencing volatility. The Group will continue to leverage on the stable growth of the Malaysian economy and remain active in innovating and renovating its product portfolio while promoting nutritionally balanced diets and healthy lifestyles in line with the Government's goal of creating a healthy and productive society.

The Group will remain focused on growing both top and bottom line while continuing its long term strategy of investing in manufacturing capacity to support its growth. This is reflected by the construction of the Sri Muda factory which is planned to start operations by the fourth quarter of 2014. The Group will also continue to intensify its marketing investments in line with Nestlé's objective of being the leader in Nutrition, Health & Wellness, as well as being an industry benchmark for its financial performance and trusted by all stakeholders.

4 Profit forecast

We do not issue any profit forecast.

5 Tax expense

Current tax

Malaysian - current year

Deferred tax

Origination and reversal of temporary differences

Over provision in prior year

Effect of changes in tax rate

Total income tax expense

Cumulative year 31.03.2014 RM'000
50,381
8,278
(1,007)
(2,366)
55,286

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 Loans and borrowings

Group Borrowings and Debt Securities are:

Short term - Secured loans

Finance lease liabilities (payable within a year)

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

Loan from a related company

Long term - Secured loans

Finance lease liabilities

Total long term loans

All the above debts are in Ringgit Malaysia.

As at 31.03.2014 RM'000
4,172
4,172
84,264
7,399
91,663

10 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.03.2014 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Forward exchange contracts	669,189	(1,972)	Less than 1 year
Commodity futures	152,126	2,617	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 Profit for the period**Profit for the period is arrived at after charging:**

Depreciation of property, plant and equipment

Loss on disposal of property, plant and equipment

Property, plant and equipment written off

and after crediting:

Gain on derivatives

Gain on disposal of property, plant and equipment

Reversal of provision of inventories

Net foreign exchange gain

3 months ended 31 March	
2014 RM'000	2013 RM'000
27,400	26,997
101	-
33	156
1,246	239
-	88
1,387	1,347
1,512	3,651

14 Financial instruments disclosure

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

As at 31.03.2014					
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount	
Level 1	Level 2	Level 3			
RM'000	RM'000	RM'000	RM'000	RM'000	
Financial assets					
Forward exchange contracts	-	2,019	-	2,019	2,019
Commodity futures	3,371	-	-	3,371	3,371
Financial liabilities					
Forward exchange contracts	-	(3,991)	-	(3,991)	(3,991)
Commodity futures	(754)	-	-	(754)	(754)

Fair value of financial instruments not carried at fair value					
Level 1	Level 2	Level 3	Total fair value	Carrying amount	
RM'000	RM'000	RM'000			
Financial assets					
Loans to employees	-	-	32,213	32,213	32,213
Financial liabilities					
Finance lease liabilities	-	-	(10,887)	(10,887)	(11,571)
Loan from a related company	-	-	(84,264)	(84,264)	(84,264)

As at 31.12.2013					
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount	
Level 1	Level 2	Level 3			
RM'000	RM'000	RM'000	RM'000	RM'000	
Financial assets					
Forward exchange contracts	-	6,864	-	6,864	6,864
Commodity futures	2,163	-	-	2,163	2,163
Financial liabilities					
Forward exchange contracts	-	(7,474)	-	(7,474)	(7,474)
Commodity futures	-	-	-	-	-

Fair value of financial instruments not carried at fair value					
Level 1	Level 2	Level 3	Total fair value	Carrying amount	
RM'000	RM'000	RM'000			
Financial assets					
Loans to employees	-	-	33,678	33,678	33,678
Financial liabilities					
Finance lease liabilities	-	-	(11,990)	(11,990)	(12,775)
Loan from a related company	-	-	(84,264)	(84,264)	(84,264)

15 Realised and unrealised profit disclosure

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	771,219	591,159
Unrealised	(102,452)	(101,340)
Total share of retained profits from an associated company:		
Realised	664	619
Unrealised	-	-
Add : Consolidation adjustments	62,633	58,099
Total retained profits as per consolidated accounts	732,064	548,537

16 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 RM183.5 million (RM184.4 million in March 2013) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2013)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, *MCCS (MACS 01686)*

Company Secretary

Date : April 17, 2014