



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 2013 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 MARCH 2013**

	3 months ended 31 March		3 months ended 31 March	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue - Sales of goods	1,227,351	1,164,128	1,227,351	1,164,128
Cost of sales	(779,537)	(778,303)	(779,537)	(778,303)
Gross profit	447,814	385,825	447,814	385,825
Operating expenses	(200,716)	(173,096)	(200,716)	(173,096)
Operating profit	247,098	212,729	247,098	212,729
Interest costs	(4,576)	(5,741)	(4,576)	(5,741)
Interest income	544	74	544	74
Share of post tax (loss)/profit of an associate	49	(235)	49	(235)
Profit before tax	243,115	206,827	243,115	206,827
Tax expense	(58,698)	(48,747)	(58,698)	(48,747)
Profit after taxation	184,417	158,080	184,417	158,080
Minority interests	-	-	-	-
Profit after tax and minority interest	184,417	158,080	184,417	158,080
Net profit for the period	184,417	158,080	184,417	158,080
Other comprehensive income, net of tax				
Cash flow hedge	(210)	26,045	(210)	26,045
Total other comprehensive income for the period, net of tax	(210)	26,045	(210)	26,045
Total comprehensive income for the period	184,207	184,125	184,207	184,125
Basic earnings per share (sen)	78.64	67.41	78.64	67.41
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)	3.99		3.20	

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
Non current assets		
Property, plant and equipment	927,731	945,812
Intangible assets	61,024	61,024
Prepaid lease payments	-	-
Investment in an associate	3,266	3,217
Deferred tax assets	27,003	32,412
Receivables, deposits and prepayments	21,719	22,001
	1,040,743	1,064,466
Current assets		
Receivables, deposits and prepayments	464,964	394,144
Inventories	383,536	411,170
Current tax assets	957	796
Cash and cash equivalents	178,651	34,593
	1,028,108	840,703
Total assets	2,068,851	1,905,169
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	700,913	516,706
Total equity	935,413	751,206
Non current liabilities		
Loans and borrowings	94,582	95,167
Employee benefits	50,136	54,546
Deferred tax liabilities	75,945	74,858
	220,663	224,571
Current liabilities		
Payables and accruals	835,231	872,045
Loans and borrowings	4,329	4,223
Taxation	73,215	53,124
	912,775	929,392
	2,068,851	1,905,169
Net assets per share attributable to shareholders (RM)	3.99	3.20

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 MARCH 2013**

	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 2012	267,500	(22,440)	407,659	652,719
Cash flow hedge	-	26,045	-	26,045
Profit for the period	-	-	158,080	158,080
Total comprehensive income for the period	-	26,045	158,080	184,125
At 31 March 2012	267,500	3,605	565,739	836,844
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 income for the period	-	(210)	184,417	184,207
At 31 March 2013	267,500	(1,160)	669,073	935,413

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR PERIOD ENDED
31 MARCH 2013**

	3 months ended 31.03.2013 RM'000	3 months ended 31.03.2012 RM'000
Cash flows from operating activities		
Profit before taxation	243,115	206,827
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	26,997	25,003
Net interest expense	4,032	5,667
Increase in working capital	(80,517)	(150,136)
Income tax paid	(32,202)	(21,836)
Others	(3,085)	10,441
Net cash generated from operating activities	158,340	75,966
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,324)	(11,791)
Others	884	518
Net cash used in investing activities	(8,440)	(11,273)
Cash flows from financing activities		
Interest paid	(4,576)	(5,741)
Repayment of borrowings	(1,266)	(79,014)
Net cash used in financing activities	(5,842)	(84,755)
Net increase/(decrease) in cash and cash equivalents	144,058	(20,062)
Cash and cash equivalents as at 1 January	34,593	52,461
Cash and cash equivalents as at 31 March	178,651	32,399

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

INTERIM FINANCIAL REPORT

Notes:

1 Basis of preparation

This interim financial report is based on the audited financial statements for the quarter ended 31 March 2013 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 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 2012.

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 2013	
Assets acquired	Assets disposed
RM'000	RM'000
51	26
3,956	120
3,613	195
1,291	56
413	12
9,324	409

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 includes Nutrition and Nestlé Professional.

	3 months ended 31 March 2013		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	1,004,166	223,185	1,227,351
Operating Profit	201,852	45,130	246,982

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

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

Reconciliations of reported segment profit or loss:

Total profit for reported segments

Unallocated expenses

Consolidated operating profit

	3 months ended 31 Mar 2013 (RM'000)	3 months ended 31 Mar 2012 (RM'000)
Total profit for reported segments	246,982	212,834
Unallocated expenses	116	(105)
Consolidated operating profit	247,098	212,729

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.

Sanicare Hygiene Services Sdn. Bhd

Cold Chain Network (M) Sdn Bhd

3 months ended 31 Mar 2013 (RM'000)
15
1,483

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

IT shared service

Net interest expense

Purchases of goods and services

Sales of finished goods

Royalties

3 months ended 31 Mar 2013 (RM'000)
8,358
601
112,242
252,743
56,023

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, 2013 vs Quarter 1, 2012)

For the first quarter ending 31 March 2013, the Group registered a turnover of RM1.2 billion, 5.4% higher than the same period last year. This is a commendable result for the Group considering the exceptionally strong growth performance recorded in the first quarter of 2012.

Backed by continuous investments in marketing and promotional activities, several of the product categories recorded a strong double digit growth in the domestic market. This encouraging performance can be noted for Confectionery, Liquid Drinks, Coffee and Chilled Dairy. The expanding local economy and positive consumer sentiment have helped the Group sustain its good performance.

Recovering from slow export sales in quarter 4 last year, the demand from Export markets has shown some improvement in the first quarter of 2013. Growth from ASEAN and Oceania, big export regions for the Group, is well within expectation. The economic outlook for these regions appears positive, and the Group is well prepared to take advantage of this situation in 2013.

From an input cost perspective, an easing in the price of commodities and some positive mix resulted in an improvement in Gross Profit margin. Higher investments in marketing and promotional activities have further strengthened the brands and have positively impacted sales. As a result, the quarter saw an improvement of 180 bps in the Operating Profit margin.

A similar trend was noted for Profit Before Tax which reached RM243.1 million with an underlying margin improvement of 200 bps whilst Profit After Tax stood at RM184.4 million showing a margin improvement of 140 bps.

2 Variation of results against previous quarter (Quarter 1, 2013 vs. Quarter 4, 2012)

In the first quarter of 2013, the Group registered a turnover of RM1.2 billion, 11.6% higher compared to the last quarter of 2012. The encouraging double digit growth performance was driven by both domestic and export sales. With regard to the profit evolution, higher profit for the quarter was mainly due to lower operating expenses in the first quarter.

3 Current year prospects

We expect 2013 to be another challenging year for the Group as the global economy still faces many uncertainties. The Group will continue to capitalise on the resilient 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. It will continue its long term strategy of investing in manufacturing capacity to support its growth. One major project for the coming years is the new manufacturing capacity which will be added on to the recently acquired land next to the Nestlé Shah Alam Manufacturing Complex. 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 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 31.03.2013 RM'000
52,132
6,566
58,698

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:

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 31.03.2013 RM'000
4,329
4,329
84,264
10,318
94,582

10 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.03.2013 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	462,020	(1,349)	Less than 1 year
Commodity futures	106,946	(50)	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

Property, plant and equipment written off

Net foreign exchange loss

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	
2013 RM'000	2012 RM'000
26,997	25,003
156	49
-	1,751
239	1,740
88	306
1,347	744
3,651	-

14 Realised and unrealised profit disclosure

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	686,831	508,706
Unrealised	(78,226)	(86,125)
Total share of retained profits from an associated company:		
Realised	266	217
Unrealised	-	-
Less : Consolidation adjustments	60,202	61,858
Total retained profits as per consolidated accounts	669,073	484,656

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 184.4 million (RM 158.1 million in March 2012) and the number of ordinary shares outstanding of 234.5 million (234.5 million in March 2012)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : April 30, 2013