



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 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	3 months ended 30 September		9 months ended 30 September	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue - Sales of goods	1,208,041	1,142,994	3,649,614	3,456,644
Cost of sales	(787,652)	(758,524)	(2,348,442)	(2,298,431)
Gross profit	420,389	384,470	1,301,172	1,158,213
Operating expenses	(238,954)	(205,902)	(695,483)	(617,926)
Operating profit	181,435	178,568	605,689	540,287
Interest costs	(5,590)	(4,956)	(14,663)	(15,916)
Interest income	1,358	278	3,239	611
Share of post tax profit/(loss) of an associate	112	80	345	(178)
Profit before tax	177,315	173,970	594,610	524,804
Tax expense	(40,724)	(46,671)	(133,364)	(118,931)
Profit after taxation	136,591	127,299	461,246	405,873
Minority interests	-	-	-	-
Profit after tax and minority interest	136,591	127,299	461,246	405,873
Net profit for the period	136,591	127,299	461,246	405,873
Other comprehensive (expense)/income, net of tax				
Item that may be reclassified subsequently to profit or loss				
Cash flow hedge	(1,778)	1,440	(8,145)	22,808
Total other comprehensive (expense)/income for the period, net of tax	(1,778)	1,440	(8,145)	22,808
Total comprehensive income for the period	134,813	128,739	453,101	428,681
Basic earnings per share (sen)	58.25	54.29	196.69	173.08
Dividend per share - net (sen)	-	-	60.00	55.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	3.59		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 30 SEPTEMBER 2013**

	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000
Non current assets		
Property, plant and equipment	927,406	945,812
Intangible assets	61,024	61,024
Investment in an associate	3,562	3,217
Deferred tax assets	30,239	32,412
Receivables, deposits and prepayments	22,684	22,001
	1,044,915	1,064,466
Current assets		
Receivables, deposits and prepayments	506,445	394,144
Inventories	393,315	411,170
Current tax assets	1,171	796
Cash and cash equivalents	120,432	34,593
	1,021,363	840,703
Total assets	2,066,278	1,905,169
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	606,332	516,706
Total equity	840,832	751,206
Non current liabilities		
Loans and borrowings	92,656	95,167
Employee benefits	47,937	54,546
Deferred tax liabilities	71,548	74,858
	212,141	224,571
Current liabilities		
Payables and accruals	933,098	872,045
Loans and borrowings	4,441	4,223
Taxation	75,766	53,124
	1,013,305	929,392
	2,066,278	1,905,169
Net assets per share attributable to shareholders (RM)	3.59	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 30 SEPTEMBER 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	-	22,808	-	22,808
Profit for the period	-	-	405,873	405,873
Total comprehensive income for the period	-	22,808	405,873	428,681
Dividends paid:				
- 2011 Final	-	-	(293,125)	(293,125)
At 30 September 2012	267,500	368	520,407	788,275
At 1 January 2013	267,500	(950)	484,656	751,206
Cash flow hedge	-	(8,145)	-	(8,145)
Profit for the period	-	-	461,246	461,246
Total comprehensive income for the period	-	(8,145)	461,246	453,101
Dividends paid:				
- 2012 Final	-	-	(363,475)	(363,475)
At 30 September 2013	267,500	(9,095)	582,427	840,832

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
30 SEPTEMBER 2013**

	9 months ended 30.09.2013 RM'000	9 months ended 30.09.2012 RM'000
Cash flows from operating activities		
Profit before taxation	594,610	524,804
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	81,384	74,902
Net interest expense	11,424	15,305
(Increase)/Decrease in working capital	(44,151)	40,045
Income tax paid	(109,518)	(76,318)
Others	(5,517)	454
Net cash generated from operating activities	528,232	579,192
Cash flows from investing activities		
Purchase of property, plant and equipment	(65,024)	(75,933)
Others	4,803	1,731
Net cash used in investing activities	(60,221)	(74,202)
Cash flows from financing activities		
Interest paid	(14,663)	(15,916)
Repayment of borrowings	(4,034)	(137,978)
Dividend payment	(363,475)	(293,125)
Net cash used in financing activities	(382,172)	(447,019)
Net increase in cash and cash equivalents	85,839	57,971
Cash and cash equivalents as at 1 January	34,593	52,461
Cash and cash equivalents as at 30 September	120,432	110,432

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 30 September 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:

	3 months ended 30 September 2013		9 months ended 30 September 2013	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	2,624	16	4,670	87
Plant and machinery	19,646	1,332	42,219	1,467
Tools and furniture	3,118	221	14,811	467
Motor vehicles	435	662	1,884	963
Information system	997	2	2,394	16
	26,820	2,233	65,978	3,000

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:

Final dividend for the financial year ended 31 December 2012
155.00 sen per share (single-tier)

3 months ended 30 Sep 2013 (RM'000)	9 months ended 30 Sep 2013 (RM'000)
-	363,475

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.

	9 months ended 30 September 2013		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	2,979,563	670,051	3,649,614
Operating Profit	481,695	124,235	605,930

	9 months ended 30 September 2012		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	2,835,936	620,708	3,456,644
Operating Profit	439,828	100,421	540,249

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 operating profit:

	9 months ended 30 Sept 2013 (RM'000)	9 months ended 30 Sept 2012 (RM'000)
Total operating profit for reported segments	605,930	540,249
Unallocated (expenses)/income	(241)	38
Consolidated operating profit	605,689	540,287

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.

	3 months ended 30 Sep 2013 (RM'000)	9 months ended 30 Sep 2013 (RM'000)
Sanicare Hygiene Services Sdn. Bhd.	15	54
Cold Chain Network (M) Sdn. Bhd.	1,330	4,521

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

	3 months ended 30 Sep 2013 (RM'000)	9 months ended 30 Sep 2013 (RM'000)
IT shared service	7,707	23,540
Net interest expense	634	1,788
Purchases of goods and services	115,489	343,383
Sales of finished goods	216,506	713,561
Royalties	57,091	168,822

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, 2013 vs Quarter 3, 2012)

For the third quarter ending 30 Sept 2013, the Group registered a turnover of RM1.2 billion, 5.7% higher than the same period last year.

The Group continued its investment in marketing and promotional activities and launched a nationwide campaign in September - Nestlé Malaysia Family Day Bonanza. The campaign was successful with many categories recording good incremental sales which contributed to a strong Domestic performance for the quarter.

On the export front, demand from affiliate companies was slow and affected the export performance. This unfavourable trend is a result of the uncertainties in the global economic environment as well as some logistical issues experienced in the later part of the quarter.

From an input cost perspective, the price trend of commodities consumed by the Group was favourable except for Milk Powders which has been on an increasing trend. It is to be noted that the weakening of the Ringgit against the US Dollar was partially mitigated by forward hedging positions. Combined with a good turnover growth especially in the Domestic business, the Gross Profit margin improved by 120bps.

Higher investment in marketing and promotional activities in the quarter coupled with expenses incurred at the production level related to the construction of the Sri Muda Factory in Shah Alam, Selangor have impacted the Operating Profit which increased in value but showed a slight decline in margin.

Profit Before Tax at RM177.3 million was 1.9% higher than prior year. Profit After Tax stood at RM136.6 million, 7.3% higher than previous year with an underlying margin improvement of 20bps.

2 Review of performance (Year-to-date, 2013 vs Year-to-date, 2012)

For the first nine months ended 2013, the Group registered a turnover of RM3.6 billion, 5.6% higher than the corresponding period last year.

Leveraging on the positive Malaysian economy and on the Group's strong and well-established brands, sales performance within the domestic market was very encouraging. Several of the product categories, Confectionery, Liquid Drinks, Food and Beverage achieved a robust growth.

Exports on the other hand experienced a lower demand from affiliate companies and growth for some of the categories has been affected. This unfavourable trend is a result of the uncertainties in the global economic environment.

From an input cost perspective, the price trend of commodities consumed by the Group was favourable except for Milk Powders which has been on an increasing trend this year. The weakening of the Ringgit against the US Dollar in the third quarter however, was partially mitigated by forward hedging positions. Favourable input cost trends combined with higher sales have resulted in a higher Gross Profit margin which improved by 220bps against the same period last year.

While the Group's operating expenses were higher mostly driven by investments in marketing and promotional activities, the increased sales volumes and an improved gross profit margin helped profit before tax reach RM594.6 million with an underlying margin improvement of 110bps. Net profit stood at RM461.2 million and showed a margin improvement of 90bps.

3 Variation of results against previous quarter (Quarter 3, 2013 vs. Quarter 2, 2013)

In the third quarter of 2013, the Group registered a turnover of RM1.2 billion, marginally lower than the previous quarter. The slight contraction in the bottom line was mostly due to the higher price of Milk Powders and the depreciation of the Ringgit against the US Dollar.

4 Current year prospects

We expect the last quarter to be increasingly challenging as the global economic environment has become more difficult. The Group is confident however, that it 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 while continuing its long term strategy of investing in manufacturing capacity to support its growth. This is in line with the construction of Sri Muda factory in Shah Alam, Selangor planned to be in operation in the third 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 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

	Tax for this quarter 30.09.2013 RM'000	Cumulative year 30.09.2013 RM'000
	54,016	142,986
	(11,201)	(11,201)
	(2,091)	1,579
	40,724	133,364

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**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 30.09.2013 RM'000
4,441
4,441
84,264
8,392
92,656

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.09.2013 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	551,128	(10,645)	Less than 1 year
Commodity futures	89,812	(948)	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 Profit for the period

	3 months ended 30 September		9 months ended 30 September	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	26,798	24,751	81,384	74,902
Loss on derivatives	-	-	318	-
Loss on disposal of property, plant and equipment	1,417	191	1,109	129
Provision & write off of receivables	-	-	-	303
Property, plant and equipment written off	96	70	327	244
Net foreign exchange loss	2,903	4,378	-	-
and after crediting:				
Gain on derivatives	14	6,109	-	9,012
Reversal of impairment loss on trade receivables	-	-	141	179
Reversal of provision of inventories	1,831	2,458	1,419	1,818
Net foreign exchange gain	-	-	111	4,811

15 Realised and unrealised profit disclosure

	As at 30.09.2013	As at 31.12.2012
	RM'000	RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	594,241	508,706
Unrealised	(74,866)	(86,125)
Total share of retained profits from an associated company:		
Realised	562	217
Unrealised	-	-
Less : Consolidation adjustments	62,489	61,858
Total retained profits as per consolidated accounts	582,427	484,656

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 RM 461.2 million (RM 405.9 million in September 2012) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2012)

b. Diluted earnings per share

Not applicable for the Group

Date : November 7, 2013

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, MCCA (MACS 01686)

Company Secretary