



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 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue - Sales of goods	1,142,994	1,061,042	3,456,644	3,173,916
Cost of sales	(758,524)	(739,835)	(2,298,431)	(2,151,497)
Gross profit	384,470	321,207	1,158,213	1,022,419
Operating expenses	(205,902)	(178,044)	(617,926)	(551,156)
Operating profit	178,568	143,163	540,287	471,263
Interest costs	(4,956)	(5,479)	(15,916)	(14,955)
Interest income	278	166	611	419
Share of post tax (loss)/profit of an associate	80	230	(178)	235
Profit before tax	173,970	138,080	524,804	456,962
Tax expense	(46,671)	(31,759)	(118,931)	(105,102)
Profit after taxation	127,299	106,321	405,873	351,860
Minority interests	-	-	-	-
Profit after tax and minority interest	127,299	106,321	405,873	351,860
Net profit for the period	127,299	106,321	405,873	351,860
Other comprehensive income, net of tax				
Cash flow hedge	1,440	(27,979)	22,808	(25,914)
Defined benefit plan actuarial gains	-	-	-	-
Total other comprehensive income for the period, net of tax	1,440	(27,979)	22,808	(25,914)
Total comprehensive income for the period	128,739	78,342	428,681	325,946
Basic earnings per share (sen)	54.29	45.34	173.08	150.05
Dividend per share - net (sen)	-	-	55.00	55.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to equity holders (RM)	3.36		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 30 SEPTEMBER 2012**

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Non current assets		
Property, plant and equipment	889,892	889,741
Intangible assets	61,024	61,024
Investment in an associate	3,032	3,210
Deferred tax assets	20,702	18,460
Receivables, deposits and prepayments	24,860	23,802
	<u>999,510</u>	<u>996,237</u>
Current assets		
Receivables, deposits and prepayments	485,466	444,854
Inventories	385,575	517,573
Current tax assets	428	176
Cash and cash equivalents	110,432	52,461
	<u>981,901</u>	<u>1,015,064</u>
Total assets	<u>1,981,411</u>	<u>2,011,301</u>
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	553,775	418,219
Total equity	<u>788,275</u>	<u>652,719</u>
Non current liabilities		
Loans and borrowings	215,244	337,711
Employee benefits	38,337	42,316
Deferred tax liabilities	80,258	63,815
	<u>333,839</u>	<u>443,842</u>
Current liabilities		
Payables and accruals	786,688	878,321
Loans and borrowings	4,146	4,223
Taxation	68,463	32,196
	<u>859,297</u>	<u>914,740</u>
	<u>1,981,411</u>	<u>2,011,301</u>
Net assets per share attributable to shareholders (RM)	<u>3.36</u>	<u>2.78</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 30 SEPTEMBER 2012**

	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 2011	267,500	4,016	382,852	654,368
Cash flow hedge	-	(25,914)	-	(25,914)
Profit for the period	-	-	351,860	351,860
Total comprehensive income for the period	-	(25,914)	351,860	325,946
Dividends paid:				
- 2010 Final	-	-	(269,675)	(269,675)
At 30 September 2011	267,500	(21,898)	465,037	710,639
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

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
30 SEPTEMBER 2012**

	9 months ended 30.09.2012 RM'000	9 months ended 30.09.2011 RM'000
Cash flows from operating activities		
Profit before taxation	524,804	456,962
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	74,902	75,792
Net interest expense	15,305	14,536
Decrease/(Increase) in working capital	40,045	(54,867)
Income tax paid	(76,318)	(59,614)
Others	454	(1,813)
Net cash generated from operating activities	579,192	430,996
Cash flows from investing activities		
Purchase of property, plant and equipment	(75,933)	(46,296)
Others	1,731	399
Net cash used in investing activities	(74,202)	(45,897)
Cash flows from financing activities		
Interest paid	(15,916)	(14,903)
Repayment of borrowings	(137,978)	(55,277)
Dividend payment	(293,125)	(269,675)
Net cash used in financing activities	(447,019)	(339,855)
Net increase in cash and cash equivalents	57,971	45,244
Cash and cash equivalents as at 1 January	52,461	22,313
Cash and cash equivalents as at 30 September	110,432	67,557

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 30 September 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 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 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:

	3 months ended 30 September 2012		9 months ended 30 September 2012	
	Assets acquired	Assets disposed	Assets acquired	Assets disposed
	RM'000	RM'000	RM'000	RM'000
Building (improvements and additions)	6,647	-	9,974	585
Plant and machinery	31,551	242	52,059	308
Tools and furniture	3,987	95	11,492	288
Motor vehicles	237	-	935	291
Information system	811	-	2,087	21
	43,233	337	76,547	1,493

* Inclusive of assets acquired through finance lease amounting to RM614,000 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 30 Sep 2012 (RM'000)	9 months ended 30 Sep 2012 (RM'000)
Final dividend for the financial year ended 31 December 2011 125.00 sen per share (single-tier)	-	293,125

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.

	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	439,866	100,421	540,287

	9 months ended 30 September 2011		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
Segment revenues and results			
Sales	2,603,402	570,514	3,173,916
Operating Profit	388,201	83,062	471,263

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 9.

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 30 Sep 2012 (RM'000)	9 months ended 30 Sep 2012 (RM'000)
Sanicare Hygiene Services Sdn. Bhd	12	43
Cold Chain Network (M) Sdn Bhd	1,671	4,908

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 2012 (RM'000)	9 months ended 30 Sep 2012 (RM'000)
IT shared service	7,566	22,729
Net interest expense	2,101	6,634
Purchases of goods and services	101,351	321,306
Sales of finished goods	251,187	767,809
Royalties	50,677	152,704

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 consolidated interim financial report prepared in accordance with MFRSs.

In preparing the 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 30.09.2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
Non current assets			
Property, plant and equipment	868,344	-	868,344
Intangible assets	61,024	-	61,024
Investment in an associate	3,424	-	3,424
Deferred tax assets	7,257	8,974	16,231
Receivables, deposits and prepayments	23,566	-	23,566
	963,615	8,974	972,589
Current assets			
Receivables, deposits and prepayments	401,220	-	401,220
Inventories	461,752	-	461,752
Current tax assets	151	-	151
Cash and cash equivalents	67,557	-	67,557
	930,680	-	930,680
Total assets	1,894,295	8,974	1,903,269
Financed by:			
Capital and reserves			
Share capital	234,500	-	234,500
Reserves	452,482	23,657	476,139
Total equity	686,982	23,657	710,639
Non current liabilities			
Loans and borrowings	330,262	-	330,262
Employee benefits	40,374	-	40,374
Deferred tax liabilities	72,631	(14,683)	57,948
	443,267	(14,683)	428,584
Current liabilities			
Payables and accruals	732,034	-	732,034
Loans and borrowings	2,561	-	2,561
Taxation	29,451	-	29,451
	764,046	-	764,046
	1,894,295	8,974	1,903,269

14 Explanation of transition to MFRSs (continued)

Reconciliation of comprehensive income

	3 months ended 30 September 2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
Revenue - Sales of goods	1,171,468	(110,426)	1,061,042
Cost of sales	(810,166)	70,331	(739,835)
Gross profit	361,302	(40,095)	321,207
Operating expenses	(218,139)	40,095	(178,044)
Operating profit	143,163	-	143,163
Interest costs	(5,427)	(52)	(5,479)
Interest income	114	52	166
Share of post tax profit of an associate	230	-	230
Profit before tax	138,080	-	138,080
Tax expense	(28,080)	(3,679)	(31,759)
Profit after taxation	110,000	(3,679)	106,321
Minority interests	-	-	-
Profit after tax and minority interest	110,000	(3,679)	106,321
Net profit for the period	110,000	(3,679)	106,321
Other comprehensive income, net of tax			
Cash flow hedge	(27,979)	-	(27,979)
Defined benefit plan actuarial gains	-	-	-
Total other comprehensive income for the period, net of tax	(27,979)	-	(27,979)
Total comprehensive income for the period	82,021	(3,679)	78,342

14 Explanation of transition to MFRSs (continued)

Reconciliation of comprehensive income

	9 months ended 30 September 2011		
	FRSs RM'000	Effect of transition to MFRS RM'000	MFRSs RM'000
Revenue - Sales of goods	3,512,033	(338,117)	3,173,916
Cost of sales	(2,369,625)	218,128	(2,151,497)
Gross profit	1,142,408	(119,989)	1,022,419
Operating expenses	(671,145)	119,989	(551,156)
Operating profit	471,263	-	471,263
Interest costs	(14,903)	(52)	(14,955)
Interest income	367	52	419
Share of post tax profit of an associate	235	-	235
Profit before tax	456,962	-	456,962
Tax expense	(87,727)	(17,375)	(105,102)
Profit after taxation	369,235	(17,375)	351,860
Minority interests	-	-	-
Profit after tax and minority interest	369,235	(17,375)	351,860
Net profit for the period	369,235	(17,375)	351,860
Other comprehensive income, net of tax			
Cash flow hedge	(25,914)	-	(25,914)
Defined benefit plan actuarial gains	-	-	-
Total other comprehensive income for the period, net of tax	(25,914)	-	(25,914)
Total comprehensive income for the period	343,321	(17,375)	325,946

(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 (Quarter 3, 2012 vs Quarter 3, 2011)

For the third quarter ending 30 Sept 2012, the Group registered a turnover of RM1.14 billion, 7.7% higher than the same period last year. The commendable performance was largely the result of the higher domestic sales. The export sales were flat for the quarter due to lower demand experienced in some export markets.

During the quarter, the Group took full benefit of the strong domestic economy with several of its product categories recording strong double digit growth. This encouraging performance was particularly noted in the fast growing categories within the Group's portfolio namely, Confectionery, Liquid Drinks, Chilled Dairy and Ice Cream.

In conjunction with Nestle Malaysia's 100 years celebration, the Group continued to invest in marketing activities and saw higher operating expenses over the previous corresponding period. The higher revenue with improved gross profit margin helped offset the impact of higher operating expenses. As a result the profit before tax reached RM174.0 million with an underlying margin improvement of 220 bps. Driven by the timing of some tax expenses, the net profit at RM127.3 million with a margin improvement by 110bps.

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

The Group registered a turnover of RM 3.5 billion, 8.9% higher than the same period last year. The robust growth was driven by domestic sales benefiting from the strong local economy. Export growth showed some sign of slowing down after a strong 2011 performance.

The good domestic sales in the first 9 months can be attributed to active marketing and promotional activities initiated in conjunction with Nestle celebrating its 100th year in Malaysia. In this regard, the Group launched many promotional and marketing activities including public events to create awareness and show appreciation to consumers. The response from the consumers was very positive and resulted in higher product demand.

From an input cost perspective, the prices of major raw materials consumed by the Group stabilised in recent months at a high level. Combined with the Group's internal cost savings initiatives under the umbrella of Nestle Continuous Excellence program, the gross profit margin in the first nine months improved by 130 bps against the same period last year.

In addition to the many marketing and promotional events organised for its 100th year activities, the Group was also active in renovating and innovating its range of existing products. Recently, the Group launched the new MAGGI MI Goreng (two variants - Kari Ori and Cili Lazat) and two new NESTUM 3in1 variants - (American Ginseng and Dang Gui). The new products have been well received by the market.

While the Group increased its marketing investments, higher sales volumes and an improved gross profit margin helped profit before tax reach RM 524.8 million with an underlying margin improvement of 80 bps. Net profit stood at RM 405.9 with a margin improvement of 60 bps.

3 Variation of results against previous quarter (Quarter 3, 2012 vs. Quarter 2, 2012)

In quarter 3, the Group registered a turnover of RM1.14 billion, marginally lower compared to the previous quarter. The lower operating expenses led to the improvement in profit before tax. More investments in marketing activities will materialise in quarter 4.

4 Current year prospects

The Group will continue to capitalise on the encouraging Malaysian economy and remain active in product innovation and renovation 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 completing its 100 years celebrations with many activities and events dedicated to its 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.

5 Profit forecast

We do not issue any profit forecast.

6 Tax expense

- Current year tax
- Deferred tax for the current period

Taxation for this quarter 30.09.2012 RM'000	Cumulative year 30.09.2012 RM'000
37,904	112,332
8,767	6,599
46,671	118,931

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:

	As at 30.09.2012 RM'000
Short term - Secured loans	
Finance lease (payable within a year)	4,146
Total short term loans	4,146
Long term - Unsecured loans	
Intra group loans	204,264
Long term - Secured loans	
Finance lease	10,980
Total long term loans	215,244

All the above debts are in Ringgit Malaysia.

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.09.2012 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	563,815	5,090	Less than 1 year
Commodity futures	128,245	2,354	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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	24,751	25,286	74,902	75,792
Loss on derivatives	-	8,536	-	5,820
Loss on disposal of property, plant and equipment	191	-	129	13
Provision & write off of receivables	-	35	303	35
Property, plant and equipment written off	70	175	244	572
Net foreign exchange loss	4,378	-	-	-
and after crediting:				
Gain on derivatives	5,881	-	9,446	-
Gain on disposal of property, plant and equipment	-	3	-	-
Reversal of impairment loss on trade receivables	-	950	179	950
Reversal of provision of inventories	5,595	4,955	1,818	5,802
Net foreign exchange gain	-	6,710	4,811	12,483

15 Realised and unrealised profit disclosure

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	556,827	441,895
Unrealised	(93,512)	(74,384)
Total share of retained profits from an associated company:		
Realised	(178)	210
Unrealised	-	-
Less : Consolidation adjustments	57,270	39,938
Total retained profits as per consolidated accounts	520,407	407,659

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 405.9 million (RM 351.9 million in September 2011) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2011)

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Mohd. Shah Bin Hashim (LS0006824)

Company Secretary

Date : November 1, 2012