

For Immediate Release

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NESTLÉ RECORDS STRONGER PERFORMANCE ON POSITIVE DOMESTIC AND REGIONAL ECONOMIC DEVELOPMENTS

KEY HIGHLIGHTS

- **Turnover of RM2.3 billion in first half of 2011, up by 13.0% from corresponding period in 2010.**
- **Robust double-digit growth driven by both domestic and export sales.**
- **Net profit up by 8.5% to RM 259.2 million, with a slight percentage margin reduction due to higher raw material costs and higher marketing investments**
- **Net interim dividend of RM0.55 per share declared.**

Stronger domestic and regional demand helped Nestlé (Malaysia) Berhad Group register a turnover of RM 2.3 billion for the first half of the financial year ended 30 June 2011; 13.0% higher than the previous corresponding period.

The commendable performance was attributed to the fact the Group has been consistently embarking on innovation and renovation activities that paved the way for the launch of new products and growth opportunities. Among the key products launched, MILO Sejuk, NESTEA and MAT KOOL Split received good acceptance from consumers.

NESTLÉ (MALAYSIA) BERHAD

(Company No. 110925-W)

GROUP CORPORATE AFFAIRS

22-1, 22ND FLOOR, MENARA SURIAN, NO.1 JALAN PJU 7/3, MUTIARA DAMANSARA
47810 PETALING JAYA, SELANGOR, MALAYSIA

TEL: 03-7965 6000 FAX: 03-7965 6767 Website: www.nestle.com.my

Export sales which have been consistently on the uptrend, registered strong double-digit growth and now constitute close to a quarter of the Group's total turnover. Stronger demand for Soluble Coffees and Coffee Creamers led the growth, along with increased demand for MILO powders and MAGGI noodles.

From an input cost perspective, the prices of commodities continued to pose challenges as key raw materials consumed by the Group, such as coffee beans and cocoa powder, remained at high levels versus the same period last year. Volatility in the commodity market continued to be driven by supply tensions, strong demand and speculative investments. Over the period however, price increases on selective products and operational savings helped to cushion the impact of this volatility and enabled the gross profit margin to remain flat.

The period also saw an increase in marketing and promotional activities, with investments in media and consumer promotions, to strengthen the company's brands and to introduce new products. The higher expenses incurred to support the sales growth resulted in a slight percentage margin reduction on profit before tax. The Group's net profit increased by 8.5% to RM259.2 million, reflecting a similar percentage margin trend.

Q2 2011

The Group posted a turnover of RM1.2 billion in the second quarter of 2011; an increase of 10.0% versus the same period last year. This was a reflection of the stronger performance by both the domestic and export sales categories, with the latter contributing slightly more than 25% of the total Group sales in the second quarter.

Supported by innovation and renovation activities, domestic sales continued to perform well. New products introduced towards the end of the last quarter such as MILO Sejuk and NESTEA are showing good results in the market

The strong export performance was the result of growing demand for coffee creamer and soluble coffee within the Asean region, contributing to a robust double-digit export growth. The capacity investments made in the last three years have paid off, as the Group was able to fully capitalise on higher regional demand following the global economic turnaround in early 2009.

Operating profit meanwhile, increased by 6.5% to RM132.2 million, with a slight reduction in percentage margin due to higher raw materials cost, coupled with strong promotional and marketing investments. Lower financing cost offset by a higher effective tax rate drove the net profit to show a similar percentage margin trend.

Prospects for H2 2011

The prospects for the global economy are uncertain due to the unfavourable economic conditions in the United States and Europe. The sharp increase in global commodity prices and the Malaysian Government's move to gradually reduce food and fuel subsidies is putting pressure on the Group's input costs. The Group will continue to closely monitor commodity prices, leverage operational efficiencies and cost savings initiatives to minimize or avoid passing on price increases to consumers.

Following its strong performance in the first half of the year, the Group will continue to make investments in line with its objective of being the leader in Nutrition, Health & Wellness, as well as being an industry benchmark for its financial performance, that is trusted by stakeholders.

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For more information, please contact:
Ms. Zamira Yasmin Abdul Rahman
Nestlé (Malaysia) Berhad
Tel: (+603) 7965 6212
Email: ZamiraYasmin.AbdulRahman@my.nestle.com

Ms. Tunku Putri Nur Asma
WestCoast Communications
Tel: (+603) 7954 4505
Email: tputri@westcoast.my
