



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 June 2013 as follows:

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

	3 months ended 30 June		6 months ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue - Sales of goods	1,214,222	1,149,522	2,441,573	2,313,650
Cost of sales	(781,253)	(761,604)	(1,560,790)	(1,539,907)
Gross profit	432,969	387,918	880,783	773,743
Operating expenses	(255,813)	(238,927)	(456,529)	(412,023)
Operating profit	177,156	148,991	424,254	361,720
Interest costs	(4,497)	(5,219)	(9,073)	(10,960)
Interest income	1,337	259	1,881	333
Share of post tax (loss)/profit of an associate	184	(23)	233	(258)
Profit before tax	174,180	144,008	417,295	350,835
Tax expense	(33,942)	(23,513)	(92,640)	(72,260)
Profit after taxation	140,238	120,495	324,655	278,575
Minority interests	-	-	-	-
Profit after tax and minority interest	140,238	120,495	324,655	278,575
Net profit for the period	140,238	120,495	324,655	278,575
Other comprehensive income, net of tax				
Cash flow hedge	(6,156)	(4,678)	(6,367)	21,367
Total other comprehensive income for the period, net of tax	(6,156)	(4,678)	(6,367)	21,367
Total comprehensive income for the period	134,082	115,817	318,288	299,942
Basic earnings per share (sen)	59.80	51.38	138.45	118.80
Dividend per share - net (sen)	60.00	55.00	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)	3.01		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 JUNE 2013**

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
Non current assets		
Property, plant and equipment	929,618	945,812
Intangible assets	61,024	61,024
Prepaid lease payments	-	-
Investment in an associate	3,450	3,217
Deferred tax assets	27,275	32,412
Receivables, deposits and prepayments	22,577	22,001
	1,043,944	1,064,466
Current assets		
Receivables, deposits and prepayments	458,907	394,144
Inventories	406,085	411,170
Current tax assets	902	796
Cash and cash equivalents	35,783	34,593
	901,677	840,703
Total assets	1,945,621	1,905,169
Financed by:		
Capital and reserves		
Share capital	234,500	234,500
Reserves	471,519	516,706
Total equity	706,019	751,206
Non current liabilities		
Loans and borrowings	93,799	95,167
Employee benefits	49,522	54,546
Deferred tax liabilities	72,146	74,858
	215,467	224,571
Current liabilities		
Payables and accruals	936,101	872,045
Loans and borrowings	4,416	4,223
Taxation	83,618	53,124
	1,024,135	929,392
	1,945,621	1,905,169
Net assets per share attributable to shareholders (RM)	3.01	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 JUNE 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	-	21,367	-	21,367
Profit for the period	-	-	278,575	278,575
Total comprehensive income for the period	-	21,367	278,575	299,942
Dividends paid:				
- 2011 Final	-	-	(293,125)	(293,125)
At 30 June 2012	267,500	(1,073)	393,109	659,536
At 1 January 2013	267,500	(950)	484,656	751,206
Cash flow hedge	-	(6,367)	-	(6,367)
Profit for the period	-	-	324,655	324,655
Total comprehensive income for the period	-	(6,367)	324,655	318,288
Dividends paid:				
- 2012 Final	-	-	(363,475)	(363,475)
At 30 June 2013	267,500	(7,317)	445,836	706,019

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 JUNE 2013**

	6 months ended 30.06.2013 RM'000	6 months ended 30.06.2012 RM'000
Cash flows from operating activities		
Profit before taxation	417,295	350,835
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	54,586	50,151
Net interest expense	7,192	10,627
Increase in working capital	(3,902)	27,493
Income tax paid	(57,705)	(39,109)
Others	(5,332)	(139)
Net cash generated from operating activities	412,134	399,858
Cash flows from investing activities		
Purchase of property, plant and equipment	(38,204)	(33,314)
Others	2,724	1,377
Net cash used in investing activities	(35,480)	(31,937)
Cash flows from financing activities		
Interest paid	(9,073)	(10,960)
Repayment of borrowings	(2,916)	(36,050)
Dividend payment	(363,475)	(293,125)
Net cash used in financing activities	(375,464)	(340,135)
Net increase/(decrease) in cash and cash equivalents	1,190	27,786
Cash and cash equivalents as at 1 January	34,593	52,461
Cash and cash equivalents as at 30 June	35,783	80,247

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 June 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 June 2013		6 months ended 30 June 2013	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	1,995	45	2,046	71
Plant and machinery	18,617	15	22,573	135
Tools and furniture	8,080	51	11,693	246
Motor vehicles	158	245	1,449	301
Information system	983	1	1,396	13
	29,833	357	39,157	766

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 Jun 2013 (RM'000)	6 months ended 30 Jun 2013 (RM'000)
363,475	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.

Segment revenues and results

Sales

Operating Profit

6 months ended 30 June 2013		
Food & Beverages	Others	Total
RM'000	RM'000	RM'000
1,994,358	447,215	2,441,573
338,961	85,293	424,254

Segment revenues and results

Sales

Operating Profit

6 months ended 30 June 2012		
Food & Beverages	Others	Total
RM'000	RM'000	RM'000
1,894,796	418,854	2,313,650
294,340	67,380	361,720

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

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 30 June 2013 (RM'000)	6 months ended 30 June 2013 (RM'000)
24	39
1,708	3,191

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 30 June 2013 (RM'000)	6 months ended 30 June 2013 (RM'000)
7,475	15,833
553	1,154
115,652	227,894
244,312	497,055
55,708	111,731

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 2, 2013 vs Quarter 2, 2012)

For the second quarter ending 30 June 2013, the Group registered a turnover of RM1.2 billion, 5.6% higher than the same period last year largely driven by the strong domestic growth.

Continuous investments in marketing and promotional activities as well as effective consumer communications helped several product categories record a strong growth for the quarter. Fast growing categories such as Confectionery and Liquid Drinks recorded a robust double digit growth performance.

On the export front, the demand from affiliate companies was flat in terms of volumes but showed a slight contraction in value. This trend is the result of the global environment which has become more challenging as well as a softening in demand for some export categories.

From an input cost perspective, the price trend of commodities was favourable except for Milk Powders. Combined with positive sales mix in the Domestic business, the Gross Profit margin improved by 200bps. 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 160 bps in the Operating Profit margin.

A similar trend was noted for Profit Before Tax which reached RM174.2 million with an underlying margin improvement of 180 bps whilst Profit After Tax stood at RM140.2 million showing a margin improvement of 100 bps.

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

For the first half ended 30 June 2013, the Group registered a turnover of RM2.4 billion, 5.5% 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 Chilled Dairy achieved a robust growth. Good growth performance was also seen in the out-of-home category, driven by increased consumer promotions in the second quarter.

On the export front, the demand from affiliate companies has showed some growth in volume however a slight contraction in value due to unfavourable mix. This trend is the result of the global economic environment which has become more challenging as well as a softening in demand for some export categories.

From an input cost perspective, except for the upward price trend in milk powders, other major commodities consumed by the Group have shown a more favourable trend. Coupled with a positive product sales mix and internal cost savings initiatives under the umbrella of the Nestle Continuous Excellence program, the gross profit margin improved by 270 bps against the same period last year.

Compared to the first half of the previous year, the Group increased its investments in marketing and promotional activities. Most of the Ramadhan related activities were initiated in the second quarter to ensure a timely execution for the fasting month which started in early July.

While the Group increased its marketing investments, higher sales volumes and an improved gross profit margin helped profit before tax reach RM 417.3 million with an underlying margin improvement of 190 bps. Net profit stood at RM 324.7 million and showed a margin improvement of 130 bps.

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

In the second quarter of 2013, the Group registered a turnover of RM1.2 billion, marginally lower than the previous quarter. With regard to the bottom line, Profit was lower for the quarter due to the timing of operating expenses which are typically higher in the second quarter.

4 Current year prospects

We expect the second half 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 steady 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 recent ground breaking ceremony of its new Sri Muda factory with additional manufacturing capacity located next to the 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.

5 Profit forecast

We do not issue any profit forecast.

6 Tax expense

- Current year tax
- Deferred tax for the current period

	Tax for this quarter 30.06.2013 RM'000	Cumulative year 30.06.2013 RM'000
	36,838	88,970
	(2,896)	3,670
	33,942	92,640

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 30.06.2013 RM'000
4,416
4,416
84,264
9,535
93,799

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.06.2013 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	585,790	(1,847)	Less than 1 year
Commodity futures	108,207	(7,516)	Less than 1 year

12 Material litigation

As of the date of this report, there were no material litigations against the Group.

13 Dividend

The Board of Directors has declared an interim dividend of 60.00 sen per share (2012: 55.00 sen per share) in respect of financial year ending 31 December 2013 which will be paid on 3 October 2013 to shareholders whose names appear on the Record of Depositors on 12 September 2013. Under current rules, single-tier dividends are not taxable in the hand of shareholders.

A Depositor shall qualify for entitlement only in respect of:

- shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 September 2013 in respect of ordinary transfers.
- shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

14 Profit for the period

	3 months ended 30 June		6 months ended 30 June	
	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	27,589	25,148	54,586	50,151
Loss on derivatives	571	-	332	-
Loss on disposal of property, plant and equipment	-	244	-	-
Provision & write off of receivables	-	303	-	303
Provision & write off of inventories	1,759	1,385	412	640
Property, plant and equipment written off	75	125	231	174
Net foreign exchange loss	638	-	-	-
and after crediting:				
Gain on derivatives	-	1,163	-	2,903
Gain on disposal of property, plant and equipment	221	-	308	62
Net foreign exchange gain	-	10,940	3,013	9,189

15 Realised and unrealised profit disclosure

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	463,784	508,706
Unrealised	(76,264)	(86,125)
Total share of retained profits from an associated company:		
Realised	450	217
Unrealised	-	-
Less : Consolidation adjustments	57,866	61,858
Total retained profits as per consolidated accounts	445,836	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 324.7 million (RM 278.6 million in June 2012) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 2012)

b. Diluted earnings per share

Not applicable for the Group

Date : August 22, 2013

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, M CCS (MACS 01686)

Company Secretary