



# 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 December 2013 as follows:

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

	3 months ended 31 December		12 months ended 31 December	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Revenue - Sales of goods</b>	1,138,311	1,099,779	4,787,925	4,556,423
Cost of sales	(741,466)	(704,808)	(3,089,908)	(3,003,239)
<b>Gross profit</b>	396,845	394,971	1,698,017	1,553,184
Operating expenses	(267,892)	(278,383)	(963,375)	(896,309)
<b>Operating profit</b>	128,953	116,588	734,642	656,875
Interest costs	(7,274)	(4,215)	(21,937)	(20,131)
Interest income	2,708	318	5,947	929
Share of post tax profit/(loss) of an associate	57	173	402	(5)
<b>Profit before tax</b>	124,444	112,864	719,054	637,668
Tax expense	(23,989)	(13,385)	(157,353)	(132,316)
<b>Profit after taxation</b>	100,455	99,479	561,701	505,352
Minority interests	-	-	-	-
<b>Profit after tax and minority interest</b>	100,455	99,479	561,701	505,352
<b>Net profit for the period</b>	100,455	99,479	561,701	505,352
<b>Other comprehensive income/(expense), net of tax</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Cash flow hedge	9,502	(1,317)	1,357	21,490
Defined benefit plan actuarial gains/(losses)	6,355	(6,255)	6,355	(6,255)
<b>Total other comprehensive income/(expense) for the period, net of tax</b>	15,857	(7,572)	7,712	15,235
<b>Total comprehensive income for the period</b>	116,312	91,907	569,413	520,587
<b>Basic earnings per share (sen)</b>	42.84	42.42	239.53	215.50
<b>Dividend per share - net (sen)</b>	175.00	155.00	235.00	210.00
	<b>AS AT END OF CURRENT QUARTER</b>		<b>AS AT PRECEDING FINANCIAL YEAR END</b>	
<b>Net assets per share attributable to equity holders (RM)</b>	3.48		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 DECEMBER 2013**

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
<b>Non current assets</b>		
Property, plant and equipment	1,046,463	945,812
Intangible assets	61,024	61,024
Investment in an associate	3,619	3,217
Deferred tax assets	25,775	32,412
Receivables, deposits and prepayments	21,866	22,001
	<u>1,158,747</u>	<u>1,064,466</u>
<b>Current assets</b>		
Receivables, deposits and prepayments	502,207	394,144
Inventories	408,614	411,170
Current tax assets	3,970	796
Cash and cash equivalents	15,196	34,593
	<u>929,987</u>	<u>840,703</u>
<b>Total assets</b>	<b><u>2,088,734</u></b>	<b><u>1,905,169</u></b>
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	234,500	234,500
Reserves	581,944	516,706
<b>Total equity</b>	<u>816,444</u>	<u>751,206</u>
<b>Non current liabilities</b>		
Loans and borrowings	92,343	95,167
Employee benefits	25,337	54,546
Deferred tax liabilities	82,748	74,858
	<u>200,428</u>	<u>224,571</u>
<b>Current liabilities</b>		
Payables and accruals	1,022,999	872,045
Loans and borrowings	7,555	4,223
Taxation	41,308	53,124
	<u>1,071,862</u>	<u>929,392</u>
	<b><u>2,088,734</u></b>	<b><u>1,905,169</u></b>
<b>Net assets per share attributable to shareholders (RM)</b>	<u>3.48</u>	<u>3.20</u>

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 DECEMBER 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	
<b>At 1 January 2012</b>	267,500	(22,440)	407,659	652,719
Cash flow hedge	-	21,490	-	21,490
Defined benefit plan actuarial loss	-	-	(6,255)	(6,255)
Profit for the period	-	-	505,352	505,352
<b>Total comprehensive income for the period</b>	-	21,490	499,097	520,587
<b>Dividends paid:</b>				
- 2011 Final	-	-	(293,125)	(293,125)
- 2012 Interim	-	-	(128,975)	(128,975)
<b>At 31 December 2012</b>	267,500	(950)	484,656	751,206
<b>At 1 January 2013</b>	267,500	(950)	484,656	751,206
Cash flow hedge	-	1,357	-	1,357
Defined benefit plan actuarial gain	-	-	6,355	6,355
Profit for the period	-	-	561,701	561,701
<b>Total comprehensive income for the period</b>	-	1,357	568,056	569,413
<b>Dividends paid:</b>				
- 2012 Final	-	-	(363,475)	(363,475)
- 2013 Interim	-	-	(140,700)	(140,700)
<b>At 31 December 2013</b>	267,500	407	548,537	816,444

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 DECEMBER 2013**

	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	719,054	637,668
<i>Adjustments for:</i>		
Amortisation, depreciation and impairment	108,971	101,601
Net interest expense	15,990	19,202
(Increase)/Decrease in working capital	(11,230)	179,897
Income tax paid	(160,387)	(119,995)
Others	(8,790)	10,279
<b>Net cash generated from operating activities</b>	663,608	828,652
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(212,217)	(158,442)
Others	8,237	2,739
<b>Net cash used in investing activities</b>	(203,980)	(155,703)
<b>Cash flows from financing activities</b>		
Interest paid	(21,937)	(20,131)
Proceeds from/(Repayment of) borrowings	44,228	(248,586)
Dividend payment	(504,175)	(422,100)
<b>Net cash used in financing activities</b>	(481,884)	(690,817)
<b>Net decrease in cash and cash equivalents</b>	(22,256)	(17,868)
<b>Cash and cash equivalents as at 1 January</b>	34,593	52,461
<b>Cash and cash equivalents as at 31 December</b>	12,337	34,593

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 December 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 31 December 2013		12 months ended 31 December 2013	
	Assets acquired RM'000	Assets disposed RM'000	Assets acquired RM'000	Assets disposed RM'000
Building (improvements and additions)	13,532	-	18,202	88
Plant and machinery	114,744	659	156,963	2,126
Tools and furniture	15,012	442	29,823	909
Motor vehicles	250	452	2,134	1,415
Information system	4,662	2	7,055	17
	148,200	1,555	214,177	4,555

##### 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 31 Dec 2013 (RM'000)	12 months ended 31 Dec 2013 (RM'000)
Interim dividend for the financial year ended 31 December 2013 60.00 sen per share (single-tier)	140,700	140,700
Final dividend for the financial year ended 31 December 2012 155.00 sen per share (single-tier)	-	363,475
Total	140,700	504,175

## 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.

	12 months ended 31 December 2013		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenues and results</b>			
Sales	3,904,390	883,535	4,787,925
Operating Profit	594,732	145,755	740,487

	12 months ended 31 December 2012		
	Food & Beverages	Others	Total
	RM'000	RM'000	RM'000
<b>Segment revenues and results</b>			
Sales	3,740,653	815,770	4,556,423
Operating Profit	536,236	121,039	657,275

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:

Total operating profit for reported segments

Unallocated expenses

Consolidated operating profit

	12 months ended 31 Dec 2013 (RM'000)	12 months ended 31 Dec 2012 (RM'000)
Total operating profit for reported segments	740,487	657,275
Unallocated expenses	(5,845)	(400)
Consolidated operating profit	734,642	656,875

## 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 Dec 2013 (RM'000)	12 months ended 31 Dec 2013 (RM'000)
Sanicare Hygiene Services Sdn. Bhd.	25	79
Cold Chain Network (M) Sdn. Bhd.	1,726	6,247

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 Dec 2013 (RM'000)	12 months ended 31 Dec 2013 (RM'000)
IT shared service	6,333	29,873
Net interest expense	1,025	2,813
Purchases of goods and services	147,414	490,797
Sales of finished goods	225,268	938,829
Royalties	52,673	221,495

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 4, 2013 vs Quarter 4, 2012)

For the fourth quarter ending 31 December 2013, the Group registered a turnover of RM1.1 billion, 3.5% higher than the same period last year.

Continued investments in marketing and promotional activities supported the good local growth achieved by many product categories. MAGGI BIG Kari which was launched by the Food business unit was well received and recorded encouraging sales in the fourth quarter. The MILO Fuel for Champions campaign supporting the Malaysian Contingent at the 27th Sea Games in Myanmar was another highlight of the quarter.

The unfavourable trend in export sales was a consequence of the increasingly challenging global economic environment as well as a softening in demand for some export categories specifically for exports to Philippines and Indonesia markets which have invested in local manufacturing capability.

From an input cost perspective, the price trend of commodities consumed by the Group was favourable except for Robusta coffee beans and Milk Powders. The weakening of the Ringgit against the US Dollar combined with the substantial milk powders' price increases, negatively impacted the Gross Profit margin which eroded by 100 bps.

Slightly lower operational expenses for the quarter however, helped offset the higher input costs. This resulted in the Operating Profit reaching RM129.0 million with a margin improvement of 70 bps.

Profit Before Tax at RM124.4 million was 10.3% higher than prior year. Profit After Tax stood at RM100.5 million, a slight improvement over last year.

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

For the year ended 2013, the Group registered a turnover of RM4.8 billion, 5.1% higher than the corresponding period last year. This good performance was driven by domestic sales which showed a strong growth, while exports contracted slightly due to lower demand from affiliate companies.

On the Domestic front, the Group strengthened its marketing and promotional activities to fuel the growth of its products while benefiting from a steady Malaysian economy. The results were very encouraging with several product categories such as Confectionery, Liquid Drinks and Food achieving a robust double digit growth.

The unfavourable trend in export sales was a consequence of the increasingly challenging global economic environment as well as a softening in demand for some export categories specifically for exports to Philippines and Indonesia markets which have invested in local manufacturing capability.

From an input cost perspective, the price trend of commodities consumed by the Group was favourable except for Milk Powders which was considerably more expensive in the second half. The weakening of the Ringgit against the US Dollar in the second half was partially mitigated by forward hedging positions. Overall favourable input cost trends combined with higher sales have resulted in higher Gross Profit margin which improved by 140 bps against 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 RM719.1 million with an underlying margin improvement of 100 bps. Also worth noting is the lower net interest incurred in 2013, the result of an efficient working capital management by the Group. Net profit stood at RM561.7 million and showed a margin improvement of 60 bps.

### 3 Variation of results against previous quarter (Quarter 4, 2013 vs. Quarter 3, 2013)

In the fourth quarter of 2013, the Group registered a turnover of RM1.1 billion, 5.8% lower than the previous period mostly due to the successful campaign of Nestle Malaysia Family Day Bonanza which took place in quarter 3. The lower bottom line was the result of higher investments in marketing and promotional activities.

### 4 Current year prospects

We remain cautiously optimistic on the outlook for 2014. The external environment is showing some signs of recovery in the developed world while the emerging markets economies are experiencing some volatility. The Group will continue to leverage on the growing 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 reflected by the construction of Sri Muda factory which is planned to be in operation by the fourth 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 being an industry benchmark for its financial performance and 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 31.12.2013 RM'000	Cumulative year 31.12.2013 RM'000
	18,610	161,596
	(4,998)	(16,199)
	10,377	11,956
	23,989	157,353

**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 - Unsecured loans**

Bank overdraft

**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 31.12.2013 RM'000
2,859
4,696
7,555
84,264
8,079
92,343

**11 Derivatives**

Summary of outstanding derivative assets / (liabilities) as at 31.12.2013 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Ageing
Foreign exchange contracts	670,633	(610)	Less than 1 year
Commodity futures	61,856	2,163	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 proposed to declare a final dividend of 175 sen per share, under single-tier system (2012: 155.00 sen per share) in respect of financial year ended 31 December 2013. If approved by the shareholders at the Annual General Meeting to be held on 24 April 2014, this dividend will be paid on 5 June 2014 to shareholders whose names appear on the Record of Depositors as at 15 May 2014. Under current rules, single-tier dividends are not taxable in the hands 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 15 May 2014 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 31 December		12 months ended 31 December	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	27,587	26,699	108,971	101,601
Loss on derivatives	-	6,558	-	-
Loss on disposal of property, plant and equipment	538	139	1,647	269
Provision & write off of receivables	286	43	286	346
Provision & write off of inventories	43	2,614	-	796
Property, plant and equipment written off	291	193	618	437
Net foreign exchange loss	5,655	-	5,544	-
<b>and after crediting:</b>				
Gain on derivatives	1,416	-	1,098	2,454
Reversal of impairment loss on trade receivables	-	150	141	329
Reversal of provision of inventories	-	-	1,376	-
Net foreign exchange gain	-	5,406	-	10,217

## 15 Financial instruments disclosure

### Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

As at 31.12.2013					
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount	
Level 1	Level 2	Level 3			
RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Financial assets</b>					
Foreign exchange contracts	-	6,864	-	6,864	6,864
Commodity futures	2,163	-	-	2,163	2,163
<b>Financial liabilities</b>					
Foreign exchange contracts	-	(7,474)	-	(7,474)	(7,474)

Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount	
Level 1	Level 2	Level 3			
RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Financial assets</b>					
Loans to employees	-	-	33,678	33,678	33,678
<b>Financial liabilities</b>					
Finance lease liabilities	-	-	(11,990)	(11,990)	(12,775)
Loan from a related company	-	-	(84,264)	(84,264)	(84,264)

As at 31.12.2012					
Fair value of financial instruments carried at fair value			Total fair value	Carrying amount	
Level 1	Level 2	Level 3			
RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Financial assets</b>					
Foreign exchange contracts	-	2,245	-	2,245	2,245
<b>Financial liabilities</b>					
Foreign exchange contracts	-	(646)	-	(646)	(646)
Commodity futures	(2,874)	-	-	(2,874)	(2,874)

Fair value of financial instruments not carried at fair value**			Total fair value	Carrying amount	
Total					
RM'000			RM'000	RM'000	
<b>Financial assets</b>					
Loans to employees	32,503		32,503	32,503	
<b>Financial liabilities</b>					
Finance lease liabilities	(14,038)		(14,038)	(15,126)	
Loan from a related company	(84,264)		(84,264)	(84,264)	

\*\* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.



**16 Realised and unrealised profit disclosure**

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised	591,159	508,706
Unrealised	(101,340)	(86,125)
Total share of retained profits from an associated company:		
Realised	620	217
Unrealised	-	-
Less : Consolidation adjustments	58,098	61,858
Total retained profits as per consolidated accounts	548,537	484,656

**17 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 561.7 million (RM 505.4 million in December 2012) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2012)

**b. Diluted earnings per share**

Not applicable for the Group

**BY ORDER OF THE BOARD**

Tengku Ida Adura Binti Tengku Ismail, *MCCS (MACS 01686)*

*Company Secretary*

**Date : February 24, 2014**