

Dear Shareholder,  
Nestlé (Malaysia) Berhad's 2008 Annual Report  
comprises the following:

- Corporate Report
- Financial Report
- Creating Shared Value Report

The Bahasa Malaysia versions of all three Reports are in the  
CD-ROM provided.

For further information, please contact  
Group Corporate Affairs & Wellness Unit (+603 7965 6000)  
or visit our website at [www.nestle.com.my](http://www.nestle.com.my).

*Para Pemegang Saham,  
Laporan Tahunan 2008 Nestlé (Malaysia) Berhad  
mengandungi:*

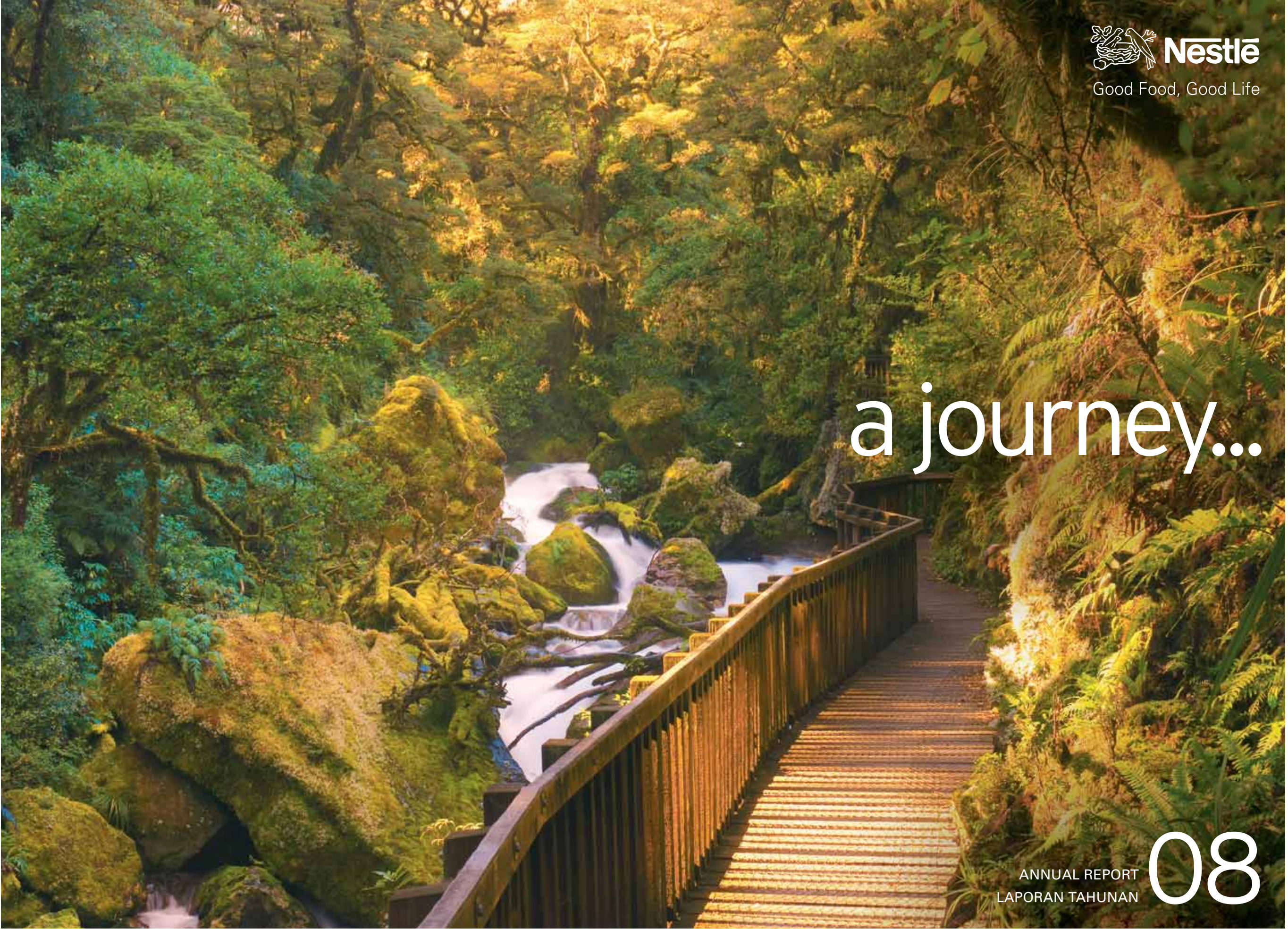
- *Laporan Korporat*
- *Laporan Kewangan*
- *Laporan Penciptaan Nilai Bersama*

*Versi Bahasa Malaysia bagi ketiga-tiga Laporan terkandung  
di dalam CD-ROM yang disediakan.*

*Untuk maklumat lanjut, sila hubungi Unit Kumpulan Hal Ehwal  
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# ...to wellness

## MENUJU KE ARAH KESEJAHTERAAN

“Sejak kami diasaskan di Switzerland lebih daripada 140 tahun yang lalu, Nestlé telah mencapai pertumbuhan jangka panjang yang membawa keuntungan dengan menawarkan produk-produk berkhasiat yang melindungi dan mempertingkatkan kesihatan para pengguna kami. Hasil daripada itu, Nestlé merupakan syarikat Pemakanan, Kesihatan dan Kesejahteraan terbesar di dunia hari ini.”

**Paul Bulcke**  
Ketua Pegawai Eksekutif, Nestlé S.A.

“Since its foundation in Switzerland more than 140 years ago, Nestlé has achieved long-term profitable growth by providing highly nutritious products that protect and improve the health of its consumers. As a result, Nestlé today is the world’s largest Nutrition, Health and Wellness company.”

**Paul Bulcke**  
Chief Executive Officer, Nestlé S.A.





# a journey to wellness

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# a journey to wellness

As we progress further on the path to become the recognised leading Nutrition, Health and Wellness company, we are committed to Nourishing Malaysia by improving the wellbeing of consumers through the continuous development of products and services that provide nutrition and health benefits.





# discovery

Research & development generates the innovative science and technology needed to build nutritional and health benefits into products. It plays a strategic role in realising the Nestlé vision, helping to assure Nestlé's sustained growth. Being faster and closer to the consumer through R&D considerably strengthens Nestlé's leadership in Nutrition, Health and Wellness; and through our actions and discoveries, we shape the future.









MARINUS



JANAKI





# empowerment

Creating Shared Value is something that we do both, internally – by providing life-long learning opportunities to our employees; and externally – by helping communities enjoy better lives. Creating Shared Value is our concept of corporate responsibility which brings value to society by examining the multiple points where Nestlé touches the community and makes long-term investments that benefit all stakeholders.





# innovation

Innovation is the first pillar of our corporate strategy with Nutrition, Health and Wellness as our core value. Nestlé invests in continuous product development and renovation to enhance the quality and nutritional value of all its products. It also continually adapts them to meet consumers' changing needs, as they evolve beyond taste, enjoyment and convenience towards the added benefits of nutrition and personal health.











# communication

We are very conscious of our role in communicating responsibly to all stakeholders. Our aim is to create value that can be sustained over the long-term by offering consumers a wide variety of high quality, safe products at affordable prices. We also believe that how we market our Company and our products are equally important. Therefore, we always strive to ensure that all our communications are ethical.







We are balancing our short and long-term objectives to deliver a steady and sustainable growth; ensuring strong returns for our shareholders, despite the difficult operating environment.

# Chairman's Statement





**General (Rtd) Tan Sri Dato' Mohd Ghazali Seth**  
Chairman



# Chairman's Statement

For the 2008 financial year, we achieved a turnover of RM3.9 billion; representing a 13.5% increase from the previous financial period.

## Results / Performance

On behalf of the Board of Directors, I am pleased to present the Annual Report of Nestlé (Malaysia) Berhad for the financial year ended 31 December 2008.

The year under review will go down in our corporate history as one of the most trying we have seen in recent times. The levels of volatility and turmoil globally have not been experienced since the Great Depression and we are all clearly in uncharted territory.

Riding out the storm is of the essence, as the financial meltdown of leading global economies has seen the tentacles of the financial crisis reaching out and impacting all economies across the globe thus curtailing the development of smaller economies that are dependent on the manufacturing and exports sectors for economic sustainability.

I am pleased to say that, notwithstanding the external circumstances, the strategic direction and vision of the Group has

helped to deliver its objectives, and for the 2008 financial year, we achieved a turnover of RM3.9 billion; representing a 13.5% increase from the previous financial period.

This is a very commendable performance, as we have been faced with uncertainty and challenges like never before. Due recognition must be given to our employees who had worked hard to protect profits and ensure that all other financial indicators are healthy. We are balancing our short and long-term objectives to deliver a steady and sustainable growth; ensuring strong returns for our shareholders, despite the difficult operating environment.

I am just as pleased to report that the Group has continued to achieve strong top and bottom line growth; a testament to the sound policies and strategies in place, which have helped buffer the vagaries of the commodities market and slower economic growth.



One of the worthy achievements during the year under review was the market expansion of the Popularly Positioned Products (PPP) range which offers Malaysians nutritionally balanced products at more affordable prices. This is part of our on-going commitment to provide affordable nutrition and taste to all levels of society, as part of our Corporate Responsibility commitment while supporting the Government's efforts to improve the nutritional status of all Malaysians. Some of the products in the range are NESTUM Sarapan Berkhasiat whole grain cereal, NESPRAY CERGAS nutritious milk powder and MILO Ready-to-Drink 200ml.

The year under review has also seen Made-in-Malaysia Halal products making its way to shelves in Switzerland, France and the Netherlands. The exports sector continues to grow and now contributes 24% to the Group's total turnover. This is an area we will continue to leverage on, as Nestlé Malaysia is not only the Centre of

Excellence for Halal for the Nestlé Group, but also in the forefront for the development of the nation's Halal Hub agenda with focus on Halal food products.

The operating profit margin at 12.0% remains flat against last year. Heavy capital expenditure to support the business expansion has resulted in higher financing costs, therefore lowering the profit margin before tax by 20 bps. Lower tax expenses, stemming from the Government tax incentives, nudged the profit margin after tax from 8.5% to 8.8% of the turnover for the financial period just ended.

Continuous innovation and renovation resulted in the Group steering ahead of the competition by offering high quality, tasty and nutritious products. Our global investments in research and development (R&D) clearly shows Nestlé's commitment in innovating and renovating products based on scientific evidence and trials. When we convert this knowledge into products,

consumers benefit from the nutritional value while Nestlé is able to grow its business in a dynamic and sustainable manner.

We are in full support of the Government's efforts to encourage healthier diets and active lifestyles to help counter problems associated with obesity, diabetes and cardiovascular diseases. We have strived to improve our products' profile to complement the Government's efforts to create a healthier population. We have made significant progress in improving the nutritional profile of our range of products by reducing sugar, sodium and fats, and we will continue to do so.

I am also pleased to report that we have intensified our efforts to create shared value for society by focusing our Corporate Responsibility efforts on nutrition, water and rural development. This will help us address the issues in nutrition and health, poverty reduction as well as food security for the future.



## CHAIRMAN'S STATEMENT

As recognition to our work and commitment towards corporate responsibility in Malaysia, the Company won the inaugural StarBiz-ICR Malaysia Awards 2008 in two (2) categories: Marketplace and Community.

We were also awarded for best social reporting by ACCA Malaysia Environmental and Social Reporting Awards (MESRA), as recognition for our efforts in reporting our commitment in education, community development, the environment, and on our stakeholder engagement.

This reinforces our commitment to create shared value not only for our shareholders but also the community at large.

### Dividends

In view of our sustained strong performance in 2008, the Board has recommended a final net dividend of 80 sen per share, giving a total net dividend proposed and declared for the financial year of 191.19

sen per share; a 68% increase from 2007. I am pleased to add that this is the highest ever in the Group's history.

### Prospects

The current year will be one of the most challenging to-date, as economic uncertainties coupled with volatile commodity prices, tight liquidity and lower consumer spending will undoubtedly squeeze margins. The Government's swift action to reduce and mitigate the impact of the global economic uncertainties on the local economy by reducing petrol prices, introducing tax incentives and other fiscal incentives, have helped to reassure investors. We are confident that with the commitment of our people, strict internal controls and good business management in place, we will be able to meet the challenges ahead. The softening of some commodity prices such as milk solids, which are expected to continue its decline, will help ease cost pressures.

The Group will keep pursuing its initiatives to further optimise its operations to mitigate as much as possible the impact of higher input costs. The Group will also constantly drive for higher sales and continue to protect and grow market shares from its competitors.

Major investments based on our strong Halal R&D capabilities have been planned in 2009 to introduce new products as well as to increase the capacity to meet the rising demand in the country as well as for exports. Innovation and renovation will remain key to offer consumers new, exciting, convenient, affordable and nutritious products. The Group will strive to ensure that its on-going yearly profitability level will be protected moving forward. 2009 will undoubtedly be a tough year, but we are prepared for the eventualities and have in place strong tactical plans to cushion the impact of the economic uncertainty. We are aware that the only constant is change, and we are determined to be agile enough to surge ahead with great velocity.



### Acknowledgements

On behalf of the Board, I would also like to express my deepest appreciation to the management and staff for their dedication, commitment and untiring contributions, and to our distributors and customers for their continued support and loyalty to our brands and to the Company. I also wish to put on record my sincere gratitude to my fellow directors for their counsel and support.

After 20 years at the helm, this is my last task as the Chairman of Nestlé (Malaysia) Berhad and I wish to take this opportunity to express my personal thanks to all of you, the shareholders, for your kind support over the years. It has been a truly fulfilling experience, and I will miss it all.

I also wish to express my great appreciation towards Nestlé, from the Management Team at the Headquarters in Switzerland,

to the local Board of Directors and all employees with whom I have progressed with, shared memories and witnessed many achievements.

It has been an honour to serve as the Company's Chairman for the past two (2) decades. Although I will no longer serve on the Board, Nestlé will hold a special place in my heart as a Company that cares.

I wish the new Chairman of the Board every success and I trust that he will enjoy the same support and cooperation which I have had the pleasure to experience for many years.

I leave with a bittersweet combination of sadness and optimism, and look forward to cheer Nestlé on as it grows from strength to strength.

After 20 years at the helm as Chairman, I wish to take this opportunity to express my personal thanks to all of you, the shareholders, for your kind support over the years.





# A TRIBUTE TO

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth has been an outstanding Chairman for Nestlé (Malaysia) Berhad, and has seen the Company grow from strength to strength over the years. Having witnessed the Company's debut on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia) in 1989, he has seen Nestlé achieve many firsts and set new benchmarks in the country.

A tireless and articulate advocate for transparency and corporate governance, he has been exemplary in his vision and leadership. His depth of knowledge has his peers and all at Nestlé holding him in high esteem.

A caring, gentle nature and his familiar smiling face has endeared him to many. He will be greatly missed as Chairman of the Company and we wish him the very best in his future endeavours.





# THE CHAIRMAN





# Business Review

The Group has consistently delivered strong growth performance throughout the year, even in the last quarter of the financial period; which was undoubtedly the most challenging the Company has seen in a long time.

## Overview – Performance

The Group proved its resilience in the face of economic uncertainty and turmoil by delivering a strong performance for the financial year ending 31 December, 2008. While global uncertainties have undoubtedly had an impact on the Group's performance, strong measures and tactical campaigns have helped the Company cushion the impact considerably. The management and Board of Directors' actions helped ensure that the Group delivered a strong performance; registering double digit growth of 13.5%, with a total sales turnover of RM3.9 billion.

A point to note is that the Group has consistently delivered strong growth performance throughout the year, even in the last quarter of the financial period; which was undoubtedly the most challenging the Company has seen in a long time.

What is just as important is that the sustainable profitable growth has been part of performance measurement. During the period under review, the movement of key commodities was rather mixed, and the overall input costs was higher than the previous financial period. The year under review saw some key commodities prices, such as milk powders and palm oil declining from their peak, whilst coffee bean and cocoa powder prices fluctuated and moved upwards towards the later part of the year. The weaker Ringgit in the second half also

saw the prices of imported materials being nudged higher. Overall, the various factors resulted in the gross profit margin slipping from last year's 32.9% to 31.0% of the turnover.

However, during the period under review, the Group embarked on the Nestlé Continuous Excellence (NCE) journey which saw a concerted focus on consumer flow optimisation across the entire value chain (including R&D) and Total Performance Management (TPM) in the manufacturing plants that included 'war on waste'. Some of the initiatives from this move have translated into internal savings that has helped the Group be more competitive, thus positively impacting the overall performance.

Efficient working capital management arising from the distributor card programme and better cash management planning has positively impacted the free cash flow for the year. This has allowed the Group to pay and propose a higher dividend for the financial year 2008, which is 68% higher than the previous financial period. However, the profit margin before tax declined slightly from 11.6% of the turnover in 2007 to 11.4% in 2008, due to higher financing costs resulting from heavy capital expenditures for the year. A lower tax expense, stemming from the Government's investment tax incentives, pushed the profit margin after tax slightly higher from 8.5% to 8.8% of the turnover.

## Finance and Control

As 2008 was a very challenging year, particularly so in the last quarter, Finance and Control (F&C) continued to play a vital role by providing the “co-pilot” functions to support all the business divisions. Having a pulse on the fast changing economic variables and market environments, F&C was able to feed the business units with new options and quick information to facilitate prompt and effective decision making.

Fully leveraged on the GLOBE platform, we have successfully transferred Accounts Payable, Accounts Receivable and the transactional part of Accounting Operations to the Nestle Business Services-AOA (NBS), based in Manila, Philippines.

During the implementation phase, the activities were well coordinated and sequenced. For seamless integration, NBS stationed their staff for three (3) weeks in the market to learn and obtain relevant hands-on experience in handling the local suppliers and customers.

Fully satisfied with the ability of the NBS staff to handle the move, the transactions were gradually transferred to NBS during the ramp-up stage and this went live completely at the end of June 2008.

The distributor card programme, which began to roll-out in the beginning of the year, has also been widely implemented among the Long Term Partners (LTP). Almost all of the LTPs have subscribed to the programme and further efforts are being made to include the rest of the customers. The initiative has reduced the balance of Accounts Receivable significantly; improving the working capital requirements.

## Sales

The Sales division continued to drive the Distribution and Best-in-Class merchandising of the Group’s portfolio of products in all the Trade Channels. Shopper and Channel insights were conducted regularly and strategically to identify new growth opportunities; resulting in the successful launches of the Popularly Positioned Products (PPP) range, Single Serve Visibility Blitz, and the introduction of the MAGGI CUKUP RASA Dedicated Sales Team.

One of the key initiatives undertaken was to improve our customer relationships and service levels, by accelerating commercial relationships with our trade partners and key retailers through better collaboration, joint business planning and by conducting regular business reviews.

The Sales Team also “strived for excellence” by continuously implementing the Field Management and Distributor Management Best Practices, introducing new technological tools and aids such as hand-held devices to improve effectiveness in the field, while maintaining a positive attitude and mindset.

## Coffee & Beverages

The period under review posed considerable challenges to MILO, attributable to the sharp increase in commodity prices in 2007 and the introduction of Private Label competitors. However, MILO products maintained its strong market share and the ubiquitous beverage remains a perennial favourite amongst Malaysian consumers.

During the period under review, MILO GOLD nutritious chocolate malt drink was launched; further strengthening the brand’s nutritional image amongst its consumers by offering a complete MILO drink with more milk and nutrition. The MILO FUZE drink range also continued to grow in popularity and demand due to its attributes of convenience and nutrition for young adults.



The highlight of the year was a new communications campaign, which emphasised the nutritional benefits of MILO chocolate malt powder under the header “10 Reasons MILO Does More for Your Child”.

The brand continued its strong legacy of sports development, and sponsorship programmes for the development of grass root sports continued unabated; as part of the commitment to build a healthier society through sports. Some 200 events were held at both the local and international level, which included:

- 2008 Le Tour de Langkawi
- 2008 SEA Junior Table Tennis Championship
- 1st Asian Indoor Hockey Championship
- MILO International Junior All Stars Tenpin Bowling Championship
- MILO International Junior All Stars International Squash Championship

Local support included the National Schools Sports Championships, various youth development programmes organised by the Malaysian School Sports Council, Olympic Council of Malaysia, Ministry of Youth and Sports and National Sports Association.

MILO also supported the Malaysian 2008 Beijing Olympic contingent by being the Official Nutritious Chocolate Malt Drink of the contingent. Malaysia was represented by 33 athletes; the largest Malaysian contingent in more than five (5) decades.

The NESCAFÉ brand also turned in a strong performance during the financial period, with the highlight of the year being the re-launch of NESCAFÉ CLASSIC instant coffee utilising a new proprietary technology that delivers stronger coffee aroma and taste; a result of continuous innovation.

The re-launch campaign featured well-known local Malaysian celebrities drinking the quintessential coffee drink that is prevalent in almost every household in Malaysia.

Overall, the coffee mixes business enjoyed significant growth, with new renovations such as the NESCAFÉ BODY PARTNER range with ‘Kacip Fatimah & Collagen’ and ‘Soya’ variants being introduced. The Group also launched the new NESCAFÉ 3in1 GOLD – which is the first coffee mix containing premium, freeze dried coffee.

### Foods

As part of its commitment towards being the leading Nutrition, Health and Wellness company, significant innovation and renovation was conducted for the Foods business, led by the “taste and balance” platform, to ensure that all current products are in line with the new direction. One of the recent innovations – the MAGGI TASTYLITE range of low fat noodles – is fast gaining market share and volume in the Modern Trade channels, and similar trends were recorded for the range of recipe mixes with lower sodium.

An innovative new campaign – the MAGGI brand presents the 1-2-3 of a tasty meal – was also very well received; educating consumers on the importance of balanced servings of carbohydrates, protein, vegetables and fruits at every meal.

Nestlé also continued its Corporate Responsibility efforts by extending its support for local hard-core poor farmers involved in contract chilli manufacturing by using their fresh chillies in the production of MAGGI Chilli Sauces.

In recognition of its communication efforts, the MAGGI 2-Minute Noodles “Tribute” campaign won the coveted Gold Award for marketing effectiveness at the Malaysian Effie Award 2008, which was for significant and breakthrough marketing campaigns based on true performance in the marketplace.

### Milks

The successful divestiture of the “canned liquid milks” business in 2007 has enabled the Group to increase focus and resources on strategic business segments where Nestlé can add value for long term, sustainable and profitable growth.

The high price of milk solids continued to be a source of concern, having a significant impact on the business. Despite considerable efforts to improve operational

efficiencies to mitigate the higher input costs, the Group was forced to pass on some of this cost increase to the consumer in the form of higher prices.

The Group has continued to invest in key brands including NESVITA OMEGA PLUS reduced fat filled milk powder, with ACTICOL, with added plant sterols (which has proven cholesterol lowering properties), NESVITA 3in1 nutritious cereal drink, COFFEE-MATE coffee creamer and NESPRAY ACTIVE PROTECTION growing up milk (GUM). Continuous innovation and renovation efforts saw the introduction of a new Chocolate variant for NESTUM, new affordable milk powder NESPRAY CERGAS, NESVITA 3in1 nutritious cereal drink with Green Tea and also the launch of NESLAC EXCELLA GOLD milk powder in the super premium GUM category. The Milks category continues to be an engine of growth for the Company.

### Confectionery

The confectionery business continued to break new grounds despite the lack-lustre economy, with both KIT KAT and MILO products turning in commendable performances. Growth results of KIT KAT from continued communication efforts targeted at calorie and wellness conscious young adults who seek a light wafer finger format.

The MILO product range's growth was driven by the launch of the MILO Wafer, under the Popularly Positioned Product (PPP) range, which aims to deliver an appropriate nutritionally balanced product at a price that all consumers can afford. This product also included for the first time on the front of pack – Guideline Daily Amount (GDA) which aims to provide user-friendly nutrition information to assist consumers manage their diet on a daily basis.

All the Confectionery products benefitted considerably from continued efforts to drive distribution deeper in the Traditional Trade, which saw the Group's share in this channel grow by a whopping 50% over the past two years.

### Nutrition

Infant Nutrition continued its growth process by focusing on science-based innovation and renovation. A key launch was the improved LACTOGEN infant formula with the addition of PREBIO1 GOS-FOS which consists of a special blend of galacto-oligosaccharide (GOS) and fructo-oligosaccharide (FOS) fibres which improve digestive comfort. Another new product was LACTOGEN 3 formulated milk powder for children, which supports the optimal growth and development of toddlers while providing users continuity and usage extension. Due to the rising cost of raw materials, the introduction of the LACTOGEN infant formula Bag-in-Box (BIB) 700g was timely, as it offered consumers value for money.

Nestlé continued its Corporate Responsibility efforts by extending its support for local hard-core poor farmers involved in contract chilli manufacturing by using their fresh chillies in the production of MAGGI Chilli Sauces.



Nestlé Malaysia's position as the Centre of Excellence for Halal within the Nestlé group has gained even more ground and importance, with the successful launch of the range of Asian ethnic products that are becoming increasingly popular in Europe.

Meanwhile, the new NESTLÉ Multi Grain and Mixed Fruits Cereal variant and "My First Solid Food" communication campaign was well received by consumers; further boosting the infant cereals sector. The products were supported by the roll out of the Nestlé Junior Club website ([www.weaning.com.my](http://www.weaning.com.my)), which provides expert nutritional advice to mothers, helping them build their confidence in nurturing their child's development and growth.

Nestlé HealthCare Nutrition continued its strong growth path by offering good tasting and innovative science-based nutritional products, and has gained a reputation for being the consumer preferred and trusted nutritional solution provider. The division continued its efforts to provide nutritional solutions and educational programmes to help diabetics manage their blood sugar level and lead normal lives. There was continuous education to the consumers and medical professionals, sampling activities, consumer promotions and recruitment campaigns.

Two key products include the NUTREN UNTUK DIABETIK nutritional supplement, which is designed to provide nutritional solutions for the management of blood sugar levels, and PEPTAMEN nutritional supplement, which meets the nutritional requirements of critically ill patients and aids in the recovery process.

Nestlé Performance Nutrition also broke new ground with the new formulation containing C2MAX, (formulation of the right ratio of glucose and fructose) which helps to improve performance by 8%. The division aims to help athletes to perform better by meeting their physiological needs. The "POWERBAR Performance System" with Step 1(Energise), 2(Refuel) and 3(Rebuild) helps athletes to select relevant sports nutrition products and consume them at the appropriate time.

### Chilled Dairy

Chilled Dairy embodies Nestlé's focus on Nutrition, Health and Wellness with its range of BLISS Yogurt Drink, NESTLÉ Yogurt and YOCO Cultured Milk Drink.

In response to the modern consumers' need for health, nutrition, convenience, enjoyment and wellbeing, 2008 marked an important milestone for the business as it became the first in the industry to offer a full range of chilled dairy products with "No Artificial Colouring" under the 'Some Things are Best Left Natural' communication campaign which received very positive feedback from consumers.

## Ice Cream

Nestlé Ice Cream registered double digit growth resulting from efforts in the Out-of-Home and Modern Trade channels. The division continued to spearhead the market with even stronger brand awareness, which saw continuous and sustained brand building efforts even during lack-lustre market conditions.

Nestlé Ice Cream continues to lead the market with innovations such as DRUMSTICK Techno, DRUMSTICK Retro ice cream and MAT KOOL Tangle, MAT KOOL Super Blaster and TROPICANA Plus ice confection.

Meanwhile, innovative promotional campaigns and successful launches helped to deliver higher results for the Catering and Premium Tub segments. LA CREMERIA, MILO, CRUNCH and SMARTIES ice cream and DIBS frozen confection tubs are now clearly leading the market with significant market share in the Premium Tub segment. The Group also re-launched the everyday low price Nestlé branded range of Take-Home Tubs with Hi Calcium, in line with the Nestlé corporate wellness initiatives, to further strengthen the leadership position in the affordable segment. Perennial favourites such as MILO, CRUNCH, TROPHY, and TROPICANA range of Impulse products have also contributed significantly to the overall turnover for the division.

## Nestlé Professional

The transformation of the FoodServices Business Unit into Nestlé Professional – a globally-managed business division dedicated to the Out-of-Home food and beverage market – added another pillar to the Company's long-term, profitable growth strategy.

The move was in response to a revolution in how and where consumers choose to dine and the need of the foodservice industry to deliver more creative and inspiring solutions.

Nestlé Professional marks an exciting beginning for Nestlé FoodServices in Malaysia as it blends several winning elements into a single resource that is aimed at fostering long-lasting relationships with foodservice operators - from five (5)-star hotels to the ubiquitous Mamak stalls.

From 2009 onwards, Nestlé Professional will be managed as a global and independent business totally dedicated to respond to the needs of Out-of-Home operators. Currently the market leader in the Out-of-Home sector, it aims to be an inspiring growth partner that delivers creative, branded food and beverage solutions that will enable operators to innovate and satisfy their customers.

## Exports

The Exports sector recorded another good year, representing 24% of Nestlé Malaysia's total business, from the 22% previously. Strides were made to penetrate new markets seeking Halal products and a recent addition to the export footprint is Algeria, which began importing milk powder from Nestlé Malaysia. Further inroads were made in the promotion and distribution of Halal food products to non-traditional markets such as France, the Netherlands and Switzerland.

Nestlé Malaysia's position as the Centre of Excellence for Halal within the Nestlé Group has gained even more ground and importance, with the successful launch of the range of Asian ethnic products that are becoming increasingly popular in Europe.

## Capital Expenditure

Total capital expenditure for the period under review was RM188 million, up from the RM103 million registered in the previous financial year, which consists of the Manufacturing as well as Sales and Distribution divisions. As in the previous year, the capital investments were in line with the increased market demand and the growing export volume.



A new plant to produce coffee creamer, which is located in Shah Alam was commissioned in 2008. The production line is designed and built according to the latest standards and technologies and will largely supply coffee creamer for the export market.

Efforts are also underway to increase the production capacity of soluble coffee at the factory in Shah Alam, and this is expected to be in operation at the end of 2009.

As in previous years, the Group has also made investments in the area of quality assurance and cost saving initiatives.

### Human Resources

Our corporate values of Trust, Respect, Involvement and Pride set the foundation for everything that we do at Nestlé, and is prevalent throughout the Company. During the period under review, the Group continued efforts to attract and retain the best talents for the Company. Among the efforts undertaken include:

- Employer branding through participation in Career Fairs and Talks.
- Talent building via the recruitment of Management Trainees, mid-career hires and expatriation of Malaysian talents.

- Training and Development programmes to further hone the skills of the managers and enhance their leadership profile.
- Accelerated career development and progression of promising talents.
- Initiation of wellness programmes and awareness campaigns to encourage employees to put in practise their nutrition knowledge and lead healthy lifestyles, which is in line with Nestlé's Nutrition, Health and Wellness journey.

In assessing our people engagement, the findings of our organisational climate survey showed encouraging results when benchmarked against other Global FMCGs as well as Malaysian corporations.

Also, in line with the Group's drive towards a High Performing Culture, the performance based remuneration approach has been extended to include unionised non-management employees, and this was amicably agreed through negotiations with the union.

As part of Nestlé on the Move, Nestlé Continuous Excellence (NCE) was rolled-out globally, with a focus on 'War on Waste' making Nestlé a "lean" and competitive organisation.

### Production, Supply Chain and Purchasing

Keeping pace with the rapid evolution of the business coupled with increased competition in the marketplace, focus was placed on ensuring the highest level of customer service to domestic and export customers, to maintain or increase market shares of product categories. An important factor in ensuring customer satisfaction is the provision of supply of products at the right quantity, time, quality and taste, freshness, convenience and cost. To ensure these objectives, the Finance & Control, Production and Supply Chain divisions adopted an integrated approach to teamwork and projects related to customers, ensuring reliable and constant customer service which would exceed the demands of all customers.

Towards this end, Nestlé has globally rolled-out the Nestlé Continuous Excellence – or NCE – programme, which aims to accelerate the achievement of the 3C's:

- Delighting the Consumers
- Having a Competitive Advantage
- Excelling in Compliance

The programme is based on a one (1) Team approach, with a 100% engagement of all employees to touch their hearts and minds

on a collective war on waste. It combines all the benefits of TPM in the factories with LEAN (a concept to eliminate waste in the value stream) throughout the value chain.

Nestlé Malaysia, which introduced the Mission Directed Workteam (MDWT) concept several years back, has seen the people engagement aspect of the MDWT being applied as one of the foundations of the new NCE model. A factory in Shah Alam has the distinction of being one of the 25 worldwide reference factories piloting NCE and rolling out TPM.

Additionally, the Executive Diploma in Manufacturing Management (EDMM) – a collaboration with the Open University of Malaysia, which combines workplace and classroom learning for Nestlé's First Line Managers, saw the graduation of 48 employees.

While the year under review proved to be very challenging for Purchasing to ensure a steady supply of materials at competitive cost, the local and regional Purchasing teams pressed on with efforts to source alternative suppliers, to improve supply availability in full and on time, while ensuring price competitiveness.

## Prospects

The new year poses greater challenges, with uncertainty being a key constant. Every organisation has to further hone its skills and ability to circumvent the changes as they occur, and the Group will continue to drive the business further and ensure that its growth is not derailed.

Notwithstanding the tough economic environment projected in 2009, the Group still expects to deliver a sustained and positive performance. As part of its on going drive – “Nourishing Malaysia”, the Group will take the necessary steps to counter the bearish consumer sentiment and likelihood of tight spending. The Group will continue to focus on its longer-term objectives and strategies to generate demand and continue to expand and implement CAPEX for the manufacturing of Halal products in 2009. It is key for the Group to be recognised as the leader in Nutrition, Health and Wellness and as the industry benchmark for financial performance; trusted by all stakeholders.

Despite the anticipated volatility in the global financial markets and the anticipated slow down in consumer spending, the Group will strive for sustainable profitable growth and capital efficiency, and will take all the necessary measures and steps to ensure that the Company's progress remains on track.

It is key for the Group to be recognised as the leader in Nutrition, Health & Wellness and as the industry benchmark for financial performance; trusted by all stakeholders.



# New



## NESCAFÉ BODY PARTNER

### Soya and Kacip Fatimah & Collagen Premix Coffee

Savour a great tasting cup of coffee with the goodness of soya, a rich source of protein essential for the building and repair of skin tissues. It also contains Vitamins A, C and E for that additional antioxidant benefit. Indulge in the goodness of the traditional ingredient Kacip Fatimah, combined with Collagen, only for women.



## MILO Wafer in Chocolate Flavoured Confectionery

Made with layers of crispy wafer and sprinkled with MILO kibbles on top, this product contains ACTIGEN-E with a blend of 8 vitamins and 4 minerals to assist in providing energy release from carbohydrates, fats and protein in food.

## NESTLÉ Fat Free Yogurt

A delicious healthy snack minus the fat content. Taste the mouth-watering blend of real fruits swirling in fat free milk that has the goodness of calcium and contains live culture too. Now comes in two new exciting flavours – Strawberry Lychee and Tropical & Mixed Fruits in addition to the other 6 great flavours available (Strawberry, Mixed Berries, Mango, Kiwi, Peach Melba and Natural).



## MILO UHT 200ml

Nutrition on the go with the new MILO UHT 200ml pack. This daily energy pack is available at an affordable price in Sabah and Sarawak only.

# Products



## **SMARTIES** Non-Artificial Colours Chocolate in a Crisp Sugar Shell

The same milk chocolate goodness your kids know and love now uses non-artificial colours from plant and mineral sources.



## **NESTLÉ LA CREMERIA** Nuts & Macadamia Paradise and Chocolate Mocha Indulgence Ice Cream

Nuts & Macadamia Paradise is the ultimate indulgence with macadamia and vanilla flavoured ice cream, loaded with peanuts and macadamia nuts swirled in dreamy caramel sauce; while Chocolate Mocha Indulgence is a silky smooth chocolate and mocha flavoured ice cream with sweeping overtures of chocolate layers and multiple bites of chocolate chips.

## **NESPRAY CERGAS** Powdered Milk

Suitable for children aged 1 year and above, NESPRAY CERGAS Powdered Milk is a valuable source of protein, calcium, iron and 4 essential vitamins. This great-tasting milk is easy on the pocket too – so helping to meet your child's daily nutritional needs has never been easier.



## **NESLAC EXCELLA GOLD**

### **Formulated Milk Powder for Children**

A formulated milk powder for children developed by the Nestlé Research Centre in Switzerland, it contains EXCELLA Nutri – a well-balanced nutrition combination that promotes all-round excellence – BL BIFIDUS (active culture) and PREBIO1 (Oligofructose and Inulin) to support the growth of friendly bacteria; DHA, SPH, ARA and SA to help accelerate learning; protein, energy, 15 essential vitamins and minerals to fuel optimal physical and mental growth.



## NEW PRODUCTS

### NESTUM All Family Cereal - Chocolate

NESTUM All Family Cereal-Chocolate provides 11 vitamins and minerals for your general wellbeing, whole grains with higher level of Vitamin B, minerals and fibre and the great chocolatey taste that makes your breakfast even more enjoyable.



### NESTLÉ Multi Grain & Mixed Fruits Infant Cereal

A complete meal everyday for children 1 year and above, it is fortified with PREBIO1 for a healthy and good digestive system, and with DHA, an important building block for your baby's brain and eye development.

### New NESCAFÉ CLASSIC Instant Coffee

New NESCAFÉ CLASSIC Instant Coffee is improved using advanced coffee technology that captures the aroma of freshly roasted coffee beans. Enjoy the new fresh aroma and taste for a great start to the day every morning.



### MAT KOOL Tangle Ice Confection

The refreshing ice lolly with attractive chocolate dazzles comes in 2 flavours – Apple Orange and Strawberry Pineapple.



### NESTLÉ LA CREMERIA 500ml Ice Cream

Now Malaysia's favourite LA CREMERIA premium ice cream comes in smaller tubs of 500ml. Indulge in four popular flavours – Almond Pecan Praline, Chocolate Hazelnut Temptation, Chocolate Obsession and Vanilla Cashew Delight.



### **MAT KOOL Super Blaster Ice Confection**

Orange and pineapple flavoured ice confection that comes with a play value ice lolly stick – a huge water squirter! Endless fun even after the ice confection is finished.



### **THE DARK KNIGHT**

#### **Lime and Cola Flavoured Ice Confection**

The first ice cream brand in Malaysia to bring THE DARK KNIGHT lime and cola flavoured ice lolly which is also high in Vitamin C.



### **NESTLÉ SMARTIES Frozen Confection Cup**

Comes with lots of colourful SMARTIES, swirled in delicious vanilla frozen confection.



### **MILO GOLD Nutritious Chocolate Malt Drink**

MILO GOLD Nutritious Chocolate Malt Drink combines the nutritious goodness of MILO powder and milk. In addition to ACTIGEN-E and PROTOMALT, it also contains CALCI-N that contains the extra dose of calcium from milk which aids the development of strong bones and teeth.



## NEW PRODUCTS



### MILO and CRUNCH Ice Cream 1L Tub

MILO Ice Cream 1L Tub is a great tasting chocolate and malt flavoured ice cream with ACTIGEN-E loaded with MILO Nuggets, while CRUNCH Ice Cream 1L Tub is a delightful vanilla chocolate flavoured ice cream with lots of crunchy chocolate-coated rice crispies and chocolate layers.



### DRUMSTICK Techno and DRUMSTICK Retro Ice Cream

DRUMSTICK Techno, the first innovation square top cone made with delicious chocolate with a tinge of orange flavoured ice cream, draped with orange flavoured chocolate sauce and square chocolate chunks toppings. Savour a refreshing orange sauce ripple in the centre of the cone. DRUMSTICK Retro, the classic round-shaped cone filled with chocolate with a tinge of hazelnut flavoured ice cream, topped with luscious hazelnut sauce and chocolate droplets, and surprising hazelnut sauce ripple in the centre of the cone.

### NESCAFÉ 3in1 GOLD Premix Coffee

Now you can enjoy the distinctive taste and rich aroma of NESCAFÉ GOLD instant coffee in a convenient 3in1 format. Offering our finest selection to coffee lovers with a demanding lifestyle.



### NESTLÉ DIBS Frozen Confection

NESTLÉ DIBS is a bite-sized frozen confection coated in chocolate that offers you playful, poppable pleasures you can snack on anytime, anywhere.



### TROPICANA Plus Ice Confection

Refreshing ice lollies made from real mango fruit juice and with a large piece of real mango fruit embedded inside the ice lollies to give a delightful eating experience.



### NESVITA 3in1 Green Tea Nutritious Cereal Drink

NESVITA 3in1 Green Tea Nutritious Cereal Drink is whole grain and packed with 14 vitamins and minerals. Green tea has long been valued for its natural goodness as an antioxidant. Formulated for those who have little time but want a healthy breakfast to start their day right, it will help kick-start the body's metabolism with essential nutrients that can help improve concentration and alertness throughout the day.

### MAGGI CHEF'S SECRET

#### Concentrated Seasoning Powder

MAGGI CHEF'S SECRET Concentrated Seasoning Powder enhances and brings out the natural flavours of the ingredients used in any dish. The versatile seasoning powder can be used for all types of dishes – Chinese, Malay, Indian or Western cuisine.



### MILO GRAB 'N GO Can Drink

The new range of MILO can drinks now comes with a new identity and new design – MILO GRAB 'N GO for today's dynamic and energetic youth!



### MAGGI Imperial Oyster Sauce Blended with Seafood

This oyster sauce enhances the dish flavour of various Chinese cuisine and is suitable for stir-frying, marinating, pour-over, stewing and as base sauces. It is a superior oyster sauce that delivers higher oyster note and better taste.



# Highlights



## 1. Launch of Nestlé Professional

It was an important milestone for Nestlé FoodServices Malaysia when it announced its transformation to Nestlé Professional. With its mission statement, "To become an inspiring growth partner that delivers creative, branded food and beverage solutions enabling operators to innovate and delight their consumers", the name change signifies a paradigm shift and a new era in the industry. Nestlé Professional became a globally-managed business as of 1 January 2009.



## 2. Nestlé Lends Vitality to Nutrition Month Malaysia

Reflecting our commitment to nutrition, Nestlé was the main sponsor of Nutrition Month Malaysia 2008, the nation's foremost nutrition campaign, which was started in 2002. Nestlé joined forces with the Nutrition Society of Malaysia (NSM), the Malaysian Dietitians' Association (MDA) and the Malaysian Association for the Study of Obesity (MASO) for this campaign, which lasted throughout the month of April. A health and nutrition carnival was held at the Sunway Pyramid Shopping Mall, featuring sampling of a huge variety of wellness products, fun-filled activities for the whole family as well as free nutrition screening and advice. The 'Eat Right, Enjoy Life!' campaign aims to inform consumers that wellness and vitality isn't just about eating right and getting the proper nutrition, but also involves physical activity, socio-emotional wellbeing and disease prevention.



## 3. NNI Malaysia's Inaugural Scientific Symposia

Since its inception in April 2007, Nestlé Nutrition Institute (NNI) Malaysia successfully organised its 1st Scientific Symposia entitled "Perinatal & Childhood Nutrition Series 1", in four cities – Penang, Johor Bahru, Kota Kinabalu and Kuala Lumpur. Bringing together 550 healthcare professionals, renowned experts in the field of perinatal and childhood nutrition and health presented and exchanged the latest information and knowledge and facilitated discussions among the healthcare professionals of Malaysia on the topic of childhood obesity and allergy, probiotics and the role of breastfeeding.



# 2008

## 4. Nestlé Supermeet 2008

After a hiatus of 14 years, the Nestlé Supermeet 2008 successfully took place from 2–4 May. The sports meet saw the active participation of more than 1,600 athletes from Nestlé Malaysia and Nestlé Singapore. More than 6,000 employees congregated at the Maybank Training Centre in Bangi on 3 May to participate in the Supermeet Carnival and to cheer for their 13 contingents. The Head Office contingent consisting of 145 participants capped the event by winning the coveted Nestlé Supermeet 2008 Challenge Trophy. At second place was Chembong Complex and KL Branch came in third in a very close battle. The three-day affair was a fun-filled event, one that will be long remembered after the event is over. The athletes all displayed their spirited sportsmanship, teamwork and solidarity that made Nestlé Supermeet 2008 a successful affair.



## 5. Mr. Brabeck Contributes towards World Economic Forum on East Asia

The 17th World Economic Forum on East Asia returned to Malaysia, where 300 leaders representing over 20 countries convened to debate the challenges and priorities that will ultimately shape the region's future agenda. Chairman of Nestlé S.A., Mr. Peter Brabeck-Letmathe was invited to present his views at the annual global gathering in Kuala Lumpur in June. Business leaders highlighted the role of the Government in food price increases, warning of mounting unrest and protectionism if urgent actions are not taken. Food, fuel and finance dominated the closing session. Mr. Brabeck warned that water shortage is the next global crisis waiting to happen. According to the survey which wrapped the two-day meeting, climate change and water shortage emerged as the top issues with the greatest impact on Asia. "Until very recently East Asia was a follower of the global agenda, but for the first time it is now a leader. The world looks to this region to get it out of the current financial crises," said Mr. Brabeck. The World Economic Forum is an independent international organisation committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas.



*\* Photos courtesy of World Economic Forum.*





### 6. Nestlé Malaysia is Country's Most Admired Company

Nestlé (Malaysia) Berhad earned the top spot as the overall most-admired Malaysian company ahead of other corporate giants in the Wall Street Journal Asia's Asia 200 survey of readers. Nestlé was also No. 1 in the categories of corporate reputation and quality of its products and services, and No. 3 in innovation in the survey. The Asia 200 survey of 2,447 executives and professionals conducted by market-research firm Colmar Brunton in 12 Asian-Pacific countries is the ultimate performance review of Asia's leading companies.

### 7. New Pack for MILO UHT

Malaysia's best-known nutritious chocolate malt beverage, MILO, is now available in a sleeker and slimmer pack at the affordable price of only RM1.10 in East Malaysia. The new MILO UHT 200ml pack was launched at Gaya Street by the Minister of Resource Development and Information Technology of Sabah, Datuk Dr. Yee Moh Chai, together with our Managing Director Mr. Sullivan O'Carroll. The new packs will be manufactured by Sabah International Dairies (SID), a local manufacturing company with 28 years of experience in the UHT industry. The partnership will see SID sourcing for local ingredients and producing the drink for both Sabah and Sarawak markets.

### 8. Nestlé Wins Two StarBiz-ICRM Awards

Seven companies were honoured with the inaugural StarBiz-Institute of Corporate Responsibility Malaysia Awards for demonstrating outstanding corporate responsibility (CR) practices. Nestlé bagged two awards, under the categories of 'Community' for our SME mentoring programme and 'Marketplace' for our on-going product innovation and renovation to reduce sugar, sodium and fat content in our entire product portfolio. We were also awarded for introducing the Nestlé Nutritional Compass, a worldwide nutrition labelling initiative for the benefit of the consumer. Executive Director, Production Dr. Magdi Batato accepted the Awards on behalf of the Company. The winners were judged according to four categories – Marketplace, Workplace, Environment and Community.

*\* Photos courtesy of The Star.*



## 9. Sultan of Selangor Launches Coffee Creamer Plant

Nestlé Malaysia's coffee creamer plant located at the Shah Alam Complex was launched by HRH The Sultan of Selangor, Sultan Sharafuddin Idris Shah on 10 November. HRH was briefed on the Nestlé operations worldwide as well as in Malaysia, before HRH was brought on a tour of the Mission Directed Work Teams (MDWT) employee engagement initiative and of the Ready-to-Drink plant. After the inauguration of the coffee creamer plant, HRH was given an overview of the new NESCAFÉ plant and the MAGGI air-dried noodle line at the Batu Tiga factory. The new RM75 million regional plant using the state-of-the-art creamer technology and its latest manufacturing processes and know-how will produce COFFEE-MATE coffee creamer and creamer for other Nestlé products such as 3in1 coffee. Seventy per cent of the products produced in the new plant are for the export market while thirty per cent is for the domestic market.



## 10. Nestlé-OUM Collaboration Produces First Batch of EDMM Graduates

Our strategic initiative to enhance factory operations through the development of human capital saw the first batch of 48 participants receiving their Executive Diploma in Manufacturing Management (EDMM) at the recent Institute of Professional Development, Open University Malaysia (OUM) Awards Ceremony. The training programme, which resulted in the promotion of Production Executives to First Line Managers, was developed jointly by Nestlé and OUM. At the ceremony, President/Vice-Chancellor of OUM, Professor Tan Sri Anuwar Ali also presented a Certificate of Appreciation to Executive Director, Production, Dr. Magdi Batato, in recognition for his generous contribution and leadership in the development of the programme.



## 11. MD at Global Brand Forum

Our Managing Director Mr. Sullivan O'Carroll was invited to be part of the Global Brand Forum (GBF) 2008 themed "Creating Leader Brands", an event focussed on bringing global best practices to energise, transform, raise the brand consciousness of Malaysian marketeers and prepare brands to be globally competitive. Mr. O'Carroll was a panel speaker at a workshop entitled "Effective Brand Strategies in the Consumer Goods Industry", together with the former Global Chief Marketing Officer of P&G, Mr. Jim Stengel and the Chairman of GBF, Mr. Karthik Siva.

*\* Photos courtesy of Media Prima / Global Brand Forum Malaysia.*





# Nestlé

## Nestle Malaysia eyes larger share of RM11b mart

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吸引社会资金投入社会

吸引社会责任投资基金  
马企可用良好企业责任报告

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## Nestle raises outlook after strong 2008 start

FIGURE 20. "Black" immigrant women working for white private-sector employers.

100

## Nestle captures big slice of halal export business

**N**

## Firm lends vitality to nutrition month



MASSO president Prof Dr Mahid Jumaat Noor (left) and Society of Malaysia founding president Dr Cheong Wee Ewe (right) receive the award.

unveiled the "Eat My (or)" guidelines book. "People eat no restriction, but they eat no restriction," he said.

Charity organised by the British Society of Malaysia (BSM), the Malaysian Chambers of Commerce (MCC), and the Russian Association for the City of Chongqing (MARCC), the

## Grads for CR report

## Nestle, UEM win awards for CR reporting

**KUALA LUMPUR:** Nestle (M) Bhd and UEM Environment Sdn Bhd are the winners of the Association of Chartered Certified Accountants

(ACCA) Malaysia Environmental and Social Reporting Awards (Mensa) 2007 for the social and environment reporting categories respectively.

president Danah Khalil Ahmad said Nestle beat 44 other entries for the social reporting category, while UEM Environment won over 16 other entries for the environment report-

Datuk Khalid Abesad (2nd from right) and Securities Commission managing director Datuk Nis Ramiah (1st from right, 2nd from right) posing with the winners of the ACCA Mena 2007 awards

On the link between CSR and accountants, Khalid said: "They (accountants and auditors) play a

names bolster up Nestlé

## Didik keluarga

Nestle-WWF pulihara **Setiu Wetlands**

**WOLFE** showed the video about Japan, telling her about the fun he had there. "I was in Japan for two weeks, and when I brought my camera back, I brought pictures of the people, the food, the things that were there," he said.

...and a growing body of work, such as her book *Women's Work*, has been published, but...

Nestle pays special dividend, posts stellar earnings

**Joe Namath**  
Joe Namath, the former New York Jets quarterback, is seen in a photo from the 1970s, wearing a Jets uniform, standing on a field.

「香港資訊日展」  
為「財技天下」人脈及  
資訊交流的平台。香港  
資訊及通訊業發展局

省農林廳與農業研究發展局攜手  
推動農業經濟發展紅米種植計劃

Strong brand na

## Strong brand names bolster up Nestlé

**M**any people, young and old, are increasingly relying on digital devices to help them learn. But how can we ensure that the technology is used to its full potential? This is the question that the National Science Foundation (NSF) is asking. The agency is looking for ways to use digital technology to improve learning outcomes, and it is asking for proposals that will help it do so. The agency is looking for proposals that will help it do so. The agency is looking for proposals that will help it do so.

These services include financial advice, insurance, and investment management. The company also offers a range of other services, including tax planning, estate planning, and retirement planning. The company is a member of the National Financial Planning Association (NFPA) and the International Board of Standards and Practices for Certified Financial Planners (IBCFP).

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## Didik keluarga makan di rumah

**Dr. Robert M. Bell,**  
Chairman, American  
Society of Human  
Resources Management





# in the News

## Sarapan percuma bersama NESCAFE



## Nestle holds strong to lifelong learning

By RAJAH NAJIB

Nestlé (Malaysia) Berhad's (Nestlé) Executive Diploma in Manufacturing Management (EDMM) was awarded a success after its first batch...



## Nestle raises sales forecast after profit rise

VEVEY (Switzerland): Nestlé SA, the world's largest food company, said yesterday its sales forecast for the year...



## Nestle Malaysia labur RM185j mantapkan operasi



## Nestle juara VMY Go Green Sarawak



## Didik amal pemakanan sihat

KUALA LUMPUR: Pengurusan Pesta Bulan Pemakanan Malaysia (NMM) 2008 yang berlangsung sepanjang bulan ini akan mengetengahkan pelbagai program dan aktiviti berkaitan bagi mendidik masyarakat di negara ini mengenai amalan pemakanan sihat.



KERJASAMA...Tengku Marina bertukar dokumen dengan Presiden NSM, Dr Tee E Siong sambil dengan Penasas NSM, Dr Chong Yoon Hin.

## Nestle net profit rises to RM81.7m

PETALING JAYA: Nestlé (M) Bhd's net profit in the second quarter against RM1.011 while earnings per share rose to RM0.3485...

## StarBiz-ICR 2008 Corporate Responsibility Awards



## Winners on way forward

Winners at the inaugural StarBiz-ICR Malaysia Corporate Responsibility Awards 2008 last Friday are clearly not resting on their laurels as they tell StarBiz about their aspirations and near-term corporate responsibility goals.

| Category  | Winner  |
|---|---|
| 2008 COMMUNITY <td>Dr. Ng Seng Guan, Director General, National Health Service (NHS)</td>             | Dr. Ng Seng Guan, Director General, National Health Service (NHS) |
| 2008 ENVIRONMENT <td>Dr. Ng Seng Guan, Director General, National Health Service (NHS)</td>           | Dr. Ng Seng Guan, Director General, National Health Service (NHS) |
| 2008 EMPLOYMENT <td>Dr. Ng Seng Guan, Director General, National Health Service (NHS)</td>            | Dr. Ng Seng Guan, Director General, National Health Service (NHS) |
| 2008 PRODUCTIVITY <td>Dr. Ng Seng Guan, Director General, National Health Service (NHS)</td>          | Dr. Ng Seng Guan, Director General, National Health Service (NHS) |
| 2008 SOCIAL RESPONSIBILITY <td>Dr. Ng Seng Guan, Director General, National Health Service (NHS)</td> | Dr. Ng Seng Guan, Director General, National Health Service (NHS) |



# Corporate Responsibility at Nestlé Malaysia

## Our Principles and Values

Nestlé employees around the world conduct business in an ethical and professional manner as they are guided by The Nestlé Corporate Business Principles. These principles are based on the origins of our Company, more than 140 years ago, and reflects the basic ideas of fairness, honesty and a general concern for people.

“A Heart for Excellence” which is at the centre of our corporate values of Trust, Respect, Involvement and Pride, refers to Nestlé’s care in the pursuit of success. This combines our commitment to corporate responsibility and business performance, which is the basis of our corporate responsibility concept of Creating Shared Value.



## Corporate Responsibility in the context of Creating Shared Value

We believe that for long-term sustainable business success, Nestlé must create value not only for its shareholders but also for society. This includes our employees, the farmers who grow our agricultural produce, our consumers who purchase our value-added products and the communities where we operate.

Through creating shared value, Nestlé links its operations to long-term value both for its business and for society as a whole, and success is defined in terms of internal financial returns and external social and economic results. Ultimately creating shared value acknowledges both the work that Nestlé needs to do to reduce negative impacts on society as well as and more fundamentally, how we can be part of progress on global challenges.

## The UN Global Compact and the UN Millennium Development Goals

The on-going evolution of Nestlé’s Corporate Business Principles has seen the inclusion of the 10 UN Global Compact (UNGC) Principles in the document which reinforces the importance of UNGC principles on our business practices.

Nestlé also supports the UN Millennium Development Goals which we regard as highly important objectives which can result in positive sustainable change. Through strategic partnerships, we have been able to respond and prioritise what is required to address the most pressing needs of society. There are many examples in our Creating Shared Value report, of the Company’s initiatives to demonstrate our long-term commitment to some of these goals, in particular to reduce poverty and provide equal opportunities in education.

For details on Nestlé’s initiatives in corporate responsibility and shared value creation, please refer to the Creating Shared Value Report which is enclosed with the Nestlé (Malaysia) Berhad 2008 Annual Report.

**“As the Malaysian capital market grows and expands, the Securities Industry Development Corporation constantly looks for ways and means to educate investors on the value of good corporate governance and CSR. At the same time, companies must play their part by giving good corporate governance and CSR top priority and emplace these as part of their business operations. Nestlé Malaysia has proven that this is a winning and sustainable strategy to ensure long-term organic growth. I would like to challenge Nestlé to take this a step further by assuming the leadership role in Corporate Malaysia and actively share and showcase its best practices thus acting as a catalyst for an all-around improvement of CSR practices in the private sector.”**

**Mr. John Zinkin**

CEO of Securities Industry Development Corporation (SIDC),  
Securities Commission of Malaysia



**“Managing employees in a responsible way is not limited to ensuring that they are appropriately remunerated and work in a safe and healthy environment. Diversity, gender equality, equal opportunity employment, staff welfare and human capital development are just as important. We are heartened to see that Nestlé Malaysia takes a very serious approach in developing its human capital by offering continuous and lifelong learning programmes to its employees, such as its collaboration with Open University Malaysia. Progressive, empathic and nurturing workplace practices are powerful catalysts to achieving a balanced and dynamic workforce.”**

**Y.M. Tunku Datuk Nazihah bte Tunku Mohd Rus**

Commissioner, Human Rights Commission of Malaysia (SUHAKAM)

**“The Nestlé-NASMEC Mentoring Programme has enlightened me on the importance and method of achieving Quality and Food Safety in international trade as well as helping our company implement Halal food standards. As SMEs account for 96.5% of all enterprises in the manufacturing sector in Malaysia, the future holds good for Malaysian SMEs if they adopt the right strategies – to change and upgrade the way we do business by investing in people, technology and systems. Nestlé’s commitment in assisting the SME community is commendable as it helps develop SMEs to become its strategic partners as co-packers and suppliers. At the same time, Nestlé is like an information centre where SMEs can seek knowledge in order for us to improve on our operations and be globally competitive.”**

**Mr. Koh Keng Kok**

Managing Director, Hai Soon Leong Sdn Bhd





# Board of

SEATED, FROM LEFT:

Tan Sri Dato' Seri Syed Anwar  
Jamalullail

Sullivan O'Carroll

General [Rtd] Tan Sri Dato'  
Mohd Ghazali Seth

STANDING, FROM LEFT:

Stéphane Alby  
[Resigned on 30 November 2008]

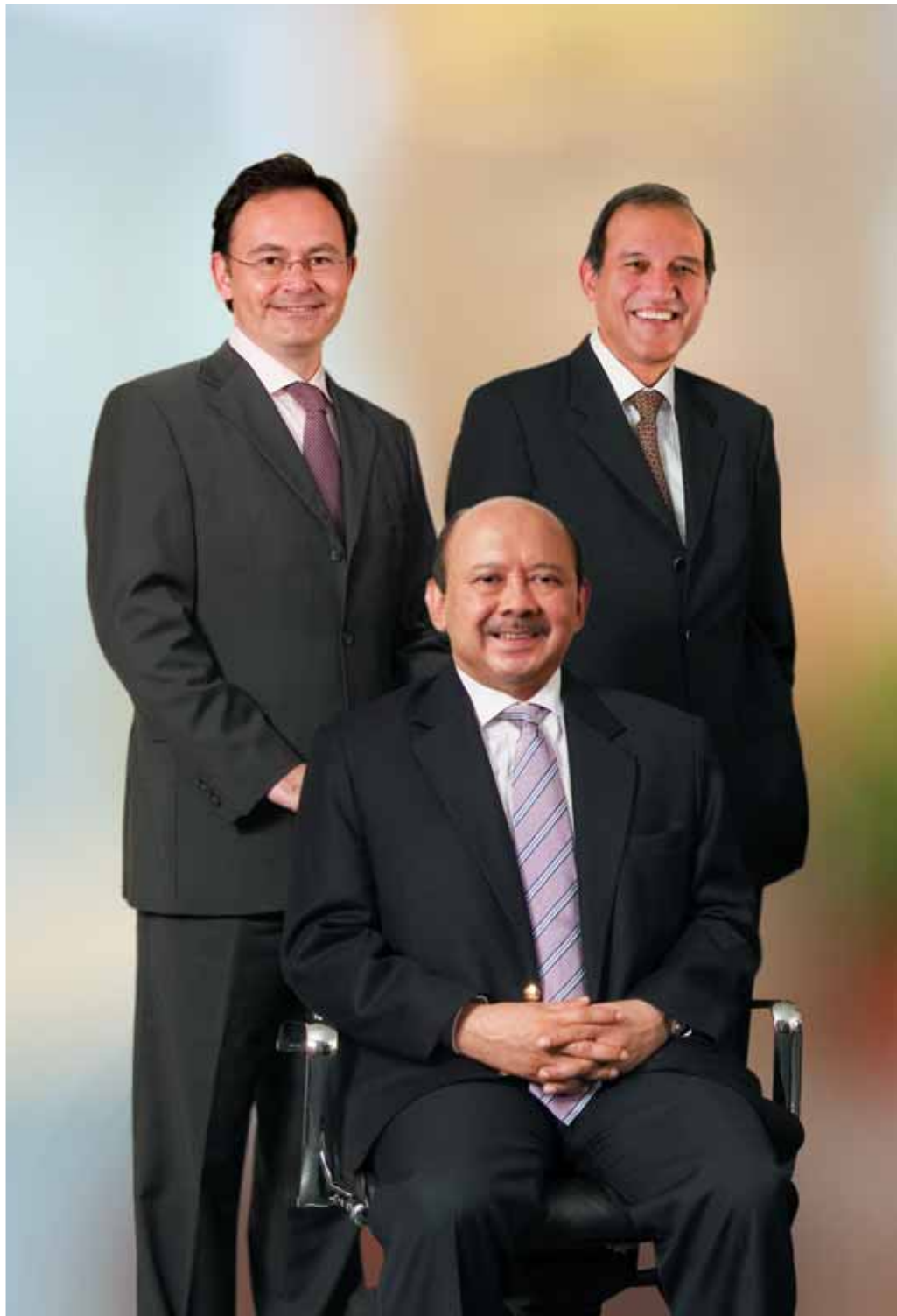
Mohd. Rafik bin Shah Mohamad

Tan Sri Dato' Ernst Zulliger

Tengku Tan Sri Dr. Mahaleel  
bin Tengku Ariff

Dato' Frits van Dijk

Marc Seiler  
[Appointed on 1 December 2008]



# Directors





# Corporate Data

## Board of Directors

General [Rtd] Tan Sri Dato' Mohd Ghazali Seth  
Independent, Non-Executive Director  
Chairman of the Board of Directors  
Chairman of the Audit Committee

Tan Sri Dato' Ernst Zulliger  
Independent, Non-Executive Director  
Member of the Audit Committee

Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff  
Independent, Non-Executive Director  
Member of the Audit Committee

Tan Sri Dato' Seri Syed Anwar Jamalullail  
Independent, Non-Executive Director  
Member of the Audit Committee

Mohd. Rafik bin Shah Mohamad  
Independent, Non-Executive Director  
Member of the Audit Committee

Dato' Frits van Dijk  
Non-Independent, Non-Executive Director

Sullivan O'Carroll  
Managing Director  
Alternate Director to Marc Seiler

Stéphane Alby  
Executive Director  
[Resigned on 30 November 2008]

Marc Seiler  
Executive Director  
Alternate Director to Sullivan O'Carroll  
[Appointed on 1 December 2008]

Magdi Batato  
Alternate Director to Dato' Frits van Dijk

## Registered Office

Nestlé House  
4 Lorong Persiaran Barat  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Telephone : +603 7965 6000  
Facsimile : +603 7965 6767  
Website : www.nestle.com.my

## Company Secretary

Mohd. Shah bin Hashim [LS 0006824]

## Share Registrar

Tenaga Koperat Sdn. Bhd. [118401-V]  
17th Floor, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia  
Telephone : +603 2264 3883  
Facsimile : +603 2282 1886

## Auditors

KPMG [Firm No. AF 0758]  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : +603 7721 3388  
Facsimile : +603 7721 3399

## Principal Bankers

Malayan Banking Berhad [3813-K]  
Citibank Berhad [297089-M]

## Stock Exchange Listing

Main Board  
Bursa Malaysia Securities Berhad  
[635998-W]

## Audit Committee

General [Rtd] Tan Sri Dato' Mohd Ghazali Seth  
Chairman

Tan Sri Dato' Ernst Zulliger  
Member

Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff  
Member

Tan Sri Dato' Seri Syed Anwar Jamalullail  
Member

Mohd. Rafik bin Shah Mohamad  
Member  
[Appointed on 7 August 2008]

# Profile of Directors



## **General [Rtd] Tan Sri Dato' Mohd Ghazali Seth**

Independent, Non-Executive Director  
Chairman of the Board of Directors  
Chairman of the Audit Committee  
Malaysian Citizen, Age 80 years

General [Rtd] Tan Sri Dato' Mohd Ghazali Seth was appointed as an Independent, Non-Executive Director of the Company on 6 January 1986. He is the Chairman of the Board of Directors and the Audit Committee. General [Rtd] Tan Sri Dato' Mohd Ghazali Seth is a retired General who has had an illustrious career with the Malaysian Armed Forces for nearly 36 years. Currently he is also a director of The Royal Bank of Scotland Berhad [formerly known as ABN AMRO Bank Berhad] and Pacific & Orient Insurance Co. Berhad. He holds 10,000 shares in the Company, but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. General [Rtd] Tan Sri Dato' Mohd Ghazali Seth has attended all 4 [four] meetings of the Board of Directors held for the financial year ended 31 December 2008.





## PROFILE OF DIRECTORS

### **Tan Sri Dato' Ernst Zulliger**

Independent, Non-Executive Director  
Member of the Audit Committee  
Swiss Nationality, Age 76 years

Tan Sri Dato' Ernst Zulliger was appointed as an Independent, Non-Executive Director of the Company on 30 November 1983. He is also a member of the Audit Committee. Tan Sri Dato' Ernst Zulliger studied Commerce and Business Administration in Switzerland and has also attended the International Institute for Management Development [IMD], in Lausanne, Switzerland. He has served the Nestlé group of companies worldwide for a remarkable 37 years and prior to his retirement, he was the Managing Director of the Company. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tan Sri Dato' Ernst Zulliger has attended 3 [three] meetings of the Board of Directors held for the financial year ended 31 December 2008.

### **Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff**

Independent, Non-Executive Director  
Member of the Audit Committee  
Malaysian Citizen, Age 62 years

Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff was appointed as an Independent, Non-Executive Director of the Company on 30 April 2003. He is also a member of the Audit Committee. Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff graduated with a Bachelor of Arts [Honours] from the University of Malaya in 1970 and has attended courses conducted by Harvard, London School of Economics & Manchester Business School on Strategy, Strategic Management and Marketing. He has had a very diverse career background, having commenced his career in the Marketing and Sales Department of Nestlé, then in 1974 he joined Shell Malaysia for 20 years before leaving to serve New Toyo, Mofaz, with his last position as the Group Chief Executive Officer of Proton Holdings Berhad. Currently he is also the Executive Chairman of Tien Wah Press Holdings Berhad, a visiting Professor of the School of Management, University Sains Malaysia and a member of the London Business School Regional Advisory Board. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff has attended 3 [three] meetings of the Board of Directors held for the financial year ended 31 December 2008.



**Tan Sri Dato' Seri Syed Anwar Jamalullail**

Independent, Non-Executive Director  
Member of the Audit Committee  
Malaysian Citizen, Age 57 years

Tan Sri Dato' Seri Syed Anwar Jamalullail was appointed as a Non-Independent, Non-Executive Director of the Company on 25 February 2002, and subsequently reclassified as an Independent, Non-Executive Director on 5 November 2004. He is also a member of the Audit Committee. Tan Sri Dato' Seri Syed Anwar Jamalullail, who holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia, is a qualified Chartered Accountant from the Malaysian Institute of Accountants and he is also a Certified Practising Accountant from the Australian Society of Certified Practising Accountants, having qualified in 1984. He commenced his career in 1975, with Malaysian Airlines Systems Berhad as the Financial Accountant, before moving on to hold senior positions in various companies such as Price Waterhouse Australia, D & C Nomura Merchant Bank Berhad, Amanah Merchant Bank Berhad, Mega SPJ Sdn. Bhd., Coral Land Sdn. Bhd., Amanah Capital Partners Berhad and he was also the Investment Panel Chairman of Lembaga Tabung Haji. Currently he is also the Chairman/director of EON Bank Berhad, and a director of a few public listed companies, namely DRB-Hicom Berhad, Cahya Mata Sarawak Berhad and EON Capital Berhad. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tan Sri Dato' Seri Syed Anwar Jamalullail has attended all 4 [four] meetings of the Board of Directors held for the financial year ended 31 December 2008.



**Mohd. Rafik bin Shah Mohamad**

Independent, Non-Executive Director  
Member of the Audit Committee  
Malaysian Citizen, Age 58 years

Mohd. Rafik bin Shah Mohamad was appointed as a Non-Independent, Non-Executive Director of the Company on 1 June 2007 and subsequently, he was re-classified as an Independent, Non-Executive Director on 7 August 2008. He is also a member of the Audit Committee. Mohd. Rafik bin Shah Mohamad is a qualified Chartered Accountant from the Malaysian Institute of Accountants and is a member of the Association of Chartered Certified Accountants, United Kingdom. He commenced his career as an Analyst with Esso Malaysia Berhad in 1973 and before joining Nestlé in 1981, he held senior finance positions in several local companies. He has also held various significant positions in the Nestlé group of companies, in Malaysia and other countries, with his last position as the Executive Vice President and Chief Financial Officer of Nestlé Indonesia before retiring in April 2006. Currently he is also a director of Malaysian AgriFood Corp. Berhad, the Chairman/director of Langkawi Tuna Berhad as well as Biotropics Malaysia Berhad. Biotropics Malaysia Berhad wholly owns Phytes Biotek Sdn. Bhd., who is one of the current supplier of raw materials to a subsidiary of the Company. Be that as it may, Phytes Biotek Sdn. Bhd. carries on business with the subsidiary of the Company on the same terms as other suppliers. He holds 27,000 shares in the Company, but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Mohd. Rafik bin Shah Mohamad has attended all 4 [four] meetings of the Board of Directors held for the financial year ended 31 December 2008.





## PROFILE OF DIRECTORS

### **Dato' Frits van Dijk**

Non-Independent, Non-Executive Director  
Dutch Nationality, Age 61 years

Dato' Frits van Dijk was appointed as a Non-Independent, Non-Executive Director of the Company on 26 April 2006. He graduated with a Bachelor's Degree in Economics from the HES [School of Economics] at the University of Rotterdam, the Netherlands, and has also attended the Executive Development Program at the International Institute for Management Development [IMD], in Lausanne, Switzerland. Dato' Frits van Dijk has served the Nestlé group of companies for the last 38 years, started in 1970 as a Sales Representative of Nestlé UK and presently, he is the Executive Vice President and Head of Zone Asia, Oceania, Africa and Middle East of Nestlé S.A. Prior to his current position, he has held various senior positions within the Nestlé group of companies in various countries, such as India, Philippines, Sri Lanka and Japan. Dato' Frits van Dijk was also the Chief Operating Officer and subsequently the Market Head of the Company from 1987 until 1995. He has also served as the Market Head of Nestlé Japan and as the Chairman and Chief Executive Officer of Nestlé Waters. He holds 8,000 shares in the Company, but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Dato' Frits van Dijk has attended 2 [two] meetings of the Board of Directors held for the financial year ended 31 December 2008.

### **Sullivan O'Carroll**

Managing Director  
South African Nationality, Age 59 years

Sullivan O'Carroll, the Managing Director of the Company, was appointed as a Non-Independent, Executive Director on 1 July 2003. He holds a degree in Psychology from the University of South Africa. He has served the Nestlé group of companies for 36 years, started in 1973 as a Merchandising Trainee in Nestlé South Africa. Before his current appointment in Malaysia, Sullivan O'Carroll held various senior positions in other Nestlé markets, including as the Market Head of Nestlé Poland. He holds 11,900 shares in Nestlé S.A., but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group and has no family relationship with any other director and/or major shareholder of the Group. He has not been convicted of any offence within the past 10 years other than traffic offences, if any. Sullivan O'Carroll has attended 3 [three] meetings of the Board of Directors for the financial year ended 31 December 2008.



### Stéphane Alby

Executive Director [responsible for Finance & Control]  
French Nationality, Age 44 years  
[resigned on 30 November 2008]

Stéphane Alby, was appointed as a Non-Independent, Executive Director of the Company on 27 February 2004 and he was the Executive Director, Finance & Control of the Company until 30 November 2008, prior to being transferred to Nestlé S.A. Vevey, Switzerland as Head of Business Excellence, Finance & Control. He holds a Diploma in Economics and Finance from the Business School Institut d'Etudes Politiques de Paris, France and a Masters Degree in Law from the University of Paris. He is also a graduate of the Anderson School at UCLA [USA] and from IMD in Lausanne, Switzerland. Stéphane Alby started his career with the Nestlé group of companies in 1989 as an Auditor at Nestlé France before holding the post of Treasurer of Nestlé Capital Corporation in United States of America in 1997 and the Deputy Treasurer of the Nestlé Group in 1999. Prior to his transfer to Malaysia, he was a Corporate Controller of the Strategic Business Units in Nestlé S.A. He holds 700 shares in Nestlé S.A., but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group and has no family relationship with any other director and/or major shareholder of the Group. He has not been convicted of any offence within the past 10 years other than traffic offences, if any. Stéphane Alby has attended all 4 [four] meetings of the Board of Directors held for the financial year ended 31 December 2008.



### Marc Seiler

Executive Director [responsible for Finance & Control]  
French Nationality, Age 44 years  
[appointed on 1 December 2008]

Marc Seiler, the Executive Director, Finance & Control of the Company, was appointed as a Non-Independent, Executive Director on 1 December 2008. He holds a Masters of Science in Management from Ecole Supérieure de Commerce de Paris, France and an Accounting & Finance Diploma [Diplôme d'Etudes Supérieures Comptables et Financières]. Marc Seiler started his career as an external auditor with Coopers and Lybrand, before joining the Nestlé group of companies in 1990 as the Finance Planning Manager of Nestlé Waters in Paris. Subsequently he was transferred to Nestlé Waters, North America where he held several positions such as Director Corporate Planning, Director Finance Supply Chain, Director Promotional Trade Spending, Chief Financial Officer Canada, Chief Financial Officer US Retail Division, with his last position as the Business Development, Mergers & Acquisitions Director. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted for offences within the past 10 years other than traffic offences, if any. Marc Seiler has not attended any meetings of the Board of Directors for the financial year ended 31 December 2008 as no meeting was held since his date of appointment.



# Management

**Sullivan O'Carroll**  
Managing Director



**Marc Seiler**  
Executive Director,  
Finance & Control  
[Effective from 1 December 2008]



**Chew Soi Ping**  
Business Executive Manager,  
Ice Cream

**Don Howat**  
Business Executive Manager,  
Coffee & Beverages



**Ariffin bin  
Buranudeen**  
Supply Chain  
Director

# Team

**Rashid Qureshi**  
Business Executive Manager,  
Milks

**Victor Seah Heng Lim**  
Sales Director



**Stéphane Alby**  
Executive Director,  
Finance & Control  
[Transferred to Nestlé S.A.  
effective 1 December 2008]



**Antony J. Nelson**  
Country Business Manager,  
Infant Nutrition



**Izham Mohamed**  
Business Executive Manager,  
Foods

**Abdul Wahab bin Abu Bakar**  
Human Resource Director



**Magdi Batato**  
Executive Director,  
Production

# Corporate Governance Statement

“With respect to Corporate Governance, Nestlé pursues a strategy of being in line with proven best practice.”

“Nestlé believes complying with laws and internal regulations protects the Company’s reputation and provides the basis for the creation of sustainable shared value.”

**Nestlé S.A. Management Report 2007**

## Introduction

The Company is committed to very high standards of corporate governance. The directors are directly accountable to the shareholders, stakeholders and regulators, for ensuring that very high standards of corporate governance are practised at every level of the Company’s operations. Being a subsidiary of Nestlé S.A., of Vevey, Switzerland, the Company has adopted the “Corporate Governance Principles” of its holding company as the basis of its best practice in corporate governance. This Corporate Governance Statement has also been presented to and approved by the Board of Directors.

The principles of corporate governance as practised by the Company cover mainly, 4 [four] areas, as follows:

- the rights and responsibilities of shareholders;
- the equitable treatment of shareholders;
- the duties and responsibilities of directors; and
- disclosure and transparency.

These principles are in compliance with Parts 1 and 2 of the Malaysian Code on Corporate Governance and paragraphs 15.26 and 15.27 of the Listing Requirements of Bursa Malaysia Securities Berhad.

## Compliance Statement

The directors are responsible for the stewardship of the Company. Their responsibilities include:

- reviewing and adopting a strategic business plan for the Company;
- overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training, fixing the compensation of and where appropriate, replacement of senior management;
- developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- reviewing the adequacy and the integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

As at the date of this Annual Report, the directors have not established a Nomination and a Remuneration Committee as recommended by the Malaysian Code on Corporate Governance, for the reasons stated as follows:



### Nomination Committee

The directors do not consider it necessary to establish a separate Nomination Committee as the turn-over of directors is very low and that whenever appropriate, the nomination of an appointment and the resignation of a director is fully deliberated upon by all directors at their meeting, including the re-classification of Mohd. Rafik bin Shah Mohamad, from a Non-Independent, Non-Executive Director to an Independent, Non-Executive Director on 7 August 2008. As the composition of directors is very low with only 8 [eight] persons and that all proposals for appointment and resignation of directors are fully deliberated, the directors are of the view that the setting up of a separate Nomination Committee at this point of time, is not necessary.

### Remuneration Committee

The directors do not consider it necessary to establish a separate Remuneration Committee as the Non-Independent, Executive Directors, [namely Sullivan O'Carroll and Marc Seiler] and the Non-Independent, Non-Executive Director [namely Dato' Frits van Dijk], are proposed and appointed by Nestlé S.A. Each of these directors are employees, based on contracts of expatriation employment and their remuneration package [consisting of emoluments and benefits in kind] are in accordance with the remuneration practices of the worldwide Nestlé group of companies as established by the Human Resource function of Nestlé S.A. in Vevey, Switzerland. Sullivan O'Carroll and Marc Seiler are employed directly by the Company, whereas Dato' Frits van Dijk is employed by Nestlé S.A.

The fees and benefits paid to the Independent, Non-Executive Directors including the Independent, Non-Executive Chairman are proposed by the Company to the Board of Directors and during the deliberation on the amount of fees and benefits to be paid to the Non-Executive Directors, the Non-Executive Directors would abstain from discussing their own remuneration. For the financial year ended 31 December 2008, apart from the non-establishment of the Nomination and Remuneration Committees, the reasons for which have been explained, the directors and the Company

adheres strictly with the recommendation of the Malaysian Code on Corporate Governance in the conduct of its businesses and operations. The details of the remuneration package of the directors are fully disclosed in the Annual Report on a yearly basis.

### Principle Statements

The following principle statements outline the application of the principles of corporate governance by the Company:

#### A. The Board of Directors

##### **Directors Responsibilities and Supply of Information**

The directors are committed to establishing long-term shareholder and stakeholder value. Therefore, all matters with regards to the strategy, business conduct proposed by the management and the monitoring of the results of strategies implemented are critically scrutinised and deliberated by the directors at its meetings. The directors are also responsible for the overall strategy of the Company, acquisition and divestment policies, capital expenditure approval and review of the financial and operational performance. Accountability of the directors for the proper handling and governance of the Company is therefore not only governed by law but also by the Company's Articles of Association, processes, guidelines and standing instructions. All directors, whether independent or otherwise, have access to any form of independent professional advice and information in the performance of their mandate as directors. During the meetings of the Board of Directors, there are more than adequate opportunities for the directors to deliberate on all matters pertaining to the stewardship of the Company. In addition to the meetings of Board of Directors, each director has full access to any member of the management team to confer on any aspect of the operations of the business as each sees fit. The meeting papers to be tabled at the meeting of the Board of Directors are delivered to each director well in advance of such meetings, to ensure that the directors are adequately prepared to go through the meeting agenda and if necessary, to obtain further information on the matters to be deliberated at the meeting of the Board of Directors.

### Meetings of Directors

During the financial year ended 31 December 2008, 4 [four] meetings of directors took place. The record of attendance of the directors is as follows:

|   |  |
|---|--|
| • General [Rtd] Tan Sri Dato' Mohd Ghazali Seth | 4/4 or 100%  |
| • Tan Sri Dato' Ernst Zulliger                  | 3/4 or 75%   |
| • Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff  | 3/4 or 75%   |
| • Tan Sri Dato' Seri Syed Anwar Jamalullail     | 4/4 or 100%  |
| • Mohd. Rafik bin Shah Mohamad                  | 4/4 or 100%  |
| • Dato' Frits van Dijk                          | 2/4 or 50%   |
| • Sullivan O'Carroll                            | 3/4 or 75%   |
| • Stéphane Alby                                 | 4/4 or 100%  |
| • Marc Seiler                                   | [no meeting was held in year 2008 after his appointment] |

### Mandate from the Board of Directors

On a yearly basis, the management obtains a mandate from the Board of Directors to manage the Company in its usual course of business. However, whenever the Company enters into a specific material transaction, prior approval will be obtained from the Board of Directors.

## Audit Committee of the Board of Directors

### Mission Statement

The primary purpose of the Audit Committee of the Board of Directors of the Company is to assist the Board of Directors in fulfilling its responsibility to oversee:

- (i) management's conduct of the Company's financial reporting process [including the development and maintenance of systems of internal accounting and financial controls];
- (ii) the integrity of the Company's financial statements;
- (iii) the Company's compliance with legal and regulatory requirements and ethical standards;
- (iv) significant financial transactions and financial policy and strategy;
- (v) the qualifications and independence of the Company's external auditors;
- (vi) the performance of the Company's internal audit function; and
- (vii) the external auditors' annual audit of the Company's financial statements.

It is the responsibility of the management team to plan and conduct internal audits and to ensure that the Company's financial statements are prepared in accordance with applicable generally accepted accounting principles. The terms of reference of the Committee are consistent with the Listing Requirements of Bursa Malaysia Securities Berhad.

In line with the Malaysian Code on Corporate Governance [Revised 2007], requiring all members of the Audit Committee to be non-executive directors, Stéphane Alby, an Executive Director of the Company, resigned as at 28 February 2008 from the Audit Committee. With the said resignation and the appointment of Mohd. Rafik bin Shah Mohamad as a member of the Audit Committee on 7 August 2008, the Audit Committee has 5 [five] members, comprising all Independent, Non-Executive Directors.

During its deliberations, the Audit Committee examined the following:

- assessment of risk by reviewing evidence of risk assessment activity either by the management or via a report from the Internal Audit department; and
- systems of internal control primarily through reviewing the scope of the internal audit programme and its findings, review of annual and interim financial statements and a review of the nature and scope of external audit.

At least once a year, the Audit Committee meets separately without the presence of the management of the Company.

The internal audit function in the Company is aligned with the Malaysian Code on Corporate Governance [Revised 2007]. The internal audit function [called Nestlé Market Audit] is administered as a department within the Finance & Control function in the Company but reports functionally to the Nestlé Group Audit in Vevey and the Audit Committee, thus ensuring its independence.

### Strategy

The Company's strategic direction is subject to regular review at the meeting of the Board of Directors. The management has in

place a process for such reviews. Annual operating plans and the Market and Business Strategy [MBS] are established and reviewed as well as the setting of measurable and objective Key Performance Indicators [KPIs]. The processes to manage and identify key risks are an integral part of the internal control environment and day-to-day management operations. Such processes, which are constantly reviewed and benchmarked against best practices, include the long term planning, controlling and monitoring of performance, capital expenditures, promotional investments as well as quality, safety and health environment.

#### **Delegation**

The management of the financial and long-term objectives of the Company, as resolved at the meeting of the Board of Directors is delegated to the Managing Director and the management team, comprising of Executive Directors and senior managers. The management team is committed to ensure and are accountable for the conduct, performance and profitability of the Company within the agreed strategy and policies as resolved at the meeting of the Board of Directors.

#### **Reporting**

Businesses and functional units are responsible to report to the Managing Director within a defined timetable and in compliance with instructions and guidelines. The management team receives monthly reports on the financial and operational situation from each business area and function. The quarterly reports and financial information are based on a standardised process. Such information is discussed at the meeting of the Board of Directors to ensure adequate level of information, decision on capital appropriations or other items of relevance are taken up and followed through by the management team.

#### **Principles of Conduct**

The Company is committed to high ethical standards and regard them as a key success factor to the performance of the Company. The “Basic Nestlé Management and Leadership Principles” and the “Nestlé Corporate Business Principles” issued by Nestlé S.A., have been applied within the Company and have been

communicated to every employee with respect to his/her function. Furthermore, in order to ensure greater transparency with third parties, the Company distributes the “Nestlé Corporate Business Principles”, “Nestlé Code of Business Conduct” and the “Nestlé Supplier Code” to its long-term distributors and suppliers of goods and services [refer to [www.nestle.com](http://www.nestle.com)].

The Board of Directors is also aware of the “Nestlé Code of Business Conduct” which has been presented to the Board of Directors.

#### **Composition of Board of Directors**

The Board of Directors has 8 [eight] members, comprising the Chairman who is an Independent, Non-Executive Director, 4 [four] Independent, Non-Executive Directors, 1 [one] Non-Independent, Non-Executive Director, and 2 [two] Executive Directors, including the Managing Director. The Chairman is not a previous Managing Director of the Company. The Non-Independent, Non-Executive Director represent the interests of Nestlé S.A., as the ultimate holding company. The 2 [two] Executive Directors, are expatriate managers assigned by Nestlé S.A. under the worldwide Nestlé group of companies’ expatriation programme.

The experience of the members of the Board of Directors encompasses diverse professional backgrounds, representing a high level of business, international and financial knowledge, which is core to the setting of strategies, monitoring of strategy achievement, ultimately leading to the success of the Company. The Board of Directors is very well balanced between the number of independent and non-independent directors and between executive and non-executive directors, and the Company has reviewed the size of the Board of Directors and feels that the size is appropriate. The Independent, Non-Executive Directors are able to provide the Board of Directors with independent unbiased views and advice in its decision making, to ensure that the interest of the Company, shareholders and employees are protected, whereas the Executive Directors are responsible to ensure the implementation of the strategies and policies as resolved by the Board of Directors.



## Appointments to the Board of Directors

Appointments to the Board of Directors are on a rotating basis of a maximum of 3 [three] years before retirement and the retiring director is eligible for re-election, to allow the shareholders the opportunity to renew their mandate. Members of the Board of Directors, who are over 70 years of age, are re-appointed on a yearly basis at the Annual General Meeting of the shareholders.

On 7 August 2008, Mohd. Rafik bin Shah Mohamad, was re-classified as an Independent, Non-Executive Director.

## Continuing Education of Directors

Although the Company did not conduct any formal training for the directors during the financial year ended 31 December 2008, all directors were updated on a timely basis by the management, by providing them with hard copies of reading materials, on the latest development on directors' roles and responsibilities.

## Direct and Indirect Interest of Directors

As at 27 February 2009, the direct and indirect interest of directors in the Company were as follows:

General [Rtd] Tan Sri Dato' Mohd Ghazali Seth holds 10,000 shares in the Company;

Mohd. Rafik bin Shah Mohamad holds 27,000 shares in the Company;

Dato' Frits van Dijk holds 8,000 shares in the Company; and

Sullivan O'Carroll holds 11,900 shares in Nestlé S.A.

## Application of MASB Standards

The Company had adopted and applied all new standards issued by the Malaysian Accounting Standards Board [MASB] and shall continue to do so whenever new standards are introduced and made mandatory.

## B. Directors' Remuneration

- [a] Details of the nature and amount of each major element of the remuneration of the directors of the Company paid in 2008 are as follows:-

|                          | 2008                |                         |
|--------------------------|---------------------|-------------------------|
|                          | Executive Directors | Non-Executive Directors |
| <b>[MYR, in Gross] *</b> |                     |                         |
| Salaries                 | 1,478,783.00        | –                       |
| Fees                     | –                   | 165,000.00              |
| Other Emoluments**       | 691,275.52          | –                       |
| Benefit***               | 1,251,105.82        | 51,340.00               |
| <b>Total</b>             | <b>3,421,164.34</b> | <b>216,340.00</b>       |

\* Numbers are provided before tax.

\*\* Other emoluments include bonuses, incentives, retirement benefits, provision for leave and allowances.

\*\*\* Benefits include rental payments, motor vehicle, club membership and personal expenses.

- [b] For the financial year ended 31 December 2008, the number of directors of the Company whose total remuneration fell within the following bands for the total amount paid in 2008 are as follows:-

|                                     | 2008                |                         |
|-------------------------------------|---------------------|-------------------------|
|                                     | Executive Directors | Non-Executive Directors |
| <b>Ranges of Remuneration [MYR]</b> |                     |                         |
| 1 – 50,000                          | –                   | 4                       |
| 100,000 – 150,000                   | –                   | 1                       |
| 200,000 – 250,000                   | 1                   | –                       |
| 1,150,000 – 1,200,000               | 1                   | –                       |
| 2,000,000 – 2,050,000               | 1                   | –                       |
| <b>Total</b>                        | <b>3</b>            | <b>5</b>                |

Salaries, bonuses and benefits paid to Sullivan O'Carroll, Stéphane Alby and Marc Seiler are based on the individual remuneration package of each person as determined by the Human Resource function of Nestlé S.A. and are also based

on individual performance and the profit achievement of the Company. The other directors are paid fees and benefits and members of the Audit Committee are paid attendance fees.

### C. Shareholders, Investors and the Financial Community

The Company regards regular communication with the public [shareholders, stakeholders and investing public] as key to build a good relationship. The Company's performance is reported quarterly to Bursa Malaysia Securities Berhad and on a yearly basis, in the Annual Report. Dialogue between shareholders and the Company is fostered at the Annual General Meeting and any other meetings of the shareholders, including any Extraordinary General Meeting. At such meetings, each individual shareholder can raise questions or concerns with regards to the Company as a whole. The Chairman, the Managing Director, the management team and the Audit Committee members are available to respond to questions during these meetings of shareholders. As soon as the quarterly results are announced, the Company will invite the analyst community for a briefing of the Company's quarterly performance. A media conference is also held after each Annual General Meeting or Extraordinary General Meeting. These communication efforts by the Company comply with the Listing Requirements of Bursa Malaysia Securities Berhad. The Company's website also displays the latest information on the performance of the Company.

### D. Accountability and Audit

#### **Directors' responsibility statement in respect of the preparation of the audited financial statement**

The Board of Directors is responsible for ensuring the accuracy of the profit & loss statement, the balance sheet, the cash flow statement and all other financial disclosures. Applicable accounting standards [MASB] and legislation are the basis for the disclosure of the Company's affairs. The financial disclosure follows the principles of true and fair view, prudence and transparency. In addition, and in line with the accounting policy of the Nestlé group of companies worldwide, the Company has ensured that its external auditors are fully independent in that they are not involved in any consulting activity save for

as allowed by the Nestlé group of companies. For the record, the external auditor of the Company KPMG, does undertake some tax consulting work which is insignificant in nature. The Company also requires management employees involved in book closing activities to certify in writing the accuracy of their accounts after each reporting period/quarterly.

### E. Recurrent Related Party Transactions of a Revenue or Trading Nature

For the financial year ended 31 December 2008, the particulars of recurrent related party transactions of revenue or trading nature were as follows:

- Purchases of raw materials, semi finished and finished food products from Nestlé affiliated companies amounted to MYR418 million;
- Payment of royalties for the use of trademarks for the sale of food products to Nestlé affiliated companies amounted to MYR153 million;
- Payment of information technology shared services for use and maintenance of information technology services to Nestlé affiliated companies amounted to MYR22 million; and
- Sale of food products to Nestlé affiliated companies amounted to MYR817 million.

The below item is to be tabled for the shareholders' approval at the forthcoming Annual General Meeting to be held on 16 April 2009:-

- Purchases of raw materials from Phytes Biotek Sdn. Bhd., a subsidiary of Biotropics Malaysia Berhad, amounting to MYR0.00762 million. Mohd. Rafik bin Shah Mohamad is deemed interested via his directorships in both the Company and Biotropics Malaysia Berhad.

### F. Material Contracts

For the financial year ended 31 December 2008, there were no material contracts entered into by the Company and its subsidiaries [not being contracts entered into in the ordinary course of business], involving directors and substantial shareholders, except for material contracts in respect of the recurrent related party transactions of a revenue or trading in nature under paragraph E above.

# Statement on Internal Control

## Introduction

Nestlé [Malaysia] Berhad [110925-W] and its directors are committed to a sound system of internal control and are pleased to provide the following statement on the scope and nature of internal control for the Group for the financial year ended 31 December 2008.

## Board Responsibility

The directors and management are responsible and accountable for the establishment of internal controls for the Group. Internal control systems are subjected to regular evaluations on their adequacy and integrity by management. These systems are designed to manage, rather than eliminate, the risk of failure arising from non-achievement of the Group's policies, goals and objectives. Such systems provide reasonable, rather than absolute assurance against material misstatement or loss. The Company's directors have delegated the responsibility of monitoring of these internal control systems to management.

Accompanying these regular reviews and evaluations of internal control systems, is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process is subjected to regular reviews by the directors in accordance with the "Statement on Internal Controls: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia.

## Risk Management Framework

The directors and management fully support the contents of the Internal Control Guidance. Working closely with the Company's Internal Audit Department and related companies, the directors and management have put in place risk management guidelines, control measures and processes. These are reported to the Audit Committee every quarter for discussion.

In addition to the above, the Group completed its rollout of the Nestlé Self Assessment Tool [NSAT] in 2008 for all Business Units and Corporate functions as planned. NSAT, a globally driven initiative by Nestlé S.A. in response to the changes in the Swiss Code of Obligations for companies listed on the Swiss exchange, is an internally developed Control Self Assessment solution which is used to measure each unit's compliance with the minimum internal controls determined by the Nestlé Group Audit. The objective of control self assessment is to help each unit better identify their own internal control gaps and to develop specific, measurable, and timely action plans to address these gaps. These results are monitored at management level as well as by Nestlé S.A. NSAT will also act as a repository for best in class internal controls which can be shared with other Nestlé units across the world.

The completed NSAT for the Group found no major gaps in minimum internal control and where gaps exist, action plans have been implemented or defined with expected completion dates and persons responsible. The Group's internal audit function will be reporting to management on the status of these action plans [implemented, in progress, or pending] on a quarterly basis.

## Internal Audit Function

The Nestlé Market Audit Department is responsible for reviewing all processes of the Group and its relations with third parties. It provides the directors with independent opinions of processes, risk exposures and system of internal controls of the Group. The responsibilities of the Audit Department include:

- Assessing and reporting on the effectiveness of the internal control systems;
- Assessing and reporting on the reliability of systems and reporting information;
- Assessing and reporting on the operational efficiency of various Business Units and Departments within the Group and identifying saving potentials where it is practical; and



- Reviewing compliance with the Group policies, Company Standing Instructions and guidelines, and applicable laws and regulations.

The Audit Department identifies those units to be audited based on risk assessments performed on [a] the inherent risk of the unit, and [b] the complexity of the end to end processes.

A matrix which covers the overall audit rating, nature and urgency of the respective audit issues has been developed as a guide to conduct the follow up on audit issues raised. The results of audit reviews are reported on a quarterly basis to the Audit Committee and then via the Chairman to the Board of Directors. The responses from management and action plans are regularly reviewed and followed up by the Internal Audit Department and the Audit Committee.

For the year ended December 2008, the department conducted 13 audits across sales branches, factories and business units and gained a generally satisfactory opinion of the operation of these units. Where exceptions were noted, these were not material and corrective actions have been taken.

Furthermore, Nestlé Group Audit [NGA], the internal auditing arm of the holding company Nestlé S.A., is responsible for assessing the effectiveness of internal control for the entire Nestlé Group. The NGA conducts reviews of processes, systems and business excellence on selected business areas/units based on a risk assessment methodology. The annual audit plan and results of the NGA are reported to Zone Management and the Audit Committee of Nestlé S.A. Based on this risk assessment, 1 [one] audit was performed by the NGA in the market for the year ended December 2008.

The annual audit plan for the financial year ending 31 December 2009 was presented to the Nestlé Group Auditors, and approved by the Nestlé S.A. Audit Committee in the last quarter of 2008.

### Other Risk and Control Processes

The structure and the formally defined process [via Company Standing Instructions] play a major part in risk mitigation. Although the Group is a networked organisation, a documented and auditable trail of accountability remains. In addition, authority limits and major Group Policies [health and safety, training and development, equality of opportunity, staff performance, sexual harassment, and serious misconduct] and the Nestlé S.A. Business Principles [available on [www.nestle.com](http://www.nestle.com)] have been disseminated to the Group's employees. These procedures have been established across the whole organisation and help provide assurance to all levels of management, including directors. The Nestlé Market Audit function serves to ensure the full application of these procedures and reporting structures, as well as to verify the system of internal controls. The Managing Director also reports to the directors on significant changes in the business and the external environment which affect the operations. Financial information, key performance and risk indicators are also reported on quarterly basis to the directors of the Company.

# Audit Committee Report

## Size, Composition & Attendance at Meetings

|   |       |
|---|-------|
| General [Rtd] Tan Sri Dato' Mohd Ghazali Seth<br>Independent, Non-Executive Director<br>Chairman  | [4/4] |
| Tan Sri Dato' Ernst Zulliger<br>Independent, Non-Executive Director<br>Member   | [3/4] |
| Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff<br>Independent, Non-Executive Director<br>Member   | [3/4] |
| Tan Sri Dato' Seri Syed Anwar Jamalullail<br>Independent, Non-Executive Director<br>Member<br>[Chartered Accountant of the Australian Society of Certified<br>Practicing Accountants; Chartered Accountant of the Malaysian<br>Institute of Accountants]                            | [4/4] |
| Mohd. Rafik bin Shah Mohamad<br>Independent, Non-Executive Director<br>Member<br>[Chartered Accountant of the Association of Chartered Certified<br>Accountants, United Kingdom; Chartered Accountant of the Malaysian<br>Institute of Accountants]<br>[Appointed on 7 August 2008] | [1/1] |

The Audit Committee comprises of 5 [five] members who are all Independent, Non-Executive Directors. A quorum, established by the presence of the Chairman and at least 2 [two] members, was always met for the Audit Committee meetings.

## Duties & Responsibilities

The Audit Committee acts as a committee of the Board of Directors and was established on 2 March 1994 under the Terms of Reference as stated in this report.

## Summary of Activities during the Financial Year ended 31 December 2008

### Activities with regards to external audit:

- review of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan; and
- review of external audit results, audit reports, management letter and the response from the management.

### Activities with regards to internal audit:

- review of internal audit's resource requirements, scope adequacy and function;
- review of internal audit's plan and programmes;

- review of internal audit reports, recommendations and management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the management in a separate forum;
- review of implementation of these recommendations through follow up audit reports;
- suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement; and
- review and take cognisance of the movements of internal audit staff member.

### Activities with regards to financial statements:

- review of annual report and the audited financial statements of the Group prior to submission to the directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board [MASB];
- review of the Group's compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements; and
- review of the unaudited financial results announcements before recommending them for the directors' approval.

### Other activities:

- review of related party transactions, ordinary and extraordinary dividend payments; and
- review of compliance with the Malaysian Code on Corporate Governance.

### Internal audit function:

The internal audit function in the Company is aligned with the Malaysian Code on Corporate Governance [Revised 2007]. The internal audit function [called Nestlé Market Audit] is administered as a department within the Finance & Control function in the Company but reports functionally to the Nestlé Group Audit in Vevey and the Audit Committee, thus ensuring its independence. Its main role is to undertake independent and systematic reviews of the processes and guidelines of the Group and to report on their application and compliance.

The individual assessments are to be objectively reported to the management and to the Audit Committee. All meetings of the Audit Committee have been attended by the Executive Director, Finance & Control, the Head, Nestlé Market Audit, the External Auditors and the Head of Accounting & Consolidation.

The costs incurred for the internal audit function for the financial year ended 31 December 2008 is RM1,497,741.60.

# Terms of Reference of the Audit Committee

## Objectives

The Audit Committee is an independent committee which assists the Board of Directors in the discharge of its responsibilities for corporate governance, corporate control and financial reporting. The Audit Committee acts on behalf of the Board of Directors to ensure that:

- the internal audit function is operating effectively and in accordance with the Standards for the Professional Practice of Internal Auditing;
- adequate attention is paid to the effectiveness, efficiency and economy of the Group operations;
- the quarterly results and year end financial statements are reviewed prior to the approval by the Board of Directors;
- adequate systems of internal control are in operation so as to produce accurate and meaningful management information; and
- appropriate and timely action is taken by the relevant managers to rectify the major areas of concern.

The Audit Committee reports to the Board of Directors at every quarter, on matters falling within the Audit Committee's terms of reference.

## Duties and Responsibilities

The Audit Committee is responsible in particular for:

### Risk and Control

- evaluate if adequate risk assessment processes and measures are put in place to minimise any risk exposures, including fraud;
- review and evaluate, with the external and internal auditors, management procedures, which are designed to provide assurance of compliance with laws, regulations, policies and codes of practice or conduct;
- monitor systems and procedures, with external and internal auditors, which are designed to provide a satisfactory and effective level of internal control, asset protection and management information; and
- monitor the Group's operations via appropriate internal audit reviews, to ascertain if adequate attention is paid to attributes of efficiency, effectiveness and economy.

### Internal audit

- review the internal audit reports of major audits which were undertaken;
- review the extent to which internal audit recommendations are implemented and the timeliness of responses received;

- review internal audit performance and effectiveness to ensure consistency with the approved plans, the Internal Audit Charter, and relevant professional standards; and
- review the adequacy of the scope, functions, competency and resources of the internal audit function.

### External Audit

- review managements' responses to the external auditor's interim reports, annual report and management letters;
- monitor developments in the external audit field and standards issued by professional bodies and other regulatory authorities; and
- oversee external audit arrangements in place at the various controlled entities or subsidiaries.

### Reporting

- review the quarterly and annual final draft of the financial statements [prior to the meeting of Board of Directors to approve the financial statements], receiving explanations for significant variations from the prior year and from budget, and referring issues to the Board of Directors, as and when necessary;
- monitor compliance with statutory requirements for financial reporting, with focus on significant changes in accounting policies and practices, together with significant adjustments recommended by external audit; and
- review compliance with all related-party disclosures required by the Accounting Standards.

### Others

- review as and when necessary any matters arising from the Group's financial operations; and
- commission such investigations or reviews relevant to its role as it sees fit.

### Authority

The Audit Committee in the course of discharging its duties, is authorised to:

- require any officer of the Group or any subsidiary to supply such information and explanations as may be needed;
- have discussions with line managers and employees of the Group and subsidiaries at any reasonable time;
- draw assistance from qualified external party to advise on issues, where the members require expert input; and
- convene meetings with external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the **25th [Twenty-Fifth] Annual General Meeting of the Company** will be held at the **Kristal Ballroom, First Floor, Petaling Jaya Hilton, 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** on **Thursday, 16 April 2009** at **10.00 a.m.** for the transaction of the following business:

## Agenda

### As Ordinary Business

1. To receive the statutory financial statements for the financial year ended 31 December 2008 and the directors' and auditors' reports thereon. **Resolution 1**
2. To approve the payment of a final dividend of 80.00 sen per share, under single-tier system, in respect of the financial year ended 31 December 2008. **Resolution 2**
3. To approve the payment of directors' fees for the financial year ended 31 December 2008. **Resolution 3**
4. To re-elect the following directors retiring in accordance with the Company's Articles of Association:
  - 4.1 Under Article 90.1  
Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff; **Resolution 4**
  - 4.2 Under Article 90.1  
Dato' Frits van Dijk; and **Resolution 5**
  - 4.3 Under Article 97  
Marc Seiler **Resolution 6**
5. To appoint Tan Sri Dato' Seri Syed Anwar Jamalullail as the Chairman of the Company. **Resolution 7**
6. To re-appoint KPMG [Firm No. AF 0758] as auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 8**

### As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions:

7. **Re-appointment of Tan Sri Dato' Ernst Zulliger as a director pursuant to Section 129[6] of the Companies Act, 1965.**  
"THAT Tan Sri Dato' Ernst Zulliger being over the age of 70 years and retiring in accordance with Section 129[6] of the Companies Act 1965, be and is hereby re-appointed a director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 9**
8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3 of the Circular to Shareholders dated 23 March 2009.**  
"THAT the mandate granted by the shareholders of the Company on 24 April 2008 pursuant to paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 23 March 2009 ["Circular"] with the related parties mentioned therein which are necessary, for the Company and/or its subsidiaries' day-to-day operations, be and is hereby renewed.

THAT the Company and/or its subsidiaries be and are hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:

- 8.1** The transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders;
- 8.2** Such approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless earlier revoked or varied by a resolution passed at a general meeting of the Company, whichever is earlier;
- 8.3** The directors and/or any of them be and are hereby authorised to complete and do all such acts and things [including executing such documents as may be required] to give effect to the transactions contemplated and/or authorised by this resolution; and
- 8.4** The disclosure of the aggregate value of the recurrent related party transactions conducted pursuant to the shareholders' mandate in the Annual Report, wherein the Company must provide a breakdown of the aggregate value of the recurrent related party transactions made during the financial year, amongst others, based on the following information:
  - 8.4.1** The type of the recurrent related party transactions made; and
  - 8.4.2** The names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company and/or any of its subsidiaries.

AND THAT, the estimates given of the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the directors of the Company and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular.” **Resolution 10**

**9. Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3 of the Circular to Shareholders dated 23 March 2009.**

“THAT the Company shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular with the related party mentioned therein which are necessary for the Company and/or its subsidiaries' day-to-day operations.

- 9.1** THAT the Company and/or its subsidiaries is hereby authorised to enter into the recurrent transactions with the related party mentioned therein provided that:
  - a] the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
  - b] disclosure of the breakdown of the aggregate value of the transactions conducted during a financial year including the type of the recurrent related party transactions made, the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company will be disclosed in the Annual Report for the said financial year.
- 9.2** THAT the authority conferred by such mandate shall continue to be in force until:
  - a] the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which the proposed recurrent related party transactions mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is again renewed;
  - b] the expiration of the period within which the next Annual General Meeting of the Company after the forthcoming Annual General Meeting is required to be held pursuant to Section 143[1] of the Companies Act 1965 [but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act 1965]; or
  - c] revoked or varied by resolution passed by the shareholders in a general meeting, whichever is earlier;

## NOTICE OF ANNUAL GENERAL MEETING

**9.3** THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed recurrent related party transactions mandate.

**9.4** AND THAT, the estimates given of the recurrent related party transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors of the Company and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular.” **Resolution 11**

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the 25th [Twenty-Fifth] Annual General Meeting of the Company, a final dividend of 80.00 sen per share, under single-tier system in respect of the financial year ended 31 December 2008 will be paid to the shareholders on 28 May 2009. The entitlement date for the said dividend shall be 7 May 2009.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a depositor shall qualify for entitlement only in respect of:

- A. Shares transferred into the Depositors’ Securities Account before 4.00pm on 7 May 2009 in respect of ordinary transfers; and
- B. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**MOHD. SHAH BIN HASHIM**

Company Secretary  
[LS 0006824]

Petaling Jaya  
23 March 2009

### Notes:

- [i] A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may, but need not be, a member of the Company and the provision of Section 149[1][b] of the Companies Act 1965, shall not apply to the Company.
- [ii] The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the corporation’s seal or under the hand of an officer or attorney duly authorised.
- [iii] Where a member of the Company is an authorised nominee as defined under the Securities Industry [Central Depositories] [Amendment] Act 1991, it may appoint at least 1 [one] proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- [iv] An authorised nominee with more than 1 [one] securities account must submit a separate instrument of proxy for each securities account.
- [v] The instrument appointing a proxy and the power of attorney or other authority [if any] under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar of the Company at Tenaga Koperat Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

### Explanatory Notes on Special Business:-

#### Section 129[6] of the Companies Act 1965

Pursuant to Section 129[6] of the Companies Act 1965, the proposed Ordinary Resolutions under items 6, are to seek shareholders’ approval on the re-appointment of directors who are over the age of 70 years.

#### Recurrent Related Party Transaction

For further information, please refer to the Circular to Shareholders dated 23 March 2009 accompanying the Company’s Annual Report for the financial year ended 31 December 2008.



Details of directors standing for re-election and re-appointment are as follows:

**Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff**

Independent, Non-Executive Director

Member of the Audit Committee

Malaysian Citizen

Age 62 years

Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff was appointed as an Independent, Non-Executive Director of the Company on 30 April 2003. He is also a member of the Audit Committee. Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff graduated with a Bachelor of Arts [Honours] from the University of Malaya in 1970 and has attended courses conducted by Harvard, London School of Economics & Manchester Business School on Strategy, Strategic Management and Marketing. He has had a very diverse career background, having commenced his career in the Marketing and Sales Department of Nestlé, then in 1974 he joined Shell Malaysia for 20 years before leaving to serve New Toyo, Mofaz, with his last position as the Group Chief Executive Officer of Proton Holdings Berhad. Currently he is also the Executive Chairman of Tien Wah Press Holdings Berhad, a visiting Professor of the School of Management, University Sains Malaysia and a member of the London Business School Regional Advisory Board. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff has attended 3 [three] meetings of the Board of Directors held for the financial year ended 31 December 2008.

**Dato' Frits van Dijk**

Non-Independent, Non-Executive Director

Dutch Nationality

Age 61 years

Dato' Frits van Dijk was appointed as a Non-Independent, Non-Executive Director of the Company on 26 April 2006. He graduated with a Bachelor's Degree in Economics from the HES [School of Economics] at the University of Rotterdam, the Netherlands, and has also attended the Executive Development Program at the International Institute for Management Development [IMD], in Lausanne, Switzerland. Dato' Frits van Dijk has served the Nestlé group of companies for the last 38 years, started in 1970 as a Sales Representative of Nestlé UK and presently, he is the Executive Vice President and Head of Zone Asia, Oceania, Africa and Middle East of Nestlé S.A. Prior to his current position, he has held various senior positions within the Nestlé group of companies in various countries, such as India, Philippines, Sri Lanka and Japan. Dato' Frits van Dijk was also the Chief Operating Officer and subsequently the Market Head of the Company from 1987 until 1995. He has also served as the Market Head of Nestlé Japan and as the Chairman and Chief Executive Officer of Nestlé Waters. He holds 8,000 shares in the Company, but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Dato' Frits van Dijk has attended 2 [two] meetings of the Board of Directors held for the financial year ended 31 December 2008.

## NOTICE OF ANNUAL GENERAL MEETING

### **Marc Seiler**

Executive Director [responsible for Finance & Control]

French Nationality

Age 44 years

[appointed on 1 December 2008]

Marc Seiler, the Executive Director, Finance & Control of the Company, was appointed as a Non-Independent, Executive Director on 1 December 2008. He holds a Masters of Science in Management from Ecole Supérieure de Commerce de Paris, France and an Accounting & Finance Diploma [Diplôme d'Etudes Supérieures Comptables et Financières]. Marc Seiler started his career as an external auditor with Coopers and Lybrand, before joining the Nestlé group of companies in 1990 as the Finance Planning Manager of Nestlé Waters in Paris. Subsequently he was transferred to Nestlé Waters, North America where he held several positions such as Director Corporate Planning, Director Finance Supply Chain, Director Promotional Trade Spending, Chief Financial Officer Canada, Chief Financial Officer US Retail Division, with his last position as the Business Development, Mergers & Acquisitions Director. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted for offences within the past 10 years other than traffic offences, if any. Marc Seiler has not attended any meetings of the Board of Directors for the financial year ended 31 December 2008 as no meeting was held since his date of appointment.

### **Tan Sri Dato' Seri Syed Anwar Jamalullail**

Independent, Non-Executive Director

Member of the Audit Committee

Malaysian Citizen

Age 57 years

Tan Sri Dato' Seri Syed Anwar Jamalullail was appointed as a Non-Independent, Non-Executive Director of the Company on 25 February 2002, and subsequently reclassified as an Independent, Non-Executive Director on 5 November 2004. He is also a member of the Audit Committee. Tan Sri Dato' Seri Syed Anwar Jamalullail, who holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia, is a qualified Chartered Accountant from the Malaysian Institute of Accountants and he is also a Certified Practising Accountant from the Australian Society of Certified Practising Accountants, having qualified in 1984. He commenced his career in 1975, with Malaysian Airlines Systems Berhad as the Financial Accountant, before moving on to hold senior positions in various companies such as Price Waterhouse Australia, D & C Nomura Merchant Bank Berhad, Amanah Merchant Bank Berhad, Mega SPJ Sdn. Bhd., Coral Land Sdn. Bhd., Amanah Capital Partners Berhad and he was also the Investment Panel Chairman of Lembaga Tabung Haji. Currently he is also the Chairman/director of EON Bank Berhad, and a director of a few public listed companies, namely DRB-Hicom Berhad, Cahya Mata Sarawak Berhad and EON Capital Berhad. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tan Sri Dato' Seri Syed Anwar Jamalullail has attended all 4 [four] meetings of the Board of Directors held for the financial year ended 31 December 2008.

**Tan Sri Dato' Ernst Zulliger**

Independent, Non-Executive Director

Member of the Audit Committee

Swiss Nationality

Age 76 years

Tan Sri Dato' Ernst Zulliger was appointed as an Independent, Non-Executive Director of the Company on 30 November 1983. He is also a member of the Audit Committee. Tan Sri Dato' Ernst Zulliger studied Commerce and Business Administration in Switzerland and has also attended the International Institute for Management Development (IMD), in Lausanne, Switzerland. He has served the Nestlé group of companies worldwide for a remarkable 37 years and prior to his retirement, he was the Managing Director of the Company. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tan Sri Dato' Ernst Zulliger has attended 3 [three] meetings of the Board of Directors held for the financial year ended 31 December 2008.



No. of shares held

## Proxy Form

I / We \_\_\_\_\_ NRIC No: \_\_\_\_\_ [New] \_\_\_\_\_ [Old]  
of \_\_\_\_\_

being a member of **Nestlé [Malaysia] Berhad**, hereby appoint \*the Chairman of the meeting or \_\_\_\_\_

\_\_\_\_\_ NRIC No: \_\_\_\_\_ [New] \_\_\_\_\_ [Old]  
of \_\_\_\_\_

or failing him/her, \_\_\_\_\_ NRIC No: \_\_\_\_\_ [New] \_\_\_\_\_ [Old]  
of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the 25th [Twenty-Fifth] Annual General Meeting of the Company to be held at the Kristal Ballroom, First Floor, Petaling Jaya Hilton, 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 16 April 2009 at 10.00 a.m. and at any adjournment thereof. *\* Delete if not applicable*

My/Our proxy is to vote as indicated with an "X" below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

| No. | Resolutions  | For | Against |
|-----|--|-----|---------|
| 1.  | To receive the statutory financial statements for the financial year ended 31 December 2008 and the directors' and auditors' reports thereon.  |     |         |
| 2.  | To approve the payment of a final dividend of 80.00 sen per share, under single-tier system, in respect of the financial year ended 31 December 2008.  |     |         |
| 3.  | To approve the payment of the directors' fees for the financial year ended 31 December 2008.   |     |         |
| 4.  | To re-elect Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff as a director of the Company.   |     |         |
| 5.  | To re-elect Dato' Frits van Dijk as a director of the Company.   |     |         |
| 6.  | To re-elect Marc Seiler as a director of the Company.  |     |         |
| 7.  | To appoint Tan Sri Dato' Seri Syed Anwar Jamalullail as the Chairman of the Company.   |     |         |
| 8.  | To re-appoint KPMG [Firm No. AF 0758] as Auditors of the Company and to authorise the directors to fix their remuneration.   |     |         |
| 9.  | To re-appoint Tan Sri Dato' Ernst Zulliger as a director of the Company.   |     |         |
| 10. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ["RRPT"] as set out under Section 2.3 of the Circular to Shareholders dated 23 March 2009. |     |         |
| 11. | Proposed New Shareholders' Mandate for RRPT as set out under Section 2.3 of the Circular to Shareholders dated 23 March 2009.  |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Witnessed by: \_\_\_\_\_

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

Company Stamp: \_\_\_\_\_

Occupation: \_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder or Common Seal

## Notes:

- [i] A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may, but need not be, a member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965, shall not apply to the Company.
- [ii] The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- [iii] Where a member of the Company is an authorised nominee as defined under the Securities Industry [Central Depositories] [Amendment] Act 1991, it may appoint at least 1 [one] proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

[iv] An authorised nominee with more than 1 [one] securities account must submit separate instrument of proxy for each securities account.

[v] The instrument appointing a proxy and the power of attorney or other authority [if any] under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar of the Company at Tenaga Koperat Sdn. Bhd., 17th Floor, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Please fold here to seal

Affix postage  
stamp

Tenaga Koperat Sdn. Bhd.  
17th Floor, The Gardens North Tower,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur

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