

Report for the 1st quarter ended
March 31, 2012



stlé



Nestlé

Good Food, Good Life



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Directors' Report to the Shareholders

The Directors of the company are pleased to submit the 1st quarter report along with condensed interim financial information of the company for the three month period ended March 31, 2012.

Due to higher inflationary trends in input costs, ongoing energy crises and difficult law and order situation, the economic environment of the country remained challenging during the period under review. However, despite all these challenges, the Company continued to deliver strong double digit profitable growth and to build our capabilities and position for the future.

The financial performance for the three months period is summarized below:

	Jan - Mar 2012 PKR Million	Jan - Mar 2011 PKR Million	Change %
Sales	20,194	16,278	+ 24%
Operating Profit	2,974	2,412	+ 23%
% of sales	14.7%	14.8%	
Net Profit	1,665	1,493	+ 12%
% of sales	8.2%	9.2%	
Earnings per share	36.71	32.93	+ 12%

Sales:

The sales revenue stood at PKR 20.1 billion registering growth of +24% compared to same period last year.

Operating Profit:

The fresh milk volume availability and procurement was in line with our requirements. However, higher input prices coupled with severe energy outages affected our gross margin which decreased by 70bps compared to same period last year.

The drop in gross margin was partially offset by effective fixed cost management. The operating profit reached PKR 3.0

billion recording +23% growth over the same period last year.

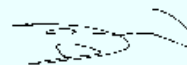
Net Profit:

The financial cost increased vs. last year due to planned additional funds borrowed to meet the cash flow, requirements of working capital and capacity enhancement to meet our growing consumers' demand. Our Net profit stood at PKR 1.7 billion registering +12% growth over same period last year.

Future Outlook:

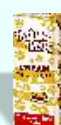
By having confidence in the strong potential of Pakistan fuelled by its growing and youthful population, the Company retains a positive outlook and will continue to invest to drive sustainable profitable growth and meet demand.

For and on behalf
of the Board of Directors



IAN J. DONALD
Chief Executive

Lahore: April 17, 2012



Condensed Interim Balance Sheet As at March 31, 2012 (Un-audited)

	Note	Mar. 31, 2012 Rs'000	Dec. 31, 2011 Rs'000
Tangible fixed assets			
Property, plant and equipment	8.1	16,873,096	16,088,929
Assets subject to finance lease	8.2	136,874	141,599
Capital work-in-progress		5,416,233	5,370,561
		22,426,203	21,601,089
Intangible assets			
		10,758	11,954
Long term loans and advances			
		159,180	161,982
Long term security deposits			
		9,817	9,817
Current assets			
Stores and spares		1,335,051	1,278,416
Stock in trade		9,988,866	7,064,170
Trade debts		803,353	276,858
Current portion of long term loans and advances		32,159	30,914
Advances, deposits, prepayments and other receivables		6,518,581	4,042,634
Cash and bank balances		1,227,004	702,025
		19,905,014	13,395,017
Less: Current liabilities			
Current portion of:			
Liabilities against assets subject to finance lease		33,673	41,587
Short term borrowings – secured		8,950,000	4,950,000
Short term running finance under mark-up arrangements - secured		3,994,416	4,175,236
Customer security deposits – interest free		151,658	149,791
Trade and other payables		9,187,950	7,343,507
Interest and mark-up accrued		281,401	128,334
		22,599,098	16,788,455
Net working capital		(2,694,084)	(3,393,438)
Total capital employed		19,911,874	18,391,404
Long term and deferred liabilities			
Long term finances	6	9,392,575	7,848,050
Deferred taxation		2,612,516	2,476,871
Retirement and other benefits		434,297	440,377
Liabilities against assets subject to finance lease		9,425	13,690
		12,448,813	10,778,988
Contingencies and commitments			
	7		
Net assets		7,463,061	7,612,416

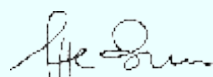


**Mar. 31,
2012
Rs'000** **Dec. 31,
2011
Rs'000**

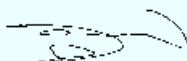
Financed by:
Share capital and reserves

Authorized capital 75,000,000 (2011: 75,000,000) ordinary shares of Rs 10 each	750,000	750,000
Issued, subscribed and paid-up capital	453,496	453,496
Share premium	249,527	249,527
General reserve	280,000	280,000
Accumulated profit	6,480,038	6,629,393
	7,463,061	7,612,416

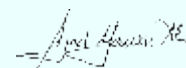
The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



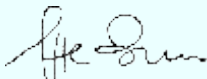
SYED YAWAR ALI
Chairman



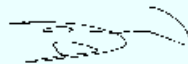
Condensed Interim Profit and Loss Account For the Three Months Period Ended March 31, 2012 (Un-audited)

	<u>Three months ended</u>	
	Mar. 31, 2012 Rs'000	Mar. 31, 2011 Rs'000
Sales - net	20,193,681	16,278,193
Cost of goods sold	(14,690,167)	(11,714,617)
Gross profit	5,503,514	4,563,576
Distribution and selling expenses	(2,064,463)	(1,796,152)
Administrative expenses	(465,397)	(355,235)
	(2,529,860)	(2,151,387)
Operating profit	2,973,654	2,412,189
Finance cost	(429,980)	(190,491)
Other operating expenses	(304,407)	(199,978)
	(734,387)	(390,469)
Other operating income	37,949	79,343
Profit before taxation	2,277,216	2,101,063
Taxation	(612,588)	(607,600)
Profit after taxation	1,664,628	1,493,463
Earnings per share – basic and diluted (Rupees)	36.71	32.93

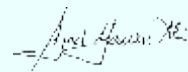
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GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman

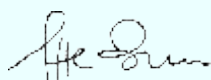


Condensed Interim Statement of Comprehensive Income

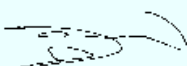
For the Three Months Period Ended March 31, 2012 (Un-audited)

	Mar. 31, 2012 Rs'000	Mar. 31, 2011 Rs'000
Profit after taxation	1,664,628	1,493,463
Other comprehensive income	-	-
Total comprehensive income for the period	1,664,628	1,493,463

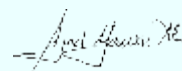
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Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman

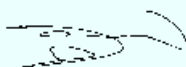


Condensed Interim Cash Flow Statement For the Three Months Period Ended March 31, 2012 (Un-audited)

	Note	Mar. 31, 2012 Rs'000	Mar. 31, 2011 Rs'000
Cash flow from operating activities			
Cash generated from operations	9	(2,498,881)	(1,461,005)
Decrease/ (Increase) in long term loans and advances		1,557	3,743
(Decrease)/ Increase in customer security deposits - interest free		1,867	3,258
Retirement and other benefits paid		(53,233)	(17,780)
Finance cost paid		(276,913)	(162,705)
Taxes paid		(614,235)	(395,078)
Net cash (outflow) from operating activities		(3,439,838)	(2,029,567)
Cash flow from investing activities			
Fixed capital expenditure		(1,349,537)	(1,051,806)
Sale proceeds of property, plant and equipment		6,683	32,240
Net cash (used in) investing activities		(1,342,854)	(1,019,566)
Cash flow from financing activities			
Proceeds from long term finances		1,500,000	-
Net movement in short term borrowings - secured		4,000,000	-
Payment of finance lease liabilities		(12,179)	(15,672)
Dividend paid		670	(168)
Net cash (outflow)/ inflow from financing activities		5,488,491	(15,840)
Net increase/ (decrease) in cash and cash equivalents		705,799	(3,064,973)
Cash and cash equivalents at beginning of the period		(3,473,211)	(2,275,327)
Cash and cash equivalents at end of the period		(2,767,412)	(5,340,300)
Cash and cash equivalents			
Cash and bank balances		1,227,004	905,747
Short term running finance under mark-up arrangements – secured		(3,994,416)	(6,246,047)
		(2,767,412)	(5,340,300)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


GIUSEPPE BONANNO
Head of Finance & Control


IAN J. DONALD
Chief Executive


SYED YAWAR ALI
Chairman



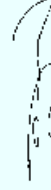
Condensed Interim Statement of Changes in Equity For the Three Months Period Ended March 31, 2012 (Un-audited)

	Share capital	Share premium	General reserve	Accumulated profits	Total
	(Rs'000)				
Balance as at December 31, 2010	453,496	249,527	280,000	4,598,850	5,581,873
Final dividend for the year ended December 31, 2010 (Rs 30 per share)	-	-	-	(1,360,488)	(1,360,488)
Total comprehensive income for the period	-	-	-	1,493,463	1,493,463
Balance as at March 31, 2011	453,496	249,527	280,000	4,731,825	5,714,848
Interim dividend for the nine months period ended September 30, 2011 (Rs. 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total comprehensive income for the period	-	-	-	3,031,308	3,031,308
Balance as at December 31, 2011	453,496	249,527	280,000	6,629,393	7,612,416
Final dividend for the year ended December, 31 2011 (Rs. 40 per share)	-	-	-	(1,813,983)	(1,813,983)
Total comprehensive income for the period	-	-	-	1,664,628	1,664,628
Balance as at March 31, 2012	453,496	249,527	280,000	6,480,038	7,463,061

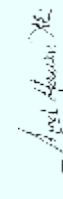
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GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman



Nestlé

Selected Notes to the Condensed Interim Financial Information For the Three Months Period Ended March 31, 2012 (Un-audited)

1. Nestlé Pakistan Ltd. ("the Company") is a public limited company incorporated in Pakistan and its shares are quoted on the Karachi and Lahore Stock exchanges. The principal activity of the Company is manufacturing, purchase, processing and sale of food products (dairy, confectionery, culinary, coffee, beverages, infant nutrition and drinking water). Registered office of the Company is situated at Babar Ali Foundation Building, 308 - Upper Mall, Lahore.
2. This condensed interim financial information is un-audited and has been presented in accordance with the requirements of International Accounting standards "IAS-34 (Interim financial reporting)".
3. This condensed interim financial information of the company for the three months period ended 31 March 2012 has been presented in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
4. Accounting policies adopted for the preparation of the condensed interim financial information are same as those applied in the preparation of annual audited financial statements of the Company for the year ended 31 December 2011.
5. The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2011.
6. **Long term finances**
This represents US\$ 65 million (2011 : US\$ 65 million) loan from Nestlé Treasury Centre Middle East and Africa Limited, Dubai. US\$ 15 million is due in December 2015 and US\$ 50 million is due in May 2016. Mark-up is payable semi annually at six months average LIBOR plus 150 basis points.
7. **Contingencies and commitments**
 - 7.1 There is no material contingency as at balance sheet date.
 - 7.2 Claims against the company not acknowledged as debts Rs 5.179 million (December 31, 2011: Rs 5.179 million).



	Mar. 31, 2012 Rs'000	Dec. 31, 2011 Rs'000
7.3 Guarantees		
Outstanding guarantees	234,064	218,633
Un-utilized portion	160,936	116,367
7.4 Commitments in respect of capital expenditure	10,059,389	363,958
7.5 Letters of credit		
Other outstanding letters of credit	1,741,086	1,403,221
Un-utilized portion	2,832,078	2,269,944
8. Tangible fixed assets		
8.1 Property, plant and equipment		
Opening balance – Net book value	16,088,929	11,139,623
Additions during the period	1,303,865	6,708,681
	17,392,794	17,848,304
Book value of property, plant and equipment disposed off during the period	(51,063)	(165,567)
Depreciation charged during the period	(468,635)	(1,586,008)
Impairment charge	-	(7,800)
Closing balance at net book value	16,873,096	16,088,929
8.2 Assets subject to finance lease		
Opening balance at net book value	141,599	230,988
Additions during the period	-	-
	141,599	230,988
Book value of leased asset transfers during the period	-	(61,908)
Depreciation charged during the period	(4,725)	(27,481)
Closing balance at net book value	136,874	141,599



Mar. 31,
2012
Rs'000

Mar. 31,
2011
Rs'000

9. Cash generated from operations

Profit before taxation	2,277,216	2,101,063
Adjustment for non-cash charges and other items:		
Depreciation and amortization	474,555	344,290
Loss on disposal of property, plant and equipment	44,384	7,971
Retirement benefits	47,152	34,078
Exchange loss/ (gain) on associated company loan	44,525	(36,900)
Finance cost	429,980	190,491
Profit before working capital changes	3,317,812	2,640,993
Effect on cash flow due to working capital changes:		
Decrease / (increase) in:		
Stores and spare	(56,635)	5,257
Stock in trade	(2,924,696)	(3,942,949)
Trade debts	(526,496)	(325,352)
Advances, deposits, prepayments and other receivables	(2,338,654)	(991,847)
(Decrease) / increase in:		
Trade and other payables	29,788	1,152,893
	(5,816,693)	(4,101,998)
	(2,498,881)	(1,461,005)

10. Transactions with related parties

Related parties comprise of Nestlé S.A, its subsidiaries and associates, and other companies with common directors that of Nestlé Pakistan Ltd. with significant influence on these companies, employees retirement benefit funds and key employees. Significant transactions with related parties are summarized as follows:

Mar. 31,
2012
Rs'000

Mar. 31,
2011
Rs'000

Associated companies:

Royalty and technical assistance fee	547,070	442,792
Purchase of goods, services and rental	3,378,325	2,140,507
Interest on loan	33,676	34,844
Contribution to staff retirement benefits plan	47,153	34,078

All transactions with related parties have been carried out on commercial terms and conditions.



11. Segment reporting:

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment analysis for the three months ended March 31, 2012

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	17,559,506	2,372,869	261,306	20,193,681
Inter-segment sales	-	-	-	-
Total revenue	17,559,506	2,372,869	261,306	20,193,681
Depreciation and amortization	368,448	100,982	5,125	474,555
Profit before tax and unallocated expenses	2,703,511	250,966	19,177	2,973,654
Unallocated corporate expenses:				
Finance cost				(429,980)
Other operating expenses				(304,407)
Other operating income				37,949
Taxation				(612,588)
Profit after taxation				1,664,628



Segment analysis for the three months period ended March 31, 2011

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	14,391,034	1,753,201	133,958	16,278,193
Inter-segment sales	-	-	-	-
Total revenue	14,391,034	1,753,201	133,958	16,278,193
Depreciation and amortization	269,503	73,263	1,524	344,290
Profit before tax and unallocated expenses	2,370,117	102,654	(60,582)	2,412,189
Unallocated corporate expenses:				
Finance cost				(190,491)
Other operating expenses				(199,978)
Other operating income				79,343
Taxation				(607,600)
Profit after taxation				1,493,463

12. **Date of authorization for issue**

This condensed interim financial information was authorized for issue on April 17, 2012 by the Board of Directors.

13. **Dividend**

The board of directors in their meeting held on April 17, 2012 have proposed interim cash dividend for the three months ended March 31, 2012 of Rs. Nil per share, amounting to Rs. Nil (2011:Rs. Nil). This financial information does not reflect this dividend.

14. **Corresponding figures**

- 14.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.
- 14.2 Figures have been rounded off to the nearest of thousand of rupee.


GIUSEPPE BONANNO
Head of Finance & Control


IAN J. DONALD
Chief Executive


SYED YAWAR ALI
Chairman



COMPANY INFORMATION

Board of Directors

Syed Yawar Ali	Chairman
Ian J. Donald	Managing Director
Edouard Simond	Director
Giuseppe Bonnano	Director
Pierre Schaufelberger	Director
Syed Babar Ali	Director
Syed Hyder Ali	Director

Company Secretary

Giuseppe Bonnano

Management

Abdullah Jawaid Ahmad	BM Chilled Dairy
Amir Iqbal	BEM Ambient Dairy
Arsalan Ul Haq Khan	BM Juices
Edouard Simond	Head of Technical
Faisal Akhtar Rana	BM Coffee & Milk Modifier
Giuseppe Bonanno	Head of Finance & Controls
Ian James Donald	Market Head
Michel Juillerat	Head of Human Resources
Muhammad Ali Sadozai	Head of Legal Affairs
Muhammad Nauman Khan	CBM Professional
Dr. Rizwan Yousuf	CBM Infant Nutrition
Salman Nazir	Head of Supply Chain
Samra Maqbool	BM Culinary
Shaheen Sadiq	Head of Communication
Syed Fakhar Ahmed	Head of Corporate Affairs
Dr. Usman Iqbal Bhatti	CBM Waters
Zafar Hussain Shah	Head of Sales

Registered & Corporate Office

308 – Upper Mall, Lahore – 54000, Pakistan.
 PABX : (042) 111 637 853
 Fax : (042) 35789303 - 4

Corporate Office Annex

304 – Upper Mall, Lahore – 54000, Pakistan.
 309 – Upper Mall, Lahore – 54000, Pakistan.
 309-A – Upper Mall, Lahore – 54000, Pakistan.



Factories

Sheikhupura

29th Kilometer, Lahore – Sheikhupura Road
Sheikhupura, Punjab, Pakistan.
Phone: (056) 3406615 - 25

Kabirwala

10th Kilometer, Khanewal - Kabirwala Road, Kabirwala
District Khanewal, Punjab, Pakistan.
Phone: (065) 111 637 853 Fax: (065) 2411432

Karachi

Plot No. A – 23, North Western Industrial Zone,
Port Qasim, Karachi, Pakistan.
Phone: (021) 34720151-4

Islamabad

Plot No. 32, Sector (I-10/3), Industrial Area,
Islamabad, Pakistan.
Phone: (051) 4445997

Auditors

KPMG Taseer Hadi & Co. (Chartered Accountants)

Share Registrar / Transfer Agent

Gorsi Associates (Pvt.) Limited.
2nd Floor, 202 – Sufi Chamber, Link McLeod Road, Lahore
Cell: 0346-4479601 , 0324-4460109 Fax: 042-37230865

Legal Advisor

Chima & Ibrahim (Advocates)

Bankers

Allied Bank Limited
Bank Al Habib Ltd.
Barclays Bank PLC, Pakistan
Burj Bank
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Ltd.
KASB Bank Ltd
MCB Bank Ltd.
Meezan Bank
National Bank of Pakistan Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
The Hongkong and Shanghai Bank Corporation Limited
United Bank Limited



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Nestlé

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