



contents

Directors' Report to the Shareholders	2
Independent Auditors Report on Review of Condensed Interim Financial Information to the Members	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Cash Flow Statement	8
Condensed Interim Statement of Changes in Equity	9
Selected Notes to the Condensed Interim Financial Information	10
Company Information	15

Directors' Report to the Shareholders

The Directors of the company are pleased to submit Half Year Report along with reviewed condensed interim financial information of the company for the six months period ended June 30, 2012.

Due to continuing inflation, 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 six months period is summarized below:

	Jan - Jun 2012 PKR Million	Jan - Jun 2011 PKR Million	Change %
Sales	41,179	32,941	+ 25%
Operating Profit	5,736	4,444	+ 29%
% of sales	13.9%	13.5%	
Net Profit	2,911	2,631	+ 11%
% of sales	7.1%	8.0%	
Earnings per share	64.19	58.01	+ 11%

Sales:

The sales revenue stood at PKR 41.2 billion registering growth of +25% compared to same period last year.

Operating Profit:

Despite energy crises and economic challenges in the country, our gross margins have improved by 50 bps compared to same period last year. This has been the result of comparatively lower increase in input cost of commodities, improvement in product mix and effective cost saving initiatives.

The operating profit reached PKR 5.70 billion recording +29% growth over the

same period last year.

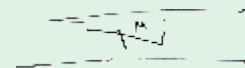
Net Profit:

The financial charges increased with respect to last year due to additional borrowing made to meet the cash flow requirements of working capital and capacity enhancement to meet our growing consumers' demand. Furthermore the impact of devaluation of local currency had an unfavorable impact on our bottom line. Our net profit stood at PKR 2.9 billion registering +11% growth over same period last year.

Future Outlook:

With strong confidence in the 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 in coming years.

For and on behalf
of the Board of Directors



MAGDI BATATO
Chief Executive

Lahore: August 07, 2012



Independent Auditors Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Nestlé Pakistan Limited ("the Company") as at June 30, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended there-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

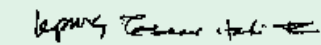
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months ended June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

The figures for the quarter ended June 30, 2012 and June 30, 2011 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Lahore: August 07, 2012



KPMG Taseer Hadi & Co.
Chartered Accountants
(Farid uddin Ahmed)

Condensed Interim Balance Sheet As at June 30, 2012 (Un-audited)

	Note	Jun. 30, 2012 Rs'000 (Un-audited)	Dec. 31, 2011 Rs'000 (Audited)
Tangible fixed assets			
Property, plant and equipment	8.1	17,856,783	16,088,929
Assets subject to finance lease	8.2	132,229	141,599
Capital work-in-progress		7,855,996	5,370,561
		25,845,008	21,601,089
Intangible assets			
		9,563	11,954
Long term loans and advances			
		167,825	161,982
Long term security deposits			
		9,817	9,817
Current assets			
Stores and spares		1,411,065	1,278,416
Stock in trade		9,885,086	7,064,170
Trade debts		886,325	276,858
Current portion of long term loans and advances		32,752	30,914
Advances, deposits, prepayments and other receivables		7,024,264	4,042,634
Cash and bank balances		1,295,878	702,025
		20,535,370	13,395,017
Current liabilities			
Current portion of:			
Liabilities against assets subject to finance lease		31,406	41,587
Short term borrowings – secured		10,550,000	4,950,000
Short term running finance under mark-up arrangements – secured		4,815,269	4,175,236
Customer security deposits – interest free		159,569	149,791
Trade and other payables		9,164,580	7,343,507
Interest and mark-up accrued		312,370	128,334
		25,033,194	16,788,455
Net working capital		(4,497,824)	(3,393,438)
Total capital employed		21,534,389	18,391,404
Long term and deferred liabilities			
Long term finances	6	9,649,000	7,848,050
Deferred taxation		2,731,233	2,476,871
Retirement benefits		444,697	440,377
Liabilities against assets subject to finance lease		-	13,690
		12,824,930	10,778,988
Contingencies and commitments			
	7		
Net assets		8,709,459	7,612,416

Financed by: Share capital and reserves

	Jun. 30, 2012 Rs'000 (Un-audited)	Dec. 31, 2011 Rs'000 (Audited)
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	7,726,436	6,629,393
	8,709,459	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


MAGDI BATATO
Chief Executive

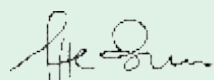

SYED YAWAR ALI
Chairman



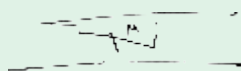
Condensed Interim Profit and Loss Account For the Six Months Period Ended June 30, 2012 (Un-audited)

	Six months ended		Three months ended	
	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000
Sales - net	41,179,014	32,941,533	20,985,333	16,663,340
Cost of goods sold	(29,862,777)	(24,035,729)	(15,172,610)	(12,321,112)
Gross profit	11,316,237	8,905,804	5,812,723	4,342,228
Distribution and selling expenses	(4,701,257)	(3,743,166)	(2,636,794)	(1,947,014)
Administrative expenses	(878,679)	(719,005)	(413,282)	(363,770)
	(5,579,936)	(4,462,171)	(3,050,076)	(2,310,784)
Operating profit	5,736,301	4,443,633	2,762,647	2,031,444
Finance cost	(1,004,532)	(493,438)	(574,552)	(302,947)
Other operating expenses	(840,438)	(363,220)	(536,031)	(163,242)
	(1,844,970)	(856,658)	(1,110,583)	(466,189)
Other operating income	90,999	83,743	53,050	4,400
Profit before taxation	3,982,330	3,670,718	1,705,114	1,569,655
Taxation	(1,071,304)	(1,039,971)	(458,716)	(432,371)
Profit after taxation	2,911,026	2,630,747	1,246,398	1,137,284
Earnings per share – basic and diluted (Rupees)	64.19	58.01	27.48	25.08

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



GIUSEPPE BONANNO
Head of Finance & Control



MAGDI BATATO
Chief Executive



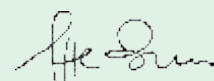
SYED YAWAR ALI
Chairman



Condensed Interim Statement of Comprehensive Income For the Six Months Period Ended June 30, 2012 (Un-audited)

	Six months ended		Three months ended	
	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000
Profit after taxation	2,911,026	2,630,747	1,246,398	1,137,284
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	2,911,026	2,630,747	1,246,398	1,137,284

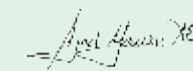
The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



GIUSEPPE BONANNO
Head of Finance & Control



MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Cash Flow Statement For the Six Months Period Ended June 30, 2012 (Un-audited)

	Note	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000
Cash flow from operating activities			
Cash generated from/ (used in) operations	9	2,056,055	(1,199,084)
Increase in long term loans and advances		(7,681)	(90,902)
Increase in customer security deposits - interest free		9,778	16,527
Retirement and other benefits paid		(96,433)	(55,194)
Finance cost paid		(820,496)	(358,538)
Taxes paid		(1,148,543)	(1,044,752)
Net cash used in operating activities		(7,320)	(2,731,943)
Cash flow from investing activities			
Purchase of property, plant and equipment		(5,345,287)	(2,149,348)
Sale proceeds of property, plant and equipment		43,619	44,928
Net cash used in investing activities		(5,301,668)	(2,104,420)
Cash flow from financing activities			
Proceeds from long term finances		1,500,000	-
Payment of finance lease liabilities		(23,871)	(31,712)
Proceeds from short term borrowing - secured		5,600,000	3,685,000
Dividend paid		(1,813,321)	(1,360,048)
Net cash inflow from financing activities		5,262,808	2,293,240
Net decrease in cash and cash equivalents		(46,180)	(2,543,123)
Cash and cash equivalents at beginning of the period		(3,473,211)	(2,275,327)
Cash and cash equivalents at end of the period		(3,519,391)	(4,818,450)
Cash and cash equivalents			
Cash and bank balances		1,295,878	821,292
Running finance under mark-up arrangements – secured		(4,815,269)	(5,639,742)
		(3,519,391)	(4,818,450)

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

GIUSEPPE BONANNO
Head of Finance & Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman



Condensed Interim Statement of Changes in Equity For the Six Months Period Ended June 30, 2012 (Un-audited)

	Share capital	Share premium	General reserve	Accumulated profits	Total
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	-	-	-	2,630,747	2,630,747
Balance as at June 30, 2011	453,496	249,527	280,000	5,869,109	6,852,132
Interim dividend for the nine months ended September 30, 2011 (Rs. 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total comprehensive income for the period	-	-	-	1,894,024	1,894,024
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	-	-	-	2,911,026	2,911,026
Balance as at June 30, 2012	453,496	249,527	280,000	7,726,436	8,709,459

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

GIUSEPPE BONANNO
Head of Finance & Control

MAGDI BATATO
Chief Executive

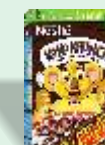
SYED YAWAR ALI
Chairman

Selected Notes to the Condensed Interim Financial Information

For the Six Months Period Ended June 30, 2012 (Un-audited)

1. Nestlé Pakistan Limited ("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 being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and is un-audited but subject to limited scope review by external auditors as required by Code of Corporate Governance. This has been presented in accordance with the requirements of International Accounting Standard "IAS-34 (Interim financial Reporting)".
3. This condensed interim financial information of the Company for the six months period ended June 30, 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 December 31, 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 December 31, 2011.
6. **Long term finances**
This includes US\$ 65 million (2011 : US\$ 65 million) loan from Nestlé Treasury Centre Middle East and Africa Limited, Dubai. US\$ 15 million is payable in December 2015 and the balance of 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 amount to Rs. 5.179 million (31 December 2011: Rs. 5.179 million).

	Jun. 30, 2012 Rs'000	Dec. 31, 2011 Rs'000
7.3 Guarantees		
Outstanding guarantees	341,207	218,633
Un-utilized portion of limit with banks	53,793	116,367
7.4 Commitments in respect of capital expenditure	7,004,152	363,958
7.5 Letters of credit		
Outstanding letters of credit	1,312,824	1,403,221
Un-utilized portion of limit with banks	3,260,341	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	2,862,530	6,708,681
	18,951,459	17,848,304
Book value of property, plant and equipment disposed off during the period	(125,680)	(165,567)
Depreciation charged during the period	(968,996)	(1,586,008)
Impairment charge	-	(7,800)
	17,856,783	16,088,929
8.2 Assets subject to finance lease		
Opening balance - Net book value	141,599	230,988
Book Value of leased asset transferred during the period	-	(61,908)
Depreciation charged during the period	(9,370)	(27,481)
	132,229	141,599



	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000
9. Cash generated from operations		
Profit before taxation	3,982,330	3,670,718
Adjustment for non-cash charges and other items:		
Depreciation	975,688	726,644
Amortization of intangible assets	2,391	2,391
Loss on disposal of property, plant and equipment	82,061	23,872
Retirement and other benefits	100,753	74,209
Finance cost and exchange loss on foreign currency loan	1,305,482	510,538
Profit before working capital changes	6,448,705	5,008,372
Effect on cash flow due to working capital changes:		
Increase in current assets:		
Stores and spare	(132,649)	(111,361)
Stock in trade	(2,820,916)	(4,961,504)
Trade debts	(609,467)	(1,007,187)
Advances, deposits, prepayments and other receivables	(2,650,029)	(1,021,092)
Increase in current liabilities:		
Trade and other payables	1,820,411	893,688
	(4,392,650)	(6,207,456)
	2,056,055	(1,199,084)

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 Limited with significant influence on these companies, employees retirement benefit funds and key employees. Significant transactions with related parties are summarized as follows:

	Jun. 30, 2012 Rs'000	Jun. 30, 2011 Rs'000
Associated companies:		
Royalty and technical assistance fee	1,115,921	892,915
Purchase of goods, services and rental	7,271,177	5,329,289
Interest on loan	69,230	70,590
Other related parties		
Contribution to staff retirement benefit plan	100,753	74,209
Donation	5,000	-

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 results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities include short term and long term borrowings, employees retirement benefits and other operating liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments:

- Milk and nutrition products

- Beverages

These segments comprise of following major types of products:

- Milk and nutrition products

Milk based products and cereals

- Beverages

Juices & water

11.1 Segment analysis for the six months ended June 30, 2012

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	34,200,105	6,559,864	419,045	41,179,014
Inter-segment sales	-	-	-	-
Total revenue	34,200,105	6,559,864	419,045	41,179,014
Depreciation and amortization	754,895	214,432	8,752	978,079
Profit before tax and unallocated expenses	5,073,729	810,470	(147,898)	5,736,301
Unallocated corporate expenses:				
Finance cost				(1,004,532)
Other operating expenses				(840,438)
Other operating income				90,999
Taxation				(1,071,304)
Profit after taxation				2,911,026



Segment analysis for the six months ended June 30, 2011

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	27,850,824	4,818,371	272,338	32,941,533
Inter-segment sales	-	-	-	-
Total revenue	27,850,824	4,818,371	272,338	32,941,533
Depreciation and amortization	572,117	153,495	3,423	729,035
Profit before tax and unallocated expenses	4,103,588	508,501	(168,456)	4,443,633
Unallocated corporate expenses:				
Finance cost				(493,438)
Other operating expenses				(363,220)
Other operating income				83,743
Taxation				(1,039,971)
Profit after taxation				2,630,747

11.2 Geographical segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sales offices in Pakistan only.

12. **Date of authorization for issue**

This condensed interim financial information was authorized for issue on August 07, 2012 by the Board of Directors.

13. **Dividend**

The Board of Directors in their meeting held on 07 August 2012 have proposed an interim cash dividend for the six months ended June 30, 2012 of Rs. Nil per share, amounting to Rs. Nil (2011 : Rs. 1,813.983 million). This financial information does not reflect this dividend.

14. **General**

Figures have been rounded off to the nearest thousand of rupee.

GIUSEPPE BONANNO
 Head of Finance & Control

MAGDI BATATO
 Chief Executive

SYED YAWAR ALI
 Chairman



COMPANY INFORMATION

Board of Directors

Syed Yawar Ali
 Magdi Batato
 Edouard Simond
 Giuseppe Bonnano
 Pierre Schaufelberger
 Syed Babar Ali
 Syed Hyder Ali

Chairman
 Managing Director
 Director
 Director
 Director
 Director
 Director

Company Secretary

Giuseppe Bonnano

Management

Abdullah Jawaid Ahmad
 Amir Iqbal
 Arsalan UI Haq Khan
 Dr. Rizwan Yousaf
 Dr. Usman Iqbal Bhatti
 Faisal Akhtar Rana
 Giuseppe Bonanno
 Magdi Batato
 Michel Juillerat
 Muhammad Ali Sadozai
 Muhammad Nauman Khan
 Naveed Ahmad Khan
 Salman Nazir
 Samra Maqbool
 Shaheen Sadiq
 Sheikh Waqar Ahmad
 Zafar Hussain Shah

BM Chilled Dairy
 BEM Ambient Dairy
 BM Juices
 CBM Infant Nutrition
 CBM Waters
 BM Coffee & Milk Modifier
 Head of Finance & Controls
 Market Head
 Head of Human Resources
 Head of Legal Affairs
 CBM Professional
 Head of Technical
 Head of Supply Chain
 BM Culinary
 Head of Communication
 Head of Corporate Affairs
 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-falah
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.
Soneri Bank
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
The Hongkong and Shanghai Bank Corporation Limited
United Bank Limited

