

Financial information for the three months
period ended March 31, 2016





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Directors' Report to the Shareholders

The Directors of the Company are pleased to submit the first quarter report along with the condensed interim financial information of the company for the three months period ended March 31, 2016.

Pakistan economy is showing signs of improvement with continued low inflation but we are still operating in a volatile environment which results in regular disruption to the business.

In spite of the above, we are pleased to report the following results, delivering top line growth and good profitability.

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

	Jan – Mar 2016 PKR Million	Jan – Mar 2015 PKR Million	Change
Sales	26,733	25,344	+ 5.5%
Gross Profit	9,725	9,540	+1.9%
% of sales	36.4%	37.6%	
Operating Profit	5,545	6,050	-8.3%
% of sales	20.7%	23.9%	
Net Profit after tax	3,442	3,674	-6.3%
% of sales	12.9%	14.5%	
Earnings per share	75.89	81.01	-6.3%

Sales:

The sales revenue grew by PKR 1.4 billion, a growth of +5.5% driven by volume growth. Our export sales during the period stood at PKR 0.96 billion, largely impacted due to continued volatile security situation in Afghanistan.

Gross Profit:

We delivered a gross margins of 36.4% (-120bps) due to the comparatively high prices in Q1 2015 which we were able to revise downwards on the back of low input costs.

Operating Profit:

We delivered an operating profit of 20.7% (-320bps). The change is largely owing to increased investment (+122bps) behind our key brands in line with our priorities and competitive pricing.

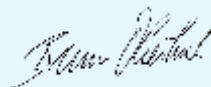
Net Profit after tax:

Our net profit after tax stood at PKR 3.4 billion (-16bps).

Future Outlook:

We continue to have a positive outlook for the business and our focus remains on driving sustainable profitable growth with healthy stock levels and freshness of products in trade.

For and on behalf
of the Board of Directors



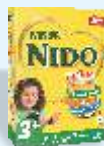
BRUNO BORIS OLIERHOEK
Chief Executive

Lahore: April 25, 2016



Condensed Interim Balance Sheet As at March 31, 2016 (Un-audited)

	Notes	Mar. 31, 2016 (Un-audited) Rs'000	Dec. 31, 2015 (Audited) Rs'000
Tangible fixed assets			
Property, plant and equipment	6	29,373,638	29,996,095
Capital work-in-progress		430,850	882,230
		29,804,488	30,878,325
Intangible assets			
		37,651	39,668
Long term loans and advances			
		295,969	276,199
Long term deposits and prepayments			
		41,897	43,674
Current assets			
Stores and spares		1,236,607	1,262,789
Stock in trade		15,365,123	9,474,681
Trade debts		843,981	314,836
Current portion of long term loans and advances		99,956	98,775
Sales tax refundable - net		6,037,932	5,796,612
Advances, deposits, prepayments and other receivables		1,540,735	828,638
Cash and bank balance		643,578	253,267
		25,767,912	18,029,598
Less: current liabilities			
Current portion of long term finances		523,650	1,047,750
Short term borrowings - secured		5,550,000	3,000,000
Short term running finance under mark-up arrangements - secured		1,939,153	2,461,648
Customers security deposits - interest free		222,691	221,305
Income tax - net		1,700,736	1,576,345
Trade and other payables		18,393,061	16,752,543
Interest and mark-up accrued		187,360	83,521
		28,516,651	25,143,112
Net working capital		(2,748,739)	(7,113,514)
Total capital employed		27,431,266	24,124,352
Long term liabilities			
Long term finances	4	8,000,000	8,000,000
Deferred taxation		2,102,337	2,271,523
Retirement benefits		1,254,209	1,215,067
		11,356,546	11,486,590
Contingencies and commitments			
	5		
Net assets		16,074,720	12,637,762



	Mar. 31, 2016 (Un-audited) Rs'000	Dec. 31, 2015 (Audited) Rs'000
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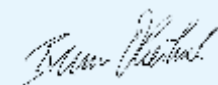
**Financed by:
Share capital and reserves**

Authorized capital 75,000,000 (December 31, 2015: 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
Hedging reserve	(2,073)	2,728
Accumulated profit	15,093,770	11,625,011
	16,074,720	12,637,762

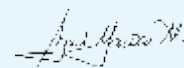
The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



JOHN MICHAEL DAVIS
Head of Finance & Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Profit and Loss Account For the three months period ended March 31, 2016 (Un-audited)

	Mar. 31, 2016 Rs'000	Mar. 31, 2015 Rs'000
Sales - net	26,733,304	25,343,669
Cost of goods sold	(17,008,647)	(15,803,717)
Gross profit	9,724.657	9,539,952
Distribution and selling expenses	(3,510,922)	(2,891,204)
Administration expenses	(668,890)	(599,181)
	(4,179,812)	(3,490,385)
Operating profit	5,544,845	6,049,567
Finance cost	(270,090)	(432,531)
Other operating expenses	(434,474)	(448,120)
	(704,564)	(880,651)
Other income	52,330	53,941
Profit before taxation	4,892,611	5,222,857
Taxation	(1,450,852)	(1,549,074)
Profit after taxation	3,441,759	3,673,783
Earnings per share – basic and diluted (Rupees)	75.89	81.01

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



JOHN MICHAEL DAVIS
Head of Finance & Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Statement of Comprehensive Income

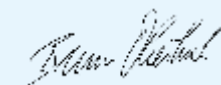
For the three months period ended March 31, 2016 (Un-audited)

	Mar. 31, 2016 Rs'000	Mar. 31, 2015 Rs'000
Profit after taxation	3,441,759	3,673,783
Other comprehensive income:		
Items that are or may be classified subsequently to profit or loss:		
Cash flow hedge - effective portion of changes in fair value	(6,958)	14,220
Related tax	2,157	(4,977)
	(4,801)	9,243
Total comprehensive income for the period	3,436,958	3,683,026

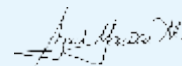
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JOHN MICHAEL DAVIS
Head of Finance & Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Cash Flow Statement

For the three months period ended March 31, 2016

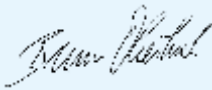
(Un-audited)

	Note	Mar. 31, 2016 Rs'000	Mar. 31, 2015 Rs'000
Cash flow from operating activities			
Cash generated from operations	7	932,324	276,469
(Increase) / decrease in long term loans and advances		(20,951)	15,585
Decrease / (increase) in long term deposits and prepayments		1,777	(18,581)
Increase / (decrease) in customer security deposits - interest free		1,386	(27,074)
Sales tax refundable - net		(241,320)	(200,980)
Retirement benefits paid		(49,767)	(53,040)
Finance cost paid		(166,251)	(309,621)
Income taxes paid		(1,493,491)	(1,240,906)
Net cash used in operating activities		(1,036,293)	(1,558,148)
Cash flow from investing activities			
Fixed capital expenditure		(97,101)	(217,338)
Proceeds from sale of property, plant and equipment		19,825	46,613
Net cash used in investing activities		(77,276)	(170,725)
Cash flow from financing activities			
Repayment of long term finances - net		(523,625)	(848,319)
Short term borrowings - net		2,550,000	(500,000)
Net cash generated from / (used in) financing activities		2,026,375	(1,348,319)
Net increase / (decrease) in cash and cash equivalents		912,806	(3,077,192)
Cash and cash equivalents at beginning of the period		(2,208,381)	(5,723,771)
Cash and cash equivalents at end of the period		(1,295,575)	(8,800,963)
Cash and cash equivalents			
Cash and bank balances		643,578	311,180
Short term running finance under mark-up arrangements – secured		(1,939,153)	(9,112,143)
		(1,295,575)	(8,800,963)

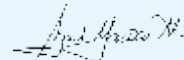
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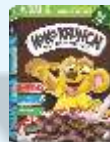
JOHN MICHAEL DAVIS
Head of Finance & Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Statement of Changes in Equity For the three months period ended March 31, 2016 (Un-audited)

	Share capital	Capital Reserves			Revenue Reserves		Total
		Share premium	Hedging reserve	General reserve	Accumulated profits		
	(Rs'000)						
Balance as at December 31, 2014 (audited)	453,496	249,527	(13,999)	280,000	11,658,601	12,627,625	
Total comprehensive income for the year:							
Profit after tax	-	-	-	-	3,673,783	3,673,783	
Cashflow hedges - effective portion of changes in fair value-net	-	-	9,243	-	-	9,243	
Balance as at March 31, 2015 (un-audited)	453,496	249,527	(4,756)	280,000	15,332,384	16,310,651	
Transaction with owners, directly recognised in equity:							
Final dividend for the year ended							
December 31, 2014 (Rs. 90 per share)	-	-	-	-	(4,081,463)	(4,081,463)	
Interim dividend for the six months period ended							
June 30, 2015 (Rs. 50 per share)	-	-	-	-	(2,267,479)	(2,267,479)	
Interim dividend for the nine months period ended							
September 30, 2015 (Rs. 50 per share)	-	-	-	-	(2,267,479)	(2,267,479)	
Total comprehensive income for the period:					(8,616,421)	(8,616,421)	
Profit after tax	-	-	-	-	5,087,147	5,087,147	
Cashflow hedges - effective portion of changes in fair value-net	-	-	7,484	-	-	7,484	
Remeasurement of net retirement benefit liability recognised directly in the equity	-	-	-	-	(151,099)	(151,099)	
Balance as at December 31, 2015 (audited)	453,496	249,527	2,728	280,000	11,652,011	12,637,762	

Notes to the Condensed Interim Financial Information

For the three months period ended March 31, 2016 (Un-audited)

1. Legal status and nature of business

Nestlé Pakistan Limited ("the Company") is a public limited company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange. The principal activity of the Company is manufacturing, processing and sale of food products including imported products (dairy, confectionery, culinary, coffee, beverages, infant nutrition and drinking water). Registered office of the Company is situated at 308-Upper Mall, Lahore.

2. Basis of preparation and summary of significant accounting policies

2.1 Statement of compliance

This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the three months period ended March 31, 2016 has been prepared 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.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits at present value and recognition of certain financial instruments at fair value.

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 for the year ended December 31, 2015.

3. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements for the year ended December 31, 2015.

There is no significant impact of new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 01, 2016, as mentioned in the financial statements for the year ended December 31, 2015.



	Note	Mar. 31, 2016 (Un-audited) Rs'000	Dec. 31, 2015 (Audited) Rs'000
4. Long term finances			
Long term finances utilized under markup arrangements:			
Associated company - unsecured - foreign currency	4.1	523,650	1,047,750
From banking companies - secured		8,000,000	8,000,000
		8,523,650	9,047,750
Less: Current maturity			
Associated company - foreign currency		(523,650)	(1,047,750)
		8,000,000	8,000,000

4.1 This represents an unsecured loan facility availed from Nestlé Treasury Center Middle East and Africa Limited, Dubai – an associated undertaking of US\$ 50 million. As per terms, duly authorized by the State Bank of Pakistan, this loan is repayable in 10 equal quarterly instalments starting from March 2014 and ending on May 2016 and carries markup @ 6 months average LIBOR plus 150 basis points. The outstanding balance as at March 31, 2016 has been converted into rupees at the exchange rate prevailing as at the balance sheet date.

5. Contingencies and commitments

There is no material contingency as at balance sheet date.

	Mar. 31, 2016 (Un-audited) Rs'000	Dec. 31, 2015 (Audited) Rs'000
5.1 Guarantees		
Outstanding guarantees	261,110	210,498
Un-utilized portion of limits with banks	213,890	264,502
5.2 Commitments in respect of capital expenditure		
	2,210,850	243,073
5.3 Letters of credit		
Outstanding letters of credit	1,185,446	1,381,813
Un-utilized portion of limits with banks	7,934,679	7,669,312

5.4 The amount of future payments under Ijarah and the period in which these payments will become due are as follows:

	Mar. 31, 2016 (Un-audited) Rs'000	Dec. 31, 2015 (Audited) Rs'000
Not later than one year	45,451	46,172
Later than one year but not later than five years	43,997	55,089



	Mar. 31, 2016 (Un-audited) Rs'000	Dec. 31, 2015 (Audited) Rs'000
6. Property, plant and equipment		
Opening balance - Net book value	29,996,095	30,550,199
Additions during the period / year	548,481	3,509,246
	30,544,576	34,059,445
Book value of property, plant and equipment disposed off during the period / (year)	(12,608)	(291,716)
Assets charged off	(276,935)	-
Depreciation charged during the period / year	(881,395)	(3,426,930)
Impairment charged during the period / year	-	(344,704)
Closing balance - Net book value	29,373,638	29,996,095
	Mar. 31, 2016 (Un-audited) Rs'000	Mar. 31, 2015 (Un-audited) Rs'000
7. Cash generated from operations		
Profit before taxation	4,892,612	5,222,857
Adjustment for non-cash items:		
Depreciation on property, plant and equipment	881,395	837,102
Assets charged off	276,935	-
Amortization of intangible assets	2,017	-
Provision for stock in trade	27,123	(53,705)
Provision for obsolete stores and spares	95,106	-
Provision for workers' profit participation fund	263,203	280,497
Provision for workers' welfare fund	108,236	106,589
Gain on disposal of property, plant and equipment	(7,218)	(3,498)
Exchange loss / (gain)	22,883	(16,398)
Exchange rate (gain) / loss on foreign currency loan from associated company	(476)	56,398
Retirement benefits	88,911	91,135
Finance cost	270,090	432,531
Profit before working capital changes	6,920,817	6,953,508
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stores and spares	(68,924)	(55,129)
Stock in trade	(5,917,564)	(4,518,669)
Trade debts	(525,646)	(828,584)
Advances, deposits, prepayments and other receivables	(718,865)	(354,544)
Increase / (decrease) in current liabilities:		
Trade and other payables	1,242,506	(920,113)
	(5,988,493)	(6,677,039)
Cash generated from operations	932,324	276,469



8. Transactions with related parties

The related parties comprise of associated companies, other related companies, key management personnel and employees retirement benefit funds. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

	Mar. 31, 2016 (Un-audited) Rs'000	Mar. 31, 2015 (Un-audited) Rs'000
Associated companies:		
Royalty and technical assistance fee	749,079	685,898
Purchase of goods, services and rental	4,189,233	3,036,701
Repayment of foreign currency loan	524,100	692,875
Interest on foreign currency loan	5,913	17,555
Insurance claim	7,306	8,322
Other related parties		
Contribution to staff retirement benefit plan	155,706	149,187
Remuneration to key management personnel	1,021,836	844,586

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

9. 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



9.1 Segment analysis for the three months ended March 31, 2016 (Un-audited)

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	21,467,091	5,092,280	173,933	26,733,304
Inter-segment sales	-	-	-	-
Total revenue	21,467,091	5,092,280	173,933	26,733,304
Depreciation and amortization	626,317	238,074	19,021	883,412
Operating profit before unallocated expenses:	4,939,609	706,330	(101,094)	5,544,845
Unallocated corporate expenses:				
Finance cost				(270,090)
Other operating expenses				(434,474)
Other income				52,330
Taxation				(1,450,852)
Profit after taxation				3,441,759

Segment analysis for the three months ended March 31, 2015 (Un-audited)

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	20,443,313	4,720,121	180,235	25,343,669
Inter-segment sales	-	-	-	-
Total revenue	20,443,313	4,720,121	180,235	25,343,669
Depreciation and amortization	(576,964)	(230,449)	(29,689)	(837,102)
Operating profit before unallocated expenses:	5,214,991	916,078	(81,502)	6,049,567
Unallocated corporate expenses:				
Finance cost				(432,531)
Other operating expenses				(448,120)
Other income				53,941
Taxation				(1,549,074)
Profit after taxation				3,673,783



Reportable segment assets and liabilities

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
As at March 31, 2016 (Un-audited)				
Segment assets	34,668,981	12,135,512	443,681	47,248,174
Unallocated assets				8,699,743
Total assets				55,947,917
Segment liabilities	14,456,324	3,651,924	117,130	18,225,378
Unallocated liabilities				21,647,819
Total liabilities				39,873,197
As at December 31, 2015 (Audited)				
Segment assets	29,703,503	11,781,319	485,476	41,970,298
Unallocated assets				7,297,166
Total assets				49,267,464
Segment liabilities	14,538,056	3,910,570	101,568	18,550,194
Unallocated liabilities				18,079,508
Total liabilities				36,629,702

10. Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2015.

11. Date of authorization for issue

This condensed interim financial information was authorized for issue on April 25, 2016 by the Board of Directors.

12. Dividend

The Board of Directors in their meeting held on April 25, 2016 have proposed an interim cash dividend for the three months period ended March 31, 2016 of Rs. Nil per share, amounting to Rs. Nil (March 31, 2015 : Nil).

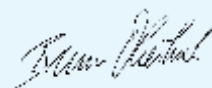
13. General

13.1 Comparative figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison.

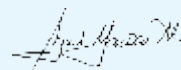
13.2 Figures have been rounded off to the nearest of thousand of rupee.



JOHN MICHAEL DAVIS
Head of Finance & Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman

COMPANY INFORMATION

Board of Directors

Syed Yawar Ali	Chairman
Bruno Boris Olierhoek	Chief Executive / Managing Director
Syed Babar Ali	Director
Syed Hyder Ali	Director
Osman Khalid Waheed	Director
John Michael Davis	Director
Juan Jose Aranols Campillo	Director
Naveed Ahmad Khan	Director
John Martin Miller	Director

Company Secretary

Ali Sadozai

Management

Abdullah Jawaid Ahmad	Business Manager - Chilled Dairy
Akmal Saeed	Head of Human Resources
Ali Sadozai	Head of Legal Affairs & Company Secretary
Arsalan Ul Haq Khan	Head of Sales
Asim Rifat	Country Business Manager - Nestlé infant Nutrition
Babar Hussain Khan	Business Manager - Juices
Bruno Boris Olierhoek	Managing Director
Fuad Saqib Ghazanfar	Business Manager - Food
Humaira Ashar	Business Manager - Confectionary
John Michael Davis	Head of Finance and Controls
Khurram Zia	Country Business Manager - Nestlé Waters Pakistan
Muhammad Nauman Khan	Country Business Manager - Nestlé Professional
Nadia Omer	Business Manager - Coffee and CPW
Naveed Ahmad Khan	Head of Technical
Roland Stieger	Business Executive Manager - Ambient Dairy
Rustem Oguz	Head of Supply Chain
Samra Maqbool	Head of Communication and Marketing Services
Sheikh Waqar Ahmad	Head of Corporate Affairs
Syeda Nausheen Iqbal Jaffery	Nestlé Continuous Excellence Manager





**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

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

Kabirwala

10 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**

Share Registrar Department
Central Depository Company of Pakistan Limited
CDC-House, 99-B, Block-B, SMCHS, Main Shahrā – e- Faisal

Karachi-74400, Tel: Customer Support Services
(Toll Free) 0800-CDCPL(23275)
Fax: (92-21) 34326053 E-mail: info@cdcpak.com
website: www.cdcpakistan.com

Public dealings: Monday to Thursday: 09:00 am to 5:00 pm
Friday: 09:00 am to 12:00 pm & 02:30 pm to 5:00 pm

**Legal
Advisor**

Chima & Ibrahim
Advocates Corporate Counsel

Bankers

Allied Bank Limited
Citibank N.A.
Deutsche Bank A.G.
Habib Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

www.nestle.pk



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