

Report for the 1st quarter ended
March 31, 2009



stlė



Nestlé

Nestlé Pakistan Ltd.

contents



Directors' Report to the Shareholders	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit and Loss Account	6
Condensed Interim Cash Flow Statement	7
Condensed Interim Statement of Changes in Equity	8
Condensed Interim Statement of Recognized Income and Expenses	9
Selected Notes to the Condensed Interim Financial Information	10
Company Information	15

Directors' Report to the Shareholders

The Directors are pleased to submit the First Quarter Report along with the financial information of the company for the period ended March 31, 2009.

The effects of the economic downturn in 2008 were still prevalent in the early part of 2009, which together with the prevailing political/security situation, resulted in challenging trading conditions during the first quarter. Despite this, our sales grew by +10% with contributions coming from all of our key brands. Fresh milk collection during the spring flush was in line with our requirements.

The financial performance for the period under review is summarized below:

PKR Million	Jan - Mar 2009	Jan - Mar 2008	Change
Sales	9,239	8,427	+10%
Operating Profit	1,546	1,212	+28%
% of sales	16.7%	14.4%	
Net Profit	847	627	+35%
% of sales	9.2%	7.4%	
Earnings per share	18.68	13.82	+35%

Total sales for the first quarter reached PKR 9.2 billion – including exports to Afghanistan which grew strongly (+41%) compared to same period last year.

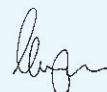
Operating profit for the three month period reached PKR 1.5 billion with the margin also improving as a result of effective sales mix management and fixed cost containment. Net profit margin has also improved similarly, with some offsets coming from higher tax provisions and financing costs.

This is a positive start to the year; however, as a result of the cyclical nature of the dairy business, we expect margins to soften

somewhat in Q2-3 as fresh milk costs increases.

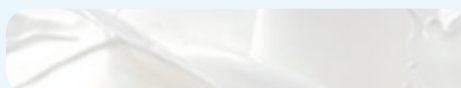
Despite these turbulent times, the Directors maintain a positive long term perspective on the outlook for the business.

For and on behalf
of the Board of Directors



TREVOR CLAYTON
Chief Executive

Lahore: April 20, 2009



Condensed Interim Balance Sheet

As at March 31, 2009 (Un-audited)

	Notes	Mar. 31, 2009 Rs'000	Dec. 31, 2008 Rs'000
Tangible fixed assets			
Property, plant and equipment	6	8,967,264	9,176,863
Assets subject to finance lease		280,444	287,510
Capital work-in-progress		1,491,179	1,382,401
		10,738,887	10,846,774
Intangible assets		39,085	49,744
Long term loans and advances		104,591	98,544
Long term security deposits		5,036	5,036
Current assets			
Stores and spares		817,593	804,647
Stock in trade		4,950,327	2,488,573
Trade debts		711,012	456,813
Current portion of long term loans and advances		26,137	26,615
Cash and bank balances		152,518	419,327
Advances, deposits, prepayments and other receivables		1,451,858	1,488,103
		8,109,445	5,684,078
Less: Current liabilities			
Current portion of liabilities against assets subject to finance lease		55,249	54,042
Short term borrowings - secured		-	300,000
Short term borrowings - unsecured		2,013,000	-
Short term running finance under markup arrangements - secured		2,037,192	1,924,287
Customer security deposits - interest free		126,762	127,884
Trade and other payables		3,536,928	2,798,185
Interest and mark-up accrued		99,768	102,173
		7,868,899	5,306,571
Net working capital		240,546	377,507
Total capital employed		11,128,145	11,377,605
Long term and deferred liabilities			
Long term finances		5,233,800	5,139,875
Deferred taxation		1,273,118	1,319,333
Retirement and other benefits		360,587	351,968
Liabilities against assets subject to finance lease		158,254	177,582
		7,025,759	6,988,758
Contingencies and commitments	5		
Net assets		4,102,386	4,388,847



Notes	Mar. 31, 2009 Rs'000	Dec. 31, 2008 Rs'000
-------	-------------------------------------	-------------------------------------

Financed by:

Share capital and reserves

Authorized capital

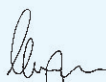
75,000,000 (2008: 75,000,000) ordinary
shares of Rs 10 each

	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	3,119,363	3,405,824
	4,102,386	4,388,847

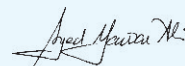
The annexed notes 1 to 11 form an integral part of these financial statements.



RAYMOND FRANKE
Head of Finance & Control



TREVOR CLAYTON
Chief Executive



SYED YAWAR ALI
Chairman




Condensed Interim Profit and Loss Account For the Three Months Period Ended March 31, 2009 (Un-audited)

	Mar. 31, 2009 Rs'000	Mar. 31, 2008 Rs'000
Sales - Net	9,238,883	8,427,252
Cost of goods sold	(6,266,617)	(6,003,326)
Gross profit	2,972,266	2,423,926
Distribution and selling expenses	(1,179,599)	(976,688)
Administration expenses	(246,323)	(235,201)
	(1,425,922)	(1,211,889)
Operating profit	1,546,344	1,212,037
Finance cost	(171,717)	(142,080)
Other operating expenses	(216,241)	(186,127)
	(387,958)	(328,207)
Other operating income	26,011	10,554
Profit before taxation	1,184,397	894,384
Taxation	(337,118)	(267,860)
Profit after taxation	847,279	626,524
Earnings per share - basic & diluted (Rupees)	18.68	13.82

The annexed notes 1 to 11 form an integral part of these financial statements.


RAYMOND FRANKE
Head of Finance & Control


TREVOR CLAYTON
Chief Executive


SYED YAWAR ALI
Chairman



Condensed Interim Cash Flow Statement

For the Three Months Period Ended March 31, 2009

(Un-audited)

	Notes	Mar. 31, 2009 Rs'000	Mar. 31, 2008 Rs'000
Cash flow from operating activities			
Cash (used in) operations	7	(1,379,659)	(106,785)
(Increase) in long term loans and advances		(5,569)	(21,088)
Decrease in long term deposits		-	869
(Decrease)/increase in customer security deposits - interest free		(1,122)	3,682
Retirement and other benefits paid		(18,830)	(14,086)
Finance cost paid		(174,122)	(172,656)
Taxes paid		(294,281)	(34,085)
Net cash (used in) operating activities		(1,873,583)	(344,149)
Cash flow from investing activities			
Fixed capital expenditure		(183,466)	(170,772)
Sale proceeds of property, plant and equipment		477	4,386
Net cash (used in) investing activities		(182,990)	(166,386)
Cash flow from financing activities			
Repayment of short term borrowings - secured		(300,000)	(200,000)
Receipt of short term borrowings - unsecured		1,995,000	-
Repayment of lease liabilities		(18,121)	(36,881)
Dividend paid		(20)	-
Net cash generated from financing activities		1,676,859	(236,881)
Net decrease in cash and cash equivalents		(379,714)	(747,416)
Cash and cash equivalents at beginning of the period		(1,504,960)	(1,231,574)
Cash and cash equivalents at end of the period		(1,884,674)	(1,978,990)
Cash and cash equivalents			
Cash and bank balances		152,518	54,315
Running finance under mark-up arrangements - secured		(2,037,192)	(2,033,305)
		(1,884,674)	(1,978,990)

The annexed notes 1 to 11 form an integral part of these financial statements.



RAYMOND FRANKE
Head of Finance & Control

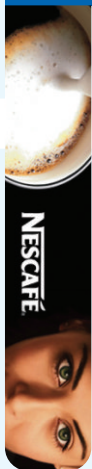


TREVOR CLAYTON
Chief Executive



SYED YAWAR ALI
Chairman





Condensed Interim Statement of Changes in Equity For the Three Months Period Ended March 31, 2009 (Un-audited)

	Share capital	Share premium	General reserve	Accumulated profits	Total
	(Rs'000)				
Balance as at December 31, 2007	453,496	249,527	280,000	3,128,682	4,111,705
Final dividend for the year ended December 31, 2007 (Rs 10 per share)	-	-	-	(453,496)	(453,496)
Total recognized income and expenses for the period	-	-	-	626,524	626,524
Balance as at March 31, 2008	453,496	249,527	280,000	3,301,710	4,284,733
1st Interim dividend for the year 2008 (Rs 9 per share)	-	-	-	(408,146)	(408,146)
2nd Interim dividend for the year 2008 (Rs 7.5 per share)	-	-	-	(340,122)	(340,122)
Total recognized income and expenses for the period	-	-	-	852,382	852,382
Balance as at December 31, 2008	453,496	249,527	280,000	3,405,824	4,388,847
Final dividend for the year ended December 31, 2008 (Rs 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total recognized income and expenses for the period	-	-	-	847,279	847,279
Balance as at March 31, 2009	453,496	249,527	280,000	3,119,363	4,102,386

The annexed notes 1 to 11 form an integral part of these financial statements.

RAYMOND FRANKE
Head of Finance & Control

TREVOR CLAYTON
Chief Executive

SYED YAWAR ALI
Chairman

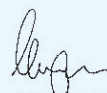
Condensed Interim Statement of Recognized Income and Expenses For the Three Months Period Ended March 31, 2009 (Un-audited)

	Mar. 31, 2009 Rs'000	Mar. 31, 2008 Rs'000
Amounts recognized directly into equity	-	-
Tax on actuarial losses recognized directly to equity	-	-
Net profit for the period	847,279	626,524
Total recognized income and expenses for the period	847,279	626,524

The annexed notes 1 to 11 form an integral part of these financial statements.



RAYMOND FRANKE
Head of Finance & Control



TREVOR CLAYTON
Chief Executive



SYED YAWAR ALI
Chairman



Selected Notes to the Condensed Interim Financial Information

For the Three Months Period Ended March 31, 2009 (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, processing and sale of food products (dairy, confectionery, culinary, coffee, beverages and drinking water). Registered office of the Company is situated at Babar Ali Foundation Building, 308 - Upper Mall, Lahore.
2. These financial statements are un-audited and have been presented in accordance with the requirements of International Accounting Standard "IAS-34 (Interim financial reporting)".
3. Accounting policies adopted for preparation of the condensed interim financial statements are same as those applied in the preparation of annual audited financial statements of the Company for year ended December 31, 2008.
4. The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that effect 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 these condensed interim financial statements, 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, 2008.

5. Contingencies and commitments

- 5.1 In 2002, Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST) filed a petition against the Government of Sindh challenging cancellation of its allotment of 300 acres of land in the Deh Chur allotted to it earlier and later made the Company a party to the suit, claiming that the land, the Company had acquired was a part of its cancelled land.

The Company contested the SZABIST claim on the grounds that land acquired by the Company could not be claimed by SZABIST since (a) SZABIST did not have the area demarcated as per regulations after it was allotted to it (b) it did not take official possession of the land, and (c) the land was cancelled by operation of law and hence it was only a dispute between SZABIST and the Government of Sindh. The Court agreed and directed the Government of Sindh to conduct a survey and set aside 300 acres of land for SZABIST in Deh Chur in case its claim is finally accepted by the Court. As such it is the management's view that the Company is likely to be discharged as a party to the suit as soon the 300 acres are earmarked by Sindh Government in Deh Chur. Furthermore, the legal advisor of the Company is of the opinion that at present no liability on the Company is likely to arise subject to final adjudication of the SZABIST petition.

- 5.2 Claims against the company not acknowledged as debts Rs 36.456 million (December 31, 2008: Rs 35.809 million).



	Mar. 31, 2009 Rs'000	Dec. 31, 2008 Rs'000
5.3 Guarantees		
Outstanding guarantees	161,708	164,399
Un-utilized portion	183,292	155,601
5.4 Commitments in respect of capital expenditure	607,677	403,374
5.5 Letters of credit		
Outstanding letters of credit in respect of capital expenditures	29,085	5,824
Other outstanding letters of credit	3,590	31,905
Un-utilized portion	1,504,325	1,369,271

5.6 In the year 2005 the Company had made a commitment to pay Rs 250 million to National Management Foundation to set up a School for Science and Engineering. The amount is to be paid over a period of six years. Upto December 31, 2008 Rs 140 million has been paid so far while Rs 10 million has been accounted for during first quarter of 2009.

	Mar. 31, 2009 Rs'000	Dec. 31, 2008 Rs'000
6. Property, plant and equipment		
Opening balance of written value	9,176,863	8,913,465
Additions during the period	74,688	1,460,078
	9,251,551	10,373,543
Book value of property, plant and equipment disposed off during the period	(4,660)	(68,754)
Depreciation charged during the period	(279,627)	(1,071,926)
Impairment charge	-	(56,000)
Net book value of property, plant and equipment	8,967,264	9,176,863



	Mar. 31, 2009 Rs'000	Mar. 31, 2008 Rs'000
7. Cash generated from operations		
Profit before taxation	1,184,397	894,384
Adjustment for non-cash charges and other items:		
Depreciation and amortization	297,350	263,352
Impairment loss	-	10,659
Loss on disposal of property, plant and equipment	4,183	7,859
Retirement benefits	27,449	22,029
Exchange loss on associated company loan	111,925	47,775
Finance cost	171,717	142,080
Profit before working capital changes	1,797,021	1,388,138
Effect on cash flow due to working capital changes:		
Decrease/(increase) in:		
Stores and spare	(12,945)	(59,878)
Stock in trade	(2,461,753)	(1,021,677)
Trade debts	(254,199)	(239,717)
Advances, deposits, prepayments and other receivables	(52,806)	(90,558)
(Decrease)/increase in:		
Trade and other payables	(394,977)	(83,093)
	(3,176,680)	(1,494,923)
	(1,379,659)	(106,785)

8. Transactions with related parties

Related parties comprise of associates undertakings, key management personnel and employees retirement benefit funds. Significant transactions with related parties are summarized as follows:



	Mar. 31, 2009 Rs'000	Mar. 31, 2008 Rs'000
Associated companies:		
Royalty and technical assistance fee	247,819	226,079
Purchase of goods, services and rental	2,006,398	1,069,843
Interest on loan	71,921	67,052
Donation	10,000	13,000
Loan to associate	4,000	-
Contribution to staff retirement benefits plan	27,449	22,029

All transactions with related parties have been carried out on commercial 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 analysis for the three months ended March 31, 2009:

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	8,096,266	1,029,469	113,148	9,238,883
Inter-segment sales	-	-	-	-
Total revenue	8,096,266	1,029,469	113,148	9,238,883
Profit before tax and unallocated expenses	1,608,833	(31,171)	(31,318)	1,546,344
Unallocated corporate expenses:				
Finance cost				(171,717)
Other operating expenses				(216,241)
Other operating income				26,011
Taxation				(337,118)
Profit after taxation				847,279



Segment analysis for the three months ended March 31, 2008:

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	7,430,499	889,340	107,413	8,427,252
Inter-segment sales	-	-	-	-
Total revenue	7,430,499	889,340	107,413	8,427,252
Profit before tax and unallocated expenses	1,203,518	8,392	127	1,212,037
Unallocated corporate expenses:				
Finance cost				(142,080)
Other operating expenses				(186,127)
Other operating income				10,554
Taxation				(267,860)
Profit after taxation				626,524

10. Date of authorization for issue

These condensed interim financial statements were authorized for issue on April 20, 2009 by the Board of Directors.

11. Corresponding figures

11.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.

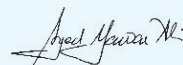
11.2 Figures have been rounded off to the nearest of thousand of rupee.



RAYMOND FRANKE
Head of Finance & Control



TREVOR CLAYTON
Chief Executive



SYED YAWAR ALI
Chairman



COMPANY INFORMATION

Board of Directors

Syed Yawar Ali
Trevor Clayton
Fritz Van Dijk
Raymond Franke
A. Cantacuzene
Syed Babar Ali
Syed Hyder Ali

Chairman
Managing Director
Director
Director
Director
Director
Director

Company Secretary

Mohammad Ali Sadozai

Management

Adil Aali
Arsalan Khan
Ali Sadozai
Fakhar Ahmed
Haseeb Aslam
Jack Moser
Khurram Zia
Khurram Javed
Nauman Khan
Peter Wuethrich
Raymond Franke
Trevor Clayton
Samra Maqbool
Salman Nazir
Shaheen Sadiq
Usman Bhatti
Uzma Butt
Zafar Hussain Shah

Head of Quality Assurance
Business Manager-Beverages
Head of Legal Affairs
Head of Corporate Affairs
Country Business Manager-Water
Head of Milk Collection and Agri-Services
Business Executive Manager-Ambient Dairy
Business Manager-Chilled Dairy
Country Business Manager - Nestle Professional
Head of Technical
Head of Finance & Control
Managing Director
Business Manager-Culinary
Head of Supply Chain
Head of Communications
Country Business Manager-Nutrition
Head of Human Resources
Head of Sales

Registered & Corporate Office

308 - Upper Mall, Lahore, Pakistan
PABX : (042) 111 637 853
Fax : (042) 5789303

Corporate Office Annex

304 - Upper Mall, Lahore.
Park Lane Towers
1st & 2nd Floor, Tufail Road,
Lahore, Pakistan
PABX : (042) 6099300



Factories

Sheikhupura

29th Kilometer, Lahore - Sheikhupura Road
Sheikhupura, Punjab, Pakistan
Phone: (056) 3406615 - 29 Fax: (042) 6368710

Kabirwala

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

Karachi

Plot No. 823, North Western Industrial Area,
Port Qasim, Karachi - 74900, Pakistan
Phone: (021) 4720151-3 Fax: (021) 4720154

Plot No. 33/7, Sector 15, Korangi Industrial Area,
Karachi - 74900, Pakistan
Phone: (021) 111 123 333 Fax: (021) 5066996

Islamabad

Plot No. 32, Street 3, Sector I-10/3, Industrial Area,
Islamabad, Pakistan
Phone: (051) 4445991 - 93 Fax: (051) 4445997

Auditors

KPMG Taseer Hadi & Co. (Chartered Accountants)

Share Registrar / Transfer Agent

Gorsi Associates (Pvt.) Limited.

Legal Advisor

Chima & Ibrahim (Advocates)

Bankers

The Royal Bank of Scotland
Allied Bank Limited
Citibank N.A.
Deutsche Bank A.G.
Habib Bank Ltd.
MCB Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Limited
National Bank of Pakistan



www.nestle.pk



Nes

©Nestlé Pakistan Ltd.

308 Upper Mall, Lahore. Pakistan

Te: +92 42 111 637 853 Fax: +92 42 5789303