

Report for the 1st quarter ended
March 31, 2015



stl̄e



Nestlé

Good Food, Good Life

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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, 2015.

During the first quarter of 2015, the sociopolitical situation of the country remained unchanged. The poor law and order conditions and energy crisis have adversely impacted the purchasing power of the consumer.

Despite all these challenges, we are pleased to report a growth in top line by 5.6% ahead of GDP of the Country.

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

Sales:

	Jan – Mar 2015 PKR Million	Jan – Mar 2014 PKR Million	Change
Sales	25,344	24,004	+ 5.6%
Gross Profit	9,540	7,080	+34.7%
% of sales	37.6%	29.5%	
Operating Profit	6,050	3,797	+ 59.4%
% of sales	23.9%	15.8%	
Net Profit after tax	3,674	2,079	+76.7%
% of sales	14.5%	8.7%	
Earnings per share	81.01	45.83	+76.7%

The sales revenue stood at PKR 25 billion registering growth of +5.6% compared to same period last year. Our export sales during the period stood at PKR 1.5 billion.

Gross Profit:

Our gross margins increased by 810 bps compared to the same period last year mainly due to extended cool weather positively impacting milk flush and relatively stable fresh milk prices. Further, the prices of dairy related commodities in international market combined with strong

Pak Rupee have positively impacted in input cost.

Operating Profit:

The operating profit reached PKR 6.0 billion registering at +59.4% growth vs. same period last year, this was achieved through improved gross profit margin and effective cost management. We have reduced waste in the value chain by approximately PKR 275 million, which has allowed improving margins whilst reducing prices to the consumer, for NESTLÉ MILKPAK and NESTLÉ EVERYDAY liquid.

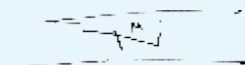
Net Profit after tax:

Our net profit after tax reached to PKR 3.6 billion, registering a growth of 76.7% vs. same period last year.

Future Outlook:

Having faith in strong potential of Pakistan fuelled by its growing 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



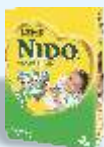
MAGDI BATATO
Chief Executive

Lahore: April 23, 2015



Condensed Interim Balance Sheet As at March 31, 2015 (Un-audited)

	Notes	Mar. 31, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
Tangible fixed assets			
Property, plant and equipment	6	30,615,222	30,550,199
Capital work-in-progress		1,506,069	2,233,971
		32,121,291	32,784,170
Goodwill		167,546	167,546
Long term loans and advances		303,220	317,600
Long term deposits and prepayments	7	74,180	55,599
Current assets			
Stores and spares		1,263,676	1,208,547
Stock in trade		14,336,361	9,763,987
Trade debts		1,100,905	272,321
Current portion of long term loans and advances		74,877	76,082
Advances, deposits, prepayments and other receivables		7,394,269	6,858,700
Cash and bank balances		311,180	226,143
		24,481,268	18,405,780
Less: current liabilities			
Current portion of non current liabilities		2,932,664	3,082,979
Short term borrowings		2,037,500	4,013,825
Short term running finance under mark-up arrangements - secured		10,588,468	5,949,914
Customers security deposits - interest free		193,883	220,957
Trade and other payables		14,093,633	14,361,913
Interest and mark-up accrue		270,562	147,652
		30,116,710	27,777,240
Net working capital		(5,635,442)	(9,371,460)
Total capital employed		27,030,795	23,953,455
Long term and deferred liabilities			
Long term finances		6,309,854	6,951,459
Deferred taxation		3,261,196	3,263,372
Retirement and other benefits		1,149,094	1,110,999
		10,720,144	11,325,830
Contingencies and commitments	5		
Net assets		16,310,651	12,627,625



Mar. 31, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
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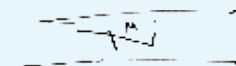
Financed by:
Share capital and reserves

Authorized capital 75,000,000 (2014: 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	(4,756)	(13,999)
Accumulated profit	15,332,384	11,658,601
	16,310,651	12,627,625

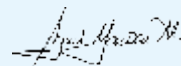
The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



JOHN MICHAEL DAVIS
Head of Finance & Control



MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Profit and Loss Account For Three Months Period Ended March 31, 2015 (Un-audited)

	<u>Three months ended</u>	
	Mar. 31, 2015 Rs'000	Mar. 31, 2014 Rs'000
Sales - net	25,343,669	24,003,553
Cost of goods sold	(15,803,717)	(16,923,165)
Gross profit	9,539,952	7,080,388
Distribution and selling expenses	(2,891,204)	(2,729,589)
Administration expenses	(599,181)	(554,010)
	(3,490,385)	(3,283,599)
Operating profit	6,049,567	3,796,789
Finance cost	(432,531)	(583,190)
Other operating expenses	(448,120)	(366,604)
	(880,651)	(949,794)
Other income	53,941	502,070
Profit before taxation	5,222,857	3,349,065
Taxation	(1,549,074)	(1,270,537)
Profit after taxation	3,673,783	2,078,528
Earnings per share – basic and diluted (Rupees)	81.01	45.83

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.


JOHN MICHAEL DAVIS
Head of Finance & Control


MAGDI BATATO
Chief Executive


SYED YAWAR ALI
Chairman



Condensed Interim Statement of Comprehensive Income

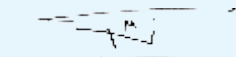
For the Three Months Period Ended March 31, 2015 (Un-audited)

	<u>Three months ended</u>	
	Mar. 31, 2015 Rs'000	Mar. 31, 2014 Rs'000
Profit after taxation	3,673,786	2,078,528
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	14,220	-
Related tax	(4,977)	-
	9,243	-
Total comprehensive income for the period	3,683,026	2,078,528

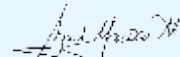
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JOHN MICHAEL DAVIS
Head of Finance & Control



MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Cash Flow Statement

For the Three Months Period Ended March 31, 2015

(Un-audited)

	Note	Mar. 31, 2015 Rs'000	Mar. 31, 2014 Rs'000
Cash flow from operating activities			
Cash generated from / (used in) operations	8	154,114	(546,242)
Decrease in long term loans and advances		15,585	1,925
(Increase) / decrease in long term deposits and prepayments		(18,581)	1,688
(Decrease) / increase in customer security deposits - interest free		(27,074)	3,358
Retirement benefits paid		(53,040)	(17,822)
Finance cost paid		(229,660)	(525,072)
Taxes paid		(1,328,775)	(831,372)
Net cash used in operating activities		(1,487,431)	(1,913,537)
Cash flow from investing activities			
Fixed capital expenditure		(217,338)	(175,287)
Sale proceeds of property, plant and equipment		46,614	14,043
Net cash used in investing activities		(170,724)	(161,244)
Cash flow from financing activities			
Repayment from long term finances		(848,319)	(686,394)
Repayment from short term borrowings		(1,976,325)	-
Dividend paid		-	(922)
Net movement in hedging reserves		(70,718)	-
Net cash used in financing activities		(2,895,362)	(687,316)
Net decrease in cash and cash equivalents		(4,553,517)	(2,762,097)
Cash and cash equivalents at beginning of the period		(5,723,771)	(2,636,526)
Cash and cash equivalents at end of the period		(10,227,288)	(5,398,623)
Cash and cash equivalents			
Cash and bank balances		311,180	671,646
Short term running finance under mark-up arrangements – secured		(10,588,468)	(6,070,269)
		(10,277,288)	(5,398,623)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

JOHN MICHAEL DAVIS
Head of Finance & Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman



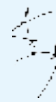
Condensed Interim Statement of Changes in Equity

For the Three Months Period Ended March 30, 2015 (Un-audited)

	Reserve					Total
	Capital Reserve			Revenue Reserve		
	Share capital	Share premium	Hedging reserve	General reserve	Accumulated profits	
					(Rs'000)	
Balance as at December 31, 2013	453,496	249,527	-	280,000	10,876,134	11,859,157
Total comprehensive income for the period	-	-	-	-	2,078,528	2,078,528
Balance as at March 31, 2014	453,496	249,527	-	280,000	12,954,662	13,937,685
Final dividend for the year ended						
December 31, 2013 (Rs. 75 per share)	-	-	-	-	(3,401,219)	(3,401,219)
Interim dividend for the six months period ended						
June 30, 2014 (Rs. 30 per share)	-	-	-	-	(1,360,488)	(1,360,488)
Interim dividend for the nine months period ended						
September 30, 2014 (Rs. 50 per share)	-	-	-	-	(2,267,479)	(2,267,479)
Total comprehensive income for the year:						
Profit after tax	-	-	-	-	5,850,743	5,850,743
Cashflow hedges - effective portion of changes in fair value-net	-	-	(13,999)	-	-	(13,999)
Remeasurement of net retirement benefit liability recognized directly in the equity	-	-	-	-	(117,618)	(117,618)
Balance as at December 31, 2014	453,496	249,527	(13,999)	-	5,733,125	5,719,126
			(13,999)	280,000	11,658,601	12,627,625

	Reserve				Total
	Share capital	Capital Reserve	Revenue Reserve		
		Share premium	Hedging reserve	General reserve	Accumulated profits
					(Rs'000)
Total comprehensive income for the year:					
Profit after tax	-	-	-	-	3,673,783
Cashflow hedges - effective portion of changes in fair value-net	-	-	9,243	-	9,243
Remeasurement of net retirement benefit liability recognized directly in the equity	-	-	-	-	-
	-	-	9,243	-	3,673,783
Balance as at March 31, 2015	453,496	249,527	(4,756)	280,000	16,310,651

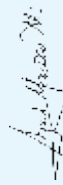
The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



JOHN MICHAEL DAVIS
Head of Finance & Control



MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman

Notes to the Condensed Interim Financial Information

For the Three Months Period Ended March 31, 2015 (Un-audited)

1. Legal status and nature of business

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. Basis of preparation

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, 2015 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 Judgements and estimates

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, 2014.

3. Significant accounting policies

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, 2014.

4. Long term finances from associated company - Unsecured

These represent US\$ 30.625 million unsecured loan from Nestlé Treasury Centre Middle East and Africa Limited, Dubai - a related party. As per the original loan agreements, the repayments of US\$ 15 million and US\$ 50 million were to be made on 27 December 2015 and 30 May 2016, respectively. Under the revised terms, duly authorized by the State Bank of Pakistan, US\$ 15 million is now payable in 8 equal quarterly instalments amounting to US\$ 1.875 million each, starting from March 2014 and ending on December 2015 and US\$ 50 million is now payable in 10 equal quarterly instalments amounting to US\$ 5 million each, starting from March 2014 and ending on May 2016. Mark-up is also payable along with new principal repayment schedule (Quarterly) at 6 months LIBOR plus 150 basis points. The outstanding balance as at March 31, 2015 has been converted into rupees at the exchange rate prevailing at the balance sheet date.



5. Contingencies and commitments

- 5.1 There is no material contingency as at balance sheet date.
- 5.2 Claims against the company not acknowledged as debts Rs Nil (December 31, 2014: Rs Nil).

	Mar. 31, 2015 Rs'000	Dec. 31, 2014 Rs'000
5.3 Guarantees		
Outstanding guarantees	164,966	164,996
Un-utilized portion	385,034	385,034
5.4 Commitments in respect of capital expenditure	938,734	254,401
5.5 Letters of credit		
Other outstanding letters of credit	1,628,007	1,409,258
Un-utilized portion	7,850,118	6,992,915
	Mar. 31, 2015 Rs'000	Dec. 31, 2014 Rs'000

6. Tangible fixed assets

6.1 Property, plant and equipment

Opening balance - Net book value	30,550,199	31,467,872
Additions during the period	945,239	2,819,292
	31,495,438	34,287,164
Book value of property, plant and equipment disposed off during the period	(43,114)	(328,428)
Depreciation charged during the period	(837,102)	(3,237,230)
Impairment charge	-	(171,307)
Closing balance at net book value	30,615,222	30,550,199

7. Long term loans and advances

It includes long term interest free loan amounting to Rs. 3.30 million, out of which Rs. 0.56 million is outstanding as at March 31, 2015 (2014: 0.9 million), given to Chief Executive of the Company for purchase of vehicle in line with the company policy. The loan has been approved by the SECP and Board of Directors of the company.



	Mar. 31, 2015 Rs'000	Dec. 31, 2014 Rs'000
8. Cash generated from operations		
Profit before taxation	5,222,857	3,349,065
Adjustment for non-cash charges and other items:		
Depreciation and amortization	837,102	806,604
Exchange rate loss on derivative financial liability	79,961	-
(Gain) / loss on disposal of property, plant and equipment	(3,498)	36,529
Provision for staff retirement benefits	91,135	61,607
Provision for stock in trade - raw and pack	(52,119)	-
Provision for stock in trade - finished good	(1,586)	-
Exchange loss / (gain) on foreign currency loan	56,399	(461,159)
Finance cost	352,570	583,190
Profit before working capital changes	6,582,821	4,375,836
Effect on cash flow due to working capital changes:		
(Increase) / decrease in:		
Stores and spares	(55,129)	60,457
Stock in trade	(4,518,669)	(3,662,904)
Trade debts	(828,584)	(166,954)
Advances, deposits, prepayments and other receivables	(566,136)	(1,195,357)
(Decrease) / increase in:		
Trade and other payables	(460,189)	42,680
	(6,428,707)	(4,922,078)
	154,114	(546,242)

9. 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, 2015 Rs'000	Mar. 31, 2014 Rs'000
Associated companies:		
Royalty and technical assistance fee	685,898	655,023
Purchase of goods, services and rental	3,036,701	3,904,187
Repayment of IG loan	692,875	-
Interest on IG loan	17,555	27,454
Other related parties		
Contribution to staff retirement benefit plan	91,135	61,607
Remuneration to key management personnel	844,586	684,774

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



10. 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

Segment analysis for the three months ended March 31, 2015

	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 tax and 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

Segment analysis for the three months ended March 31, 2014



	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	19,756,959	4,030,186	216,408	24,003,553
Inter-segment sales	-	-	-	-
Total revenue	19,756,959	4,030,186	216,408	24,003,553
Depreciation and amortization	(561,016)	(215,183)	(30,405)	(806,604)
Operating profit before tax and before unallocated expenses	3,302,429	601,308	(106,948)	3,796,789
Unallocated corporate expenses:				
Finance cost				(583,190)
Other operating expenses				(366,604)
Other income				502,070
Taxation				(1,270,537)
Profit after taxation				2,078,528

Reportable segment assets and liabilities

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
As at march 31, 2015				
Segment assets	34,614,383	13,290,986	916,864	48,822,233
Unallocated assets				8,325,272
Total assets				57,147,505
Segment liabilities	11,368,541	2,818,746	100,229	14,287,515
Unallocated liabilities				26,549,339
Total liabilities				40,836,854
As at December 31, 2014				
Segment assets	30,510,109	12,574,043	937,624	44,021,776
Unallocated assets				7,708,919
Total assets				51,730,695
Segment liabilities	11,523,190	2,937,023	108,004	14,568,217
Unallocated liabilities				24,534,853
Total liabilities				39,103,070



11. **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, 2014.

12. **Date of authorization for issue**

This condensed interim financial information was authorized for issue on April 23, 2015 by the Board of Directors.

13. **Dividend**

The board of directors in their meeting held on April 23, 2015 have proposed interim cash dividend for the three months ended March 31, 2015 of Rs. Nil per share, amounting to Rs. Nil (March 31, 2014 : Rs. Nil). This financial information does not reflect this dividend.

14. **Corresponding figures**

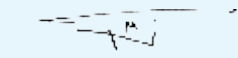
Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.

15. **General**

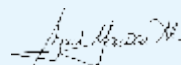
Figures have been rounded off to the nearest of thousand rupee.



JOHN MICHAEL DAVIS
Head of Finance & Control



MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman

COMPANY INFORMATION

Board of Directors

Syed Yawar Ali	Chairman
Mr. Magdi Batato	Managing Director
Syed Babar Ali	Director
Syed Hyder Ali	Director
Mr. Osman Khalid Waheed	Director
Mr. John Davis	Director
Mr. Pierre Schaufelberger	Director
Mr. Naveed A. Khan	Director
Mr. Faïçal Krichane	Director

Company Secretary

Ali Sadozai

Management

Abdullah Jawaïd	Business Executive Manager Chilled Dairy
Ali Sadozai	Head of Legal Affairs & Company Secretary
Arsalan Khan	Head of Sales
Asim Rifat	CBM, Maternal & Infant Nutrition
Babar Khan	Business Manager, Juices
Faisal Akhtar Rana	Business Executive Manager, Coffee, Milk Modifiers & Cereals
John Davis	Head of Finance and Control
Magdi Batato	Managing Director
Nadia Omer	Head of Nestlé Continuous Excellence
Nadji Rekhif	Business Executive Manager, Food
Nauman Khan	CBM, Nestlé Professional
Naveed Khan	Head of Technical
Roland Stieger	Business Executive Manager, Ambient Dairy
Rustem Oguz	Head of Supply Chain
Samra Maqbool	Head of Communication & Marketing Services
Shahzad Umar	Head of Human Resource
Waqar Ahmad Sheikh	Head of Corporate Affairs

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
Barclays Bank PLC, Pakistan
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Ltd.
KASB Bank Ltd
MCB Bank Ltd.
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