

Report for the 3rd quarter ended
September 30, 2012



stlé



Nestlé

Good Food, Good Life



contents

Directors' Report to the Shareholders	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 are pleased to submit the third quarter report along with condensed interim financial information of the Company for the nine months period ended September 30, 2012.

The economic conditions of the Country remained challenging due to the ongoing energy crisis, high inflationary trends and deteriorating law and order situations. Despite this the Company continued in its journey of double digit profitable growth.

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

	Jan - Sep 2012 PKR Million	Jan - Sep 2011 PKR Million	Change %
Sales	59,977	48,850	+ 23%
Operating Profit	8,426	6,479	+ 30%
% of sales	14.0%	13.3%	
Net Profit	4,329	3,746	+ 16%
% of sales	7.2%	7.7%	
Earnings per share	95.46	82.61	+ 16%

Sales:

The company achieved sales revenue of 60 billion for the nine months period with a growth of 23% compared to same period last year.

Operating Profit:

Despite the worsening economic conditions, social unrest and the ongoing energy crisis in the country, our gross margins improved by 120 bps compared to the same period last year. This has been the result of comparatively lower increase in input cost of commodities, improvement of product mix and effective cost saving initiatives.

The operating profit reached PKR 8.4 billion recording +30% growth over the same period last year.

Net Profit:

Financial charges significantly increased due to additional financing obtained for capacity extensions and to meet working capital requirements. Our Net profit stood at PKR 4.3 billion registering +16% growth over same period last year.

Future Outlook:

The Company retains confidence in the strong potential of Pakistan despite the challenging times, and seeks to continue to invest to drive sustainable profitable growth and meet consumer demand.

For and on behalf
of the Board of Directors



MAGDI BATATO
Chief Executive

Lahore: October 17, 2012



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

	Note	Sep. 30, 2012 Rs'000 (Un-audited)	Dec. 31, 2011 Rs'000 (Audited)
Tangible fixed assets			
Property, plant and equipment	7.1	19,034,945	16,088,929
Assets subject to finance lease	7.2	92,275	141,599
Capital work-in-progress		9,724,982	5,370,561
		28,852,202	21,601,089
Intangible assets			
		8,368	11,954
Long term loans and advances			
		215,781	161,982
Long term security deposits			
		9,817	9,817
Current assets			
Stores and spares		1,297,963	1,278,416
Stock in trade		8,730,213	7,064,170
Trade debts		988,828	276,858
Current portion of long term loans and advances		44,211	30,914
Advances, deposits, prepayments and other receivables		6,057,860	4,042,634
Cash and bank balances		926,347	702,025
		18,045,422	13,395,017
Less: Current liabilities			
Current portion of liabilities against assets subject to finance lease		22,639	41,587
Short term borrowings – secured		10,400,000	4,950,000
Short term running finance under mark-up arrangements – secured		4,370,686	4,175,236
Customer security deposits – interest free		175,456	149,791
Trade and other payables		8,669,077	7,343,507
Interest and mark-up accrued		293,976	128,334
		23,931,834	16,788,455
Net working capital		(5,886,412)	(3,393,438)
Total capital employed		23,199,756	18,391,404
Long term and deferred liabilities			
Long term finances	5	9,662,325	7,848,050
Deferred taxation		2,951,588	2,476,871
Retirement benefits		458,377	440,377
Liabilities against assets subject to finance lease		-	13,690
		13,072,290	10,778,988
Contingencies and commitments			
	6		
Net assets		10,127,466	7,612,416



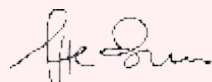
Sep. 30,
2012
Rs'000
(Un-audited)

Dec. 31,
2011
Rs'000
(Audited)

Financed by:
Share capital and reserves

	750,000	750,000
Authorized capital 75,000,000 (2011: 75,000,000) ordinary shares of Rs 10 each		
Issued, subscribed and paid-up capital	453,496	453,496
Share premium	249,527	249,527
General reserve	280,000	280,000
Accumulated profit	9,144,443	6,629,393
	10,127,466	7,612,416

The annexed notes 1 to 13 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 Nine Months Period Ended September 30, 2012 (Un-audited)

	<u>Nine months ended</u>		<u>Three months ended</u>	
	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000
Sales - net	59,976,644	48,850,413	18,797,630	15,908,880
Cost of goods sold	(43,442,156)	(35,938,218)	(13,579,379)	(11,902,489)
Gross profit	16,534,488	12,912,195	5,218,251	4,006,391
Distribution and selling expenses	(6,816,892)	(5,357,096)	(2,115,635)	(1,613,930)
Administrative expenses	(1,291,473)	(1,076,422)	(412,794)	(357,417)
	(8,108,365)	(6,433,518)	(2,528,429)	(1,971,347)
Operating profit	8,426,123	6,478,677	2,689,822	2,035,044
Finance cost	(1,577,375)	(826,366)	(572,843)	(332,928)
Other operating expenses	(1,044,313)	(631,359)	(203,875)	(268,139)
	(2,621,688)	(1,457,725)	(776,718)	(601,067)
Other operating income	114,525	139,082	23,526	55,339
Profit before taxation	5,918,960	5,160,034	1,936,630	1,489,316
Taxation	(1,589,927)	(1,413,575)	(518,623)	(373,604)
Profit after taxation	4,329,033	3,746,459	1,418,007	1,115,712
Earnings per share – basic and diluted (Rupees)	95.46	82.61	31.27	24.60

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


GIUSEPPE BONANNO
Head of Finance & Control


MAGDI BATATO
Chief Executive


SYED YAWAR ALI
Chairman

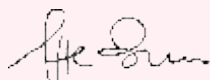


Condensed Interim Statement of Comprehensive Income

For the Nine Months Period Ended September 30, 2012 (Un-audited)

	<u>Nine months ended</u>		<u>Three months ended</u>	
	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000
Profit after taxation	4,329,033	3,746,459	1,418,007	1,115,712
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	4,329,033	3,746,459	1,418,007	1,115,712

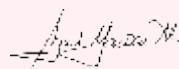
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GIUSEPPE BONANNO
Head of Finance & Control



MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman



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

	Note	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000
Cash flow from operating activities			
Cash generated from operations	8	7,010,519	3,984,667
Increase in long term loans and advances		(67,096)	(55,237)
Increase in customer security deposits - interest free		25,665	16,381
Retirement and other benefits paid		(137,756)	(109,516)
Finance cost paid		(1,411,733)	(697,084)
Taxes paid		(1,620,910)	(1,373,639)
Net cash inflow from operating activities		3,798,689	1,765,572
Cash flow from investing activities			
Fixed capital expenditure		(8,969,134)	(3,144,930)
Sale proceeds of property, plant and equipment		94,856	93,743
Net cash (used in) investing activities		(8,874,278)	(3,051,188)
Cash flow from financing activities			
Proceeds from long term finances		1,500,000	-
Net movement in short term borrowings - secured		5,450,000	3,550,000
Payment of finance lease liabilities		(32,638)	(46,162)
Dividend paid		(1,812,901)	(1,359,603)
Net cash inflow from financing activities		5,104,461	2,144,235
Net increase in cash and cash equivalents		28,872	858,619
Cash and cash equivalents at beginning of the period		(3,473,211)	(2,275,327)
Cash and cash equivalents at end of the period		(3,444,339)	(1,416,708)
Cash and cash equivalents			
Cash and bank balances		926,347	664,990
Short term running finance under mark-up arrangements – secured		(4,370,686)	(2,081,698)
		(3,444,339)	(1,416,708)

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


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Head of Finance & Control


MAGDI BATATO
Chief Executive



SYED YAWAR ALI
Chairman



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

	Share capital	Share premium	General reserve	Accumulated profits	Total
	(Rs'000)				
Balance as at December 31, 2010	453,496	249,527	280,000	4,598,850	5,581,873
Final dividend for the year ended December 31, 2010 (Rs 30 per share)	-	-	-	(1,360,488)	(1,360,488)
Total comprehensive income for the period	-	-	-	3,746,459	3,746,459
Balance as at September 30, 2011	453,496	249,527	280,000	6,984,821	7,967,844
Interim dividend for the nine months period ended September 30, 2011 (Rs. 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total comprehensive income for the period	-	-	-	778,312	778,312
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	-	-	-	4,329,033	4,329,033
Balance as at September 30, 2012	453,496	249,527	280,000	9,144,443	10,127,466

The annexed notes 1 to 13 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 Nine Months Period Ended September 30, 2012 (Un-audited)

1. Nestlé Pakistan Ltd. ("the Company") is a public limited company incorporated in Pakistan and its shares are quoted on the Karachi and Lahore Stock exchanges. The principal activity of the Company is manufacturing, purchase, processing and sale of food products (dairy, confectionery, culinary, coffee, beverages, infant nutrition and drinking water). Registered office of the Company is situated at Babar Ali Foundation Building, 308 - Upper Mall, Lahore.
2. This condensed interim financial information (un-audited) of the company for the nine months period ended 30 September 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.
3. Accounting policies adopted for the preparation of the condensed interim financial information are same as those applied in the preparation of annual audited financial statements of the Company for the year ended 31 December 2011.
4. The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2011.
5. **Long term finances**
This includes US\$ 65 million (2011 : US\$ 65 million) loan from Nestle Treasury Centre Middle East and Africa Limited, Dubai. US\$ 15 million is due in December 2015 and US\$ 50 million is due in May 2016. Mark-up is payable semi annually at six months average LIBOR plus 150 basis points.
6. **Contingencies and commitments**
 - 6.1 There is no material contingency as at balance sheet date.
 - 6.2 Claims against the company not acknowledged as debts Rs 5.179 million (December 31, 2011: Rs 5.179 million).



	Sep. 30, 2012 Rs'000	Dec. 31, 2011 Rs'000
6.3 Guarantees		
Outstanding guarantees	263,124	218,633
Un-utilized portion	131,876	116,367
6.4 Commitments in respect of capital expenditure	3,955,673	363,958
6.5 Letters of credit		
Outstanding letters of credit	1,055,066	1,403,221
Un-utilized portion	3,518,098	2,269,944
7. Tangible fixed assets		
7.1 Property, plant and equipment		
Opening balance - Net book value	16,088,929	11,139,623
Additions during the period	4,650,977	6,708,681
	20,739,906	17,848,304
Book value of property, plant and equipment disposed off during the period	(187,207)	(165,567)
Depreciation charged during the period	(1,517,754)	(1,586,008)
Impairment charge	-	(7,800)
	19,034,945	16,088,929
7.2 Assets subject to finance lease		
Opening balance at net book value	141,599	230,988
Additions during the period	-	-
	141,599	230,988
Book value of leased asset transfers during the period	(36,265)	(61,908)
Depreciation charged during the period	(13,059)	(27,481)
	92,275	141,599



	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000
8. Cash generated from operations		
Profit before taxation	5,918,960	5,160,034
Adjustment for non-cash charges and other items:		
Depreciation	1,530,813	1,159,319
Impairment loss	-	7,359
Amortization of intangible assets	3,586	3,586
Provisions for doubtful debts	-	6,088
Loss on disposal of property, plants and equipment	92,354	46,716
Retirement benefits	155,756	128,656
Finance cost and exchange loss on foreign currency loan	1,891,650	979,366
Profit before working capital changes	9,593,119	7,491,124
Effect on cash flow due to working capital changes:		
Increase in:		
Stores and spare	(19,548)	(180,963)
Stock in trade	(1,666,043)	(2,944,688)
Trade debts	(711,970)	(667,266)
Advances, deposits, prepayments and other receivables	(1,509,525)	(1,221,338)
Increase in:		
Trade and other payables	1,324,486	1,507,798
	(2,582,600)	(3,506,457)
	7,010,519	3,984,667

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:

	Sep. 30, 2012 Rs'000	Sep. 30, 2011 Rs'000
Associated companies and other related parties:		
Royalty and technical assistance fee	1,624,207	1,325,568
Purchase of goods, services and rental	10,709,428	5,535,443
Interest on loan	104,436	105,998
Donation	7,500	-
Contribution to staff retirement benefits plan	155,756	128,656

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 nine months ended September 30, 2012

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	49,769,703	9,570,840	636,101	59,976,644
Inter-segment sales	-	-	-	-
Total revenue	49,769,703	9,570,840	636,101	59,976,644
Depreciation and amortization	1,182,607	329,692	22,100	1,534,399
Profit before tax and unallocated expenses	7,283,290	1,416,237	(273,404)	8,426,123
Unallocated corporate expenses:				
Finance cost				(1,577,375)
Other operating expenses				(1,044,313)
Other operating income				114,525
Taxation				(1,589,927)
Profit after taxation				4,329,033



Segment analysis for the nine months ended September 30, 2011

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	41,386,414	7,047,347	416,652	48,850,413
Inter-segment sales	-	-	-	-
Total revenue	41,386,414	7,047,347	416,652	48,850,413
Depreciation and amortization	914,570	240,704	7,631	1,162,905
Profit before tax and unallocated expenses	5,921,642	748,084	(191,049)	6,478,677
Unallocated corporate expenses:				
Finance cost				(826,366)
Other operating expenses				(631,359)
Other operating income				139,082
Taxation				(1,413,575)
Profit after taxation				3,746,459

11. Date of authorization for issue

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

12. Dividend

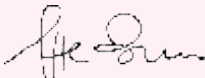
The board of directors in their meeting held on October 17, 2012 have proposed interim cash dividend for the nine months ended September 30, 2012 of Rs. Nil per share, amounting to Rs. Nil (2011:Rs.1,813.983 million). This financial information does not reflect this dividend.

13. Corresponding figures

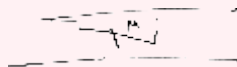
Figures have been rounded off to the nearest thousand of rupee.

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

13.2 Figures have been rounded off to the nearest of 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	Chairman
Magdi Batato	Managing Director
Naveed Ahmad Khan	Director
Giuseppe Bonanno	Director
Pierre Schaufelberger	Director
Syed Babar Ali	Director
Syed Hyder Ali	Director

Company Secretary

Giuseppe Bonanno

Management

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

Registered & Corporate Office

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

Corporate Office Annex

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



Factories

Sheikhupura

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

Kabirwala

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

Karachi

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

Islamabad

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

Auditors

KPMG Taseer Hadi & Co. (Chartered Accountants)

Share Registrar / Transfer Agent

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

Legal Advisor

Chima & Ibrahim (Advocates)

Bankers

Allied Bank Limited
Bank Al-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



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Nes

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