

Condensed interim financial information
for the three months ended March 31, 2020



Nestlé

Good Food, Good Life

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to submit the first quarter report along with the condensed interim financial statements of the company for the three months period ended March 31, 2020.

The COVID-19 crisis is having an extraordinary and far-reaching impact on all our lives. Since the earliest stages of the pandemic, we have been working closely with local authorities and business partners to respond to the challenge. We have three key priorities: safeguarding the health and wellbeing of our employees, ensuring business continuity to meet consumer needs and supporting communities with relief efforts.

In order to meet the nutritional needs of both affected and frontline heroes during these times, Nestlé Pakistan has committed PKR 100 million in the national response to the COVID-19 pandemic. As part of the pledge, the company is providing product and cash donations, which includes 4 million servings of milk, iron fortified dairy products, baby cereals, water and juices. Nestlé Pakistan has also partnered with Pakistan Red Crescent Society (PRCS) and will benefit from its unmatched presence and expertise in providing first-aid, emergency response and epidemic control. Cash donation provided by Nestlé Pakistan will be utilized for installation of hand hygiene stations at public places, quarantine and health facilities across Balochistan and Khyber Pakhtunkhwa. In addition to the above, the company will also match voluntary cash contributions made by its employees and the total amount will be given away as a cash donation.

Business Performance Review:

During the period, the company recorded a revenue of PKR 29.8 billion, an increase of 2.6% compared to same period despite many difficulties emanating from COVID-19 crisis. Impulse products such as juices and water as well as products for out-of-home channel were severely impacted by the lockdown. In addition, Afghanistan border closure had a major impact on the exports. Net profit for the same period has declined mainly due to higher financing cost and currency devaluation impact.

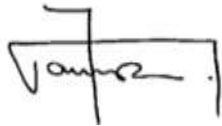
The financial performance for the three months period is summarized below:

	Jan – Mar 2020 PKR Million	Jan – Mar 2019 PKR Million	Change
Sales	29,883	29,136	+2.6%
Gross Profit	8,840	8,770	+0.8%
% of sales	29.6%	30.1%	
Operating Profit	4,054	4,027	+0.7%
% of sales	13.6%	13.8%	
Net Profit after tax	1,939	2,274	-14.7%
% of sales	6.5%	7.8%	
Earnings per share	42.76	50.15	-14.7%

Future Outlook:

In view of the very exceptional situation caused by COVID-19, we will continue to prioritize health and wellbeing of our employees, business continuity and supporting communities with our relief efforts. The management remains fully committed to manage the ongoing challenges and will make all out efforts to deliver promise of providing nutrition, health and wellness to consumers in these testing times and ensure sustainable business growth.

For and on behalf of the
Board of Directors

A handwritten signature in black ink, appearing to read 'Samer Chedid', enclosed within a simple rectangular box.

Samer Chedid
Chief Executive Director
Lahore: April 30, 2019

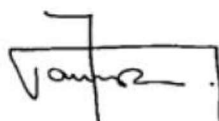
Nestlé Pakistan Limited
Condensed Interim Statement of Financial Position
As at March 31, 2020 (un-audited)

	Note	(Un-audited) Mar 31, 2020	(Audited) Dec 31, 2019
----- (Rupees in '000) -----			
Non-current assets			
Property, plant and equipment	4	30,735,889	30,333,121
Capital work-in-progress		2,328,840	3,441,066
Intangible assets		5,379	7,396
Long term loans		219,261	239,499
		<u>33,289,369</u>	<u>34,021,082</u>
Current assets			
Stores and spares		2,319,537	2,376,057
Stock-in-trade		22,921,971	18,876,441
Trade debts		3,654,001	2,164,888
Current portion of long term loans and advances		136,296	132,045
Sales tax refundable - net		4,355,656	4,599,004
Advances, deposits, prepayments and other receivables		3,995,122	2,785,138
Cash and bank balances		635,745	318,753
		<u>38,018,328</u>	<u>31,252,326</u>
Current liabilities			
Current portion of long term liabilities		3,398,128	3,395,084
Short term borrowings - secured		20,917,473	17,217,473
Running finance under mark-up arrangements - secured		6,076,707	6,141,325
Customer security deposits - interest free		197,861	192,724
Unclaimed dividend		20,608	20,608
Trade and other payables		26,593,605	25,782,895
Interest and mark-up accrued		685,800	444,958
		<u>57,890,182</u>	<u>53,195,067</u>
Net working capital		<u>(19,871,854)</u>	<u>(21,942,741)</u>
Total capital employed		<u>13,417,515</u>	<u>12,078,341</u>
Long term and deferred liabilities			
Long term finances - secured		3,732,287	3,780,294
Lease liabilities		73,200	303,729
Deferred taxation		1,552,520	1,960,850
Retirement benefits		2,864,600	2,777,502
		<u>8,222,607</u>	<u>8,822,375</u>
Contingencies and commitments	5		
Net assets		<u>5,194,908</u>	<u>3,255,966</u>
Financed by:			
Share capital and reserves			
Authorized capital			
75,000,000 (December 31, 2019: 75,000,000) ordinary shares of Rs. 10 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid up capital		453,496	453,496
Share premium		249,527	249,527
General reserve		280,000	280,000
Accumulated profit		4,211,885	2,272,943
		<u>5,194,908</u>	<u>3,255,966</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman

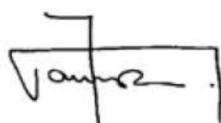
Nestlé Pakistan Limited
Condensed Interim Statement of Profit or Loss
For the three months ended March 31, 2020

	(Un-audited) Mar 31, 2020	(Un-audited) Mar 31, 2019
	----- (Rupees in '000) -----	
Sales - net	29,883,365	29,135,878
Cost of goods sold	<u>(21,043,197)</u>	<u>(20,366,370)</u>
Gross profit	8,840,168	8,769,508
Distribution and selling expenses	(3,570,348)	(3,790,883)
Administration expenses	<u>(1,216,254)</u>	<u>(951,537)</u>
Operating profit	4,053,566	4,027,088
Finance cost	(1,026,206)	(727,333)
Other expenses	(400,247)	(237,708)
	(1,426,453)	(965,041)
Other income	62,388	85,718
Profit before taxation	2,689,501	3,147,765
Taxation	(750,559)	(873,427)
Profit after taxation	1,938,942	2,274,338
Earnings per share basic and diluted (Rupee)	42.76	50.15

The annexed notes 1 to 13 form an integral part of these financial statements.



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Chief Financial Officer



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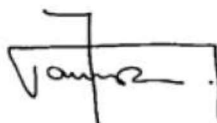
Nestlé Pakistan Limited
Condensed Interim Statement of Comprehensive Income
For the three months ended March 31, 2020

	(Un-audited) Mar 31, 2020	(Un-audited) Mar 31, 2019
	----- (Rupees in '000) -----	
Profit after taxation	1,938,942	2,274,338
Other comprehensive income	-	-
Total comprehensive income for the period	<u>1,938,942</u>	<u>2,274,338</u>

The annexed notes 1 to 13 form an integral part of these financial statements.



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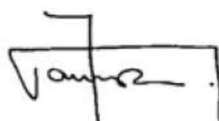
Nestlé Pakistan Limited
Condensed Interim Statement of Changes in Equity
For the three months ended March 31, 2020

	Share capital	Capital reserves		Revenue reserves		Total
		Share premium	Hedging reserve	General reserve	Accumulated profit	
----- (Rupees in '000) -----						
Balance as at December 31, 2018 - (audited)	453,496	249,527	-	280,000	3,037,201	4,020,224
<i>Total comprehensive income for the three months ended March 31, 2019</i>						
Profit after taxation	-	-	-	-	2,274,338	2,274,338
Balance as at March 31, 2019 (un-audited)	453,496	249,527	-	280,000	5,311,539	6,294,562
<i>Transaction with owners directly recognized in equity</i>						
Final dividend for the year ended December 31, 2018 (Rs. 63 per share)	-	-	-	-	(2,857,024)	(2,857,024)
Interim dividend for the six months period ended June 30, 2019 (Rs. 90 per share)	-	-	-	-	(4,081,463)	(4,081,463)
Interim dividend for the nine months period ended September 30, 2019 (Rs. 20 per share)	-	-	-	-	(906,992)	(906,992)
<i>Total comprehensive income for the nine months ended December 31, 2019</i>						
Profit after taxation	-	-	-	-	5,080,129	5,080,129
Remeasurement of net retirement benefit liability (net of tax)	-	-	-	-	(273,247)	(273,247)
	-	-	-	-	4,806,882	4,806,882
Balance as at December 31, 2019 - (audited)	453,496	249,527	-	280,000	2,272,942	3,255,965
<i>Total comprehensive income for the three months ended March 31, 2020</i>						
Profit after taxation	-	-	-	-	1,938,942	1,938,942
Balance as at March 31, 2020 - (un-audited)	453,496	249,527	-	280,000	4,211,885	5,194,908

The annexed notes 1 to 13 form an integral part of these financial statements.



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Chief Financial Officer



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Chairman

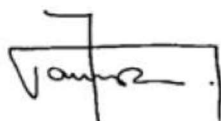
Nestlé Pakistan Limited
Condensed Interim Statement of Cash Flows
For the three months ended March 31, 2020

		(Un-audited)	(Un-audited)
		Mar 31, 2020	Mar 31, 2019
	<i>Note</i>	----- (Rupees in '000) -----	
<u>Cash flow from operating activities</u>			
Cash used in operations	6	(937,329)	(4,480,355)
Decrease in long term loans		15,987	116,891
Increase in customer security deposits - interest free		5,137	24,131
Retirement and other benefits paid		(206,361)	(115,740)
Workers' profit participation fund paid		(600,000)	(89)
Income taxes paid		(447,605)	(784,718)
Net cash used in operating activities		(2,170,171)	(5,239,880)
<u>Cash flow from investing activities</u>			
Fixed capital expenditure		(350,689)	(310,320)
Sale proceeds of property, plant and equipment		49,096	89,833
Net cash used in investing activities		(301,593)	(220,487)
<u>Cash flow from financing activities</u>			
Finance cost paid		(785,364)	(563,569)
Long term finances - net		(48,007)	(48,007)
Lease liabilities - net		(13,255)	19,468
Short term borrowings - net		3,700,000	1,000,000
Net cash generated from financing activities		2,853,374	407,892
Net increase / (decrease) in cash and cash equivalents		381,610	(5,052,475)
Cash and cash equivalents at beginning of the period		(5,822,572)	(672,607)
Cash and cash equivalents at end of the period	7	(5,440,962)	(5,725,082)

The annexed notes 1 to 13 form an integral part of these financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman

Nestlé Pakistan Limited

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020

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. Principally the Company is engaged in manufacturing, processing and sale of dairy, nutrition, beverages and food products including imported products. Registered office (which is also the Head Office) of the Company is situated at Babar Ali Foundation Building, 308-Upper Mall, Lahore. The Company has four manufacturing facilities located at Sheikhpura, Kabirwala, Port Qasim Karachi and Islamabad.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements comprise the condensed interim statement of financial position of the Company as at March 31, 2020 and the related condensed interim statement of profit or loss, the condensed interim statement of other comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows together with the notes forming part thereof.

These condensed interim financial statements are un-audited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the Listing Regulation of Pakistan Stock Exchange Limited.

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited financial statements as at and for the year ended December 31, 2019. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of December 31, 2019, whereas comparatives for condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and related notes are extracted from condensed interim financial statements of the Company for the three months period ended March 31, 2019.

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

2.2 Judgements and estimates

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions for 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, 2019.

3. Significant accounting policies

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2019.

3.2 There were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations, as listed below:

- Amendment to IFRS 3 - Business Combinations – Definition of a Business Jan 01, 2020
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Jan 01, 2020
Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IFRS 9, IAS 39 and IFRS 7 through Interest Rate Jan 01, 2020
Benchmark Reform by FSB
- IFRS 14 Regulatory Deferral Accounts Jul 01, 2019

(Un-audited) (Audited)
Mar 31, 2020 Dec 31, 2019
 ---- (Rupees in '000) ----

4. Property, plant and equipment

Opening balance - net book value	30,333,121	30,363,333
Additions during the period / year	1,471,146	4,598,864
	31,804,267	34,962,197
Book value of property, plant and equipment disposed off during the period / year	(37,174)	(133,326)
Depreciation charged during the period / year	(1,031,204)	(4,005,088)
Impairment reversed / (charged) during the period / year	-	(490,662)
Closing balance - Net book value	30,735,889	30,333,121

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

5. Contingencies and commitments

5.1 There has been no change in the status of the contingencies reported in the annual audited financial statements for the year ended December 31, 2019.

	(Un-audited)	(Audited)
	Mar 31, 2020	Dec 31, 2019
	---- (Rupees in '000) ----	
5.2 Guarantees		
Outstanding guarantees	<u>247,456</u>	<u>227,404</u>
5.3 Commitments		
5.3.1 Letters of credit		
Outstanding letters of credit	<u>1,891,247</u>	<u>3,341,687</u>
Un-utilized portion of limits with banks	<u>6,027,037</u>	<u>8,296,649</u>
5.3.2 Commitments in respect of capital expenditure	<u>713,623</u>	<u>289,702</u>
5.3.3 The amount of future payments under Ijarah and the period in which these payments will become due are as follows:		
Not later than one year	34,855	34,855
Later than one year but not later than 5 years	-	8,714
	<u>34,855</u>	<u>43,569</u>

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

(Un-audited) (Un-audited)
Mar 31, 2020 Mar 31, 2019
 ---- (Rupees in '000) ----

6. Cash generated from operations

Profit before taxation	2,689,501	3,147,765
<i>Adjustment for non-cash items:</i>		
Depreciation on property, plant and equipment	1,031,204	947,730
Amortization of intangible assets	2,017	2,017
Increase in / (reversal of) provision for stock in trade	209,243	(3,904)
Increase in provision for stores and spares	60,256	113,876
Provision for workers' profit participation fund	145,699	167,330
Provision for workers' welfare fund	78,787	75,013
(Reversal of) provision for doubtful debts	(3,109)	-
Gain on disposal of property, plant and equipment	(11,922)	(39,987)
Exchange loss / (gain)	175,757	(6,886)
Retirement and other benefits	293,459	195,153
Finance cost	1,026,206	727,333
Profit before working capital changes	5,697,098	5,325,440

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets:

Stores and spares	(3,736)	(115,273)
Stock in trade	(4,254,773)	(1,921,391)
Trade debts	(1,486,004)	(2,637,673)
Advances, deposits, prepayments and other receivables	(1,189,097)	(2,345,858)
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	299,183	(2,785,600)
	(6,634,427)	(9,805,795)
	(937,329)	(4,480,355)

7. Cash and cash equivalents

Cash and bank balances	635,745	1,502,899
Short term running finance under mark-up arrangements - secured	(6,076,707)	(7,227,981)
	(5,440,962)	(5,725,082)

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

8. Transactions with related parties

The related parties comprise of holding company, 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:

	(Un-audited) Mar 31, 2020	(Un-audited) Mar 31, 2019
	---- (Rupees in '000) ----	
<i>Associated companies</i>		
Royalty and technical assistance fee	942,629	921,690
Purchase of assets, goods, services and rental	4,141,680	3,483,771
Sale of goods	307,287	450,303
Insurance claims received	3,450	3,495
<i>Other related parties</i>		
Contribution paid to staff retirement benefits plan	206,361	203,800
Remuneration to key management personnel	1,028,919	888,368

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 "chief decision maker" allocates resources and monitors performance based on business segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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 and product categories:

i) Dairy and nutrition products

Milk based products and cereals

ii) Powdered and liquid beverages

Juices, drinking water and powdered drinks

iii) Other products

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

9.1 Segment analysis for the three months ended March 31, 2020 (un-audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Sales - net	23,910,140	5,919,854	53,371	29,883,365
Depreciation and amortization	(731,248)	(301,315)	(659)	(1,033,221)
Operating profit / (loss) before tax and unallocated expenses	3,908,092	146,860	(1,386)	4,053,566
Unallocated corporate expenses:				
Finance cost				(1,026,206)
Other operating expenses				(400,247)
Other income				62,388
Taxation				(750,559)
Profit after taxation				<u>1,938,942</u>

Segment analysis for the three months ended March 31, 2019 (un-audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Sales - net	22,679,938	6,445,963	9,977	29,135,878
Depreciation and amortization	(682,525)	(266,636)	(587)	(949,747)
Operating profit / (loss) before tax and unallocated expenses	4,094,382	(24,349)	(42,945)	4,027,088
Unallocated corporate expenses:				
Finance cost				(727,333)
Other operating expenses				(237,708)
Other income				85,718
Taxation				(873,427)
Profit after taxation				<u>2,274,338</u>

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

9.2 Reportable segment assets and liabilities

As at March 31, 2020 (un-audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Segment assets	50,516,004	19,831,480	90,259	70,437,743
Unallocated assets				869,954
Total assets				<u>71,307,697</u>
Segment liabilities	21,111,481	6,615,337	34,596	27,761,414
Unallocated liabilities				43,546,283
Total liabilities				<u>71,307,697</u>

As at December 31, 2019 (audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Segment assets	46,137,044	18,309,649	82,659	64,529,352
Unallocated assets				744,056
Total assets				<u>65,273,408</u>
Segment liabilities	19,977,693	6,381,893	31,668	26,391,254
Unallocated liabilities				38,882,154
Total liabilities				<u>65,273,408</u>

(Un-audited) (Un-audited)
Mar 31, 2020 Mar 31, 2019
 ---- (Rupees in '000) ----

9.3 Geographical segments

Sales are made by the Company in the following countries:

Pakistan	29,455,649	28,678,922
Afghanistan	291,503	425,365
Other countries	136,214	31,591
	<u>29,883,365</u>	<u>29,135,878</u>

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020

10. Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the audited financial statements of the Company for the year ended December 31, 2019.

There is no change in the nature and corresponding hierarchies of fair valuation levels of financial instruments from those as disclosed in the audited financial statements of the Company for the year ended December 31, 2019.

11. Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue on April 30, 2020 by the Board of Directors.

12. Dividend

The Board of Directors in their meeting held on April 30, 2020 have proposed an interim cash dividend for the three months period ended Mar 31, 2020 of Rs. Nil (Mar 31, 2019: Rs. Nil) per share. These condensed interim financial statements do not reflect this dividend.

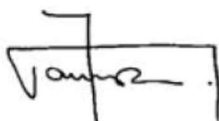
13. General

These condensed interim financial statements are presented in Pak Rupees which is the Company's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupee.

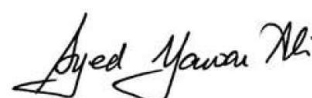
Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework, however no material reclassifications have been made.



SYED SAIFUL ISLAM
Chief Financial Officer



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Chief Executive Officer



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Chairman