

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Nestlé Pakistan Limited (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 31 March 2021.

Business Performance Review:

The Company recorded a revenue of PKR 32.3 billion for the three months period ended 31 March 2021, an increase of 8.2% compared to the same period last year. The growth was driven by volume increase and pricing management and benefitted from the improvement in the macro-economic situation of the country.

Operating profit of the company improved by 230 bps compared to the same period of last year due to various cost savings initiatives across the value chain and better absorption of fixed overheads. Net profit for the quarter also improved due to lower financing cost owing to reduction in the policy rate.

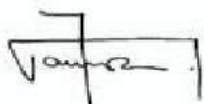
The financial performance for the three months period is summarized below:

	Jan – Mar 2021 PKR Million	Jan – Mar 2020 PKR Million	Change
Sales	32,334	29,883	+8.2%
Gross Profit	9,977	8,840	+12.9%
% of sales	30.9%	29.6%	
Operating Profit	5,137	4,054	+26.7%
% of sales	15.9%	13.6%	
Net Profit after tax	3,209	1,939	+65.5%
% of sales	9.9%	6.5%	
Earnings per share	70.8	42.76	+65.5%

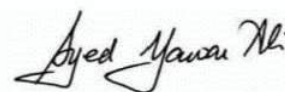
Future Outlook:

In spite of the ongoing third wave of COVID-19 and smart lock down across the country, the company remains hopeful to sustain the growth trajectory by ensuring delivery of Nutrition, Health and Wellness products to our consumers and enhancing our distribution reach. We continue to be fully committed to keep our employees, business partners and communities safe during these challenging times.

For and on behalf of the
Board of Directors



Samer Chedid
Chief Executive
Lahore: April 27, 2021

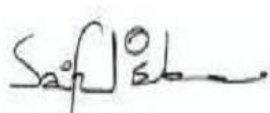


SYED YAWAR ALI
Director

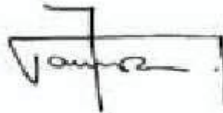
Nestlé Pakistan Limited
Condensed Interim Statement of Financial Position
As at March 31, 2021

	Note	(Un-audited) Mar 31, 2021	(Audited) Dec 31, 2020
----- (Rupees in '000) -----			
Non-current assets			
Property, plant and equipment	5	28,716,851	28,679,851
Capital work-in-progress		3,331,555	4,097,316
Long term loans		181,648	179,191
		<u>32,230,054</u>	<u>32,956,358</u>
Current assets			
Stores and spares		2,826,033	2,670,279
Stock-in-trade		23,091,847	16,252,021
Trade debts		2,766,520	1,930,333
Current portion of long term loans		124,877	134,078
Advances, deposits, prepayments and other receivables		2,957,877	1,849,981
Sales tax refundable - net		4,046,233	4,324,260
Cash and bank balances		266,923	789,055
		<u>36,080,310</u>	<u>27,950,007</u>
Current liabilities			
Current portion of long term liabilities		228,964	3,734,310
Short term borrowings - secured		10,500,000	6,417,473
Running finance under mark-up arrangements - secured		4,396,668	830,245
Customer security deposits - interest free		182,002	222,166
Unclaimed dividend		76,472	72,121
Trade and other payables		25,955,613	26,563,482
Contract liabilities		301,652	562,263
Income tax payable		2,401,886	1,443,443
Interest and mark-up accrued		397,963	303,183
		<u>44,441,220</u>	<u>40,148,686</u>
Net working capital		<u>(8,360,910)</u>	<u>(12,198,679)</u>
Total capital employed		<u>23,869,144</u>	<u>20,757,679</u>
Non-current liabilities			
Long term finances - secured		12,033,968	12,081,975
Lease liabilities		56,196	34,682
Deferred taxation		1,183,934	1,332,919
Retirement benefits		3,195,304	3,117,661
		<u>16,469,402</u>	<u>16,567,237</u>
Contingencies and commitments	6		
Net assets		<u><u>7,399,742</u></u>	<u><u>4,190,442</u></u>
Financed by:			
Share capital and reserves			
Authorized capital			
75,000,000 (December 31, 2020: 75,000,000) ordinary shares of Rs. 10 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid up capital		<u>453,496</u>	<u>453,496</u>
Share premium		<u>249,527</u>	<u>249,527</u>
General reserve		<u>280,000</u>	<u>280,000</u>
Accumulated profit		<u>6,416,719</u>	<u>3,207,419</u>
		<u><u>7,399,742</u></u>	<u><u>4,190,442</u></u>

The annexed notes 1 to 14 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

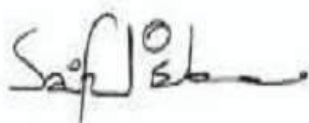
Nestlé Pakistan Limited

Condensed Interim Statement of Profit or Loss

For the three months period ended March 31, 2021

	(Un-audited) Mar 31, 2021	(Un-audited) Mar 31, 2020
	--- (Pak Rupees in '000) ---	
Revenue from contracts with customers	32,333,916	29,883,365
Cost of goods sold	(22,356,871)	(21,043,197)
Gross profit	9,977,045	8,840,168
Distribution and selling expenses	(3,790,513)	(3,570,348)
Administration expenses	(1,049,765)	(1,216,254)
Operating profit	5,136,767	4,053,566
Finance cost	(473,887)	(1,026,206)
Other expenses	(329,406)	(400,247)
	(803,293)	(1,426,453)
Other income	210,701	62,388
Profit before taxation	4,544,175	2,689,501
Taxation	(1,334,875)	(750,559)
Profit after taxation	3,209,300	1,938,942
Earnings per share basic and diluted (Rupees)	70.77	42.76

The annexed notes 1 to 14 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

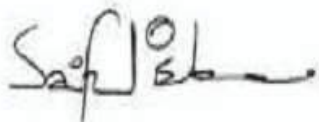
Nestlé Pakistan Limited

Condensed Interim Statement of Comprehensive Income

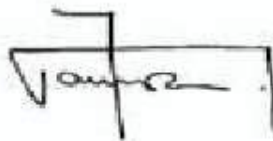
For the three months period ended March 31, 2021

	(Un-audited) Mar 31, 2021	(Un-audited) Mar 31, 2020
	--- (Pak Rupees in '000) ---	
Profit after taxation	3,209,300	1,938,942
Other comprehensive income		
<i>Items that will be reclassified subsequently to profit or loss</i>	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-
Total comprehensive income for the period	3,209,300	1,938,942

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
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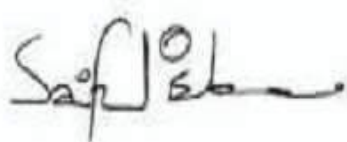
Nestlé Pakistan Limited

Condensed Interim Statement of Changes in Equity

For the three months period ended March 31, 2021

	Share Capital	Capital reserves Share premium	Revenue reserves General reserve	Accumulated profit	Total
	(Rupees in '000)				
Balance as at January 01, 2020 (audited)	453,496	249,527	280,000	2,272,943	3,255,966
<u>Total comprehensive income for the three months ended March 31, 2020</u>					
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
<u>Transaction with owners directly recognized in equity</u>					
Final dividend for the year ended December 31, 2019 (Rs. 42 per share)	-	-	-	(1,904,683)	(1,904,683)
Interim dividend for the six month period ended June 30, 2020 (Rs. 83 per share)	-	-	-	(3,764,017)	(3,764,017)
Interim dividend for the nine month period ended September 30, 2020 (Rs. 50 per share)	-	-	-	(2,267,480)	(2,267,480)
<u>Total comprehensive income for the nine months ended December 31, 2020</u>					
Profit after taxation	-	-	-	6,945,653	6,945,653
Other comprehensive income	-	-	-	(13,939)	(13,939)
	-	-	-	6,931,714	6,931,714
Balance as at December 31, 2020 (audited)	453,496	249,527	280,000	3,207,419	4,190,442
<u>Total comprehensive income for the three months ended March 31, 2021</u>					
Profit after taxation	-	-	-	3,209,300	3,209,300
Balance as at March 31, 2021 (un-audited)	453,496	249,527	280,000	6,416,719	7,399,742

The annexed notes 1 to 14 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

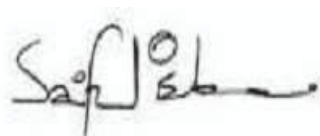
Nestlé Pakistan Limited

Condensed Interim Statement of Cash Flows

For the three months period ended March 31, 2021

		(Un-audited) Mar 31, 2021	(Un-audited) Mar 31, 2020
	Note	--- (Pak Rupees in '000) ---	
<u>Cash flow from operating activities</u>			
Cash generated from operations	7	(2,749,198)	(937,329)
Decrease in long term loans - net		6,744	15,987
(Decrease) / increase in customer security deposits - interest free		(40,164)	5,137
Defined benefits paid		(110,180)	(206,361)
Workers' profit participation fund paid		(646,925)	(600,000)
Income taxes paid		(525,417)	(447,605)
Net cash used in operating activities		(4,065,140)	(2,170,171)
<u>Cash flow from investing activities</u>			
Fixed capital expenditure		(240,165)	(350,689)
Sale proceeds from disposal of property, plant and equipment		101,811	49,096
Net cash used in investing activities		(138,354)	(301,593)
<u>Cash flow from financing activities</u>			
Finance cost paid		(379,107)	(785,364)
Long term finances - net		(3,548,007)	(48,007)
Lease liabilities - net		(40,474)	(13,255)
Short term borrowings - net		4,082,527	3,700,000
Net cash generated from financing activities		114,939	2,853,374
Net (decrease) / increase in cash and cash equivalents		(4,088,555)	381,610
Cash and cash equivalents at beginning of the period		(41,190)	(5,822,572)
Cash and cash equivalents at end of the period	8	(4,129,745)	(5,440,962)

The annexed notes 1 to 14 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

Notes to the Condensed Interim Financial Statements

For the three months period ended March 31, 2021

1. Legal status and nature of business

Nestlé Pakistan Limited ("the Company") is a public limited company incorporated in Pakistan - under the repealed Companies Ordinance 1984 (now Companies Act 2017) - and its shares are quoted on Pakistan Stock Exchange. The Company is a subsidiary of Nestlé S.A. ("the Holding Company"), a Swiss based public limited company.

The Company is principally 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, 2021 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) and Islamic Financial Accounting Standards ("IFAS") issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017;
- 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 and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months period ended March 31, 2021

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, 2020. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of December 31, 2020, 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, 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, 2020.

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, 2020.

3.2 The Company adopted following new amendments to the approved accounting standards which became effective during the period, however these are not considered to be relevant or have any significant effect on the Company's operations:

- | | |
|--|--------------|
| - Amendments to Interest Rate Benchmark Reform – Phase 2 | Jan 01, 2021 |
|--|--------------|

4. Significant changes in current reporting period

In light of ongoing COVID-19 pandemic, the Company has reviewed its exposure to business risks and has not identified any risks that could materially impact the financial performance or position of the Company as at March 31, 2021. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months period ended March 31, 2021

	(Un-audited) Mar 31, 2021	(Audited) Dec 31, 2020
	----- (Rupees in '000) -----	
5. Property, plant and equipment		
Opening balance - net book value	28,679,851	30,333,121
Additions during the period / year	1,062,568	2,632,736
	<u>29,742,419</u>	<u>32,965,857</u>
Book value of property, plant and equipment disposed off during the period / year	(29,153)	(152,250)
Depreciation charged during the period / year	(996,415)	(4,147,235)
Impairment reversed / (charged) during the period / year	-	13,479
Closing balance - Net book value	<u>28,716,851</u>	<u>28,679,851</u>

6. Contingencies and commitments

6.1 There has been no significant change in the status of the contingencies reported in the annual audited financial statements for the year ended December 31, 2020.

	(Un-audited) Mar 31, 2021	(Audited) Dec 31, 2020
	----- (Rupees in '000) -----	
6.2 Guarantees		
Outstanding guarantees	<u>246,439</u>	<u>196,485</u>
6.3 Commitments		
6.3.1 Letters of credit		
Outstanding letters of credit	<u>61,471</u>	<u>562,147</u>
6.3.2 Commitments in respect of capital expenditure	<u>351,445</u>	<u>352,943</u>
6.3.3 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	-	8,714
Later than one year but not later than 5 years	-	-
	<u>-</u>	<u>8,714</u>

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months period ended March 31, 2021

(Un-audited) (Un-audited)
Mar 31, 2021 Mar 31, 2020
 ----- (Rupees in '000) -----

7. Cash generated from operations

Profit before taxation	4,544,175	2,689,501
<i>Adjustment for non-cash items:</i>		
Depreciation on property, plant and equipment	996,415	1,031,204
Amortization of intangible assets	-	2,017
Increase in provision for stock in trade	21,321	209,243
Increase in provision for stores and spares	41,153	60,256
Provision for defined benefits plans	187,823	293,459
Provision for workers' profit participation fund	232,045	145,699
Provision for workers' welfare fund	96,739	78,787
Reversal of provision for doubtful debts	(1,620)	(3,109)
Gain on disposal of property, plant and equipment	(72,658)	(11,922)
Exchange (gain) / loss	(92,615)	175,757
Finance cost	473,887	1,026,206
Profit before working capital changes	6,426,665	5,697,098

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets:

Stores and spares	(196,907)	(3,736)
Stock in trade	(6,861,147)	(4,254,773)
Trade debts	(834,567)	(1,486,004)
Advances, deposits, prepayments and other receivables	(829,869)	(1,189,097)
<i>(Decrease) / increase in current liabilities:</i>		
Trade and other payables	(192,762)	290,418
Contract liabilities	(260,611)	8,765
	(9,175,863)	(6,634,427)
	(2,749,198)	(937,329)

8. Cash and cash equivalents

Cash and bank balances	266,923	635,745
Short term running finance under mark-up arrangements - secured	(4,396,668)	(6,076,707)
	(4,129,745)	(5,440,962)

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months period ended March 31, 2021

9. 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, 2021	(Un-audited) Mar 31, 2020
	----- (Rupees in '000) -----	
<i>Associated companies</i>		
General licensing fee	1,001,453	942,629
Purchase of goods, services, assets and rental	3,668,405	4,141,680
Sale of goods	585,566	307,287
Insurance claims	12,858	3,450
<i>Other related parties</i>		
Contribution paid to staff retirement benefits plan	199,133	206,361
Remuneration to key management personnel	1,016,905	1,028,919

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

10. 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

Confectionary and other products

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months period ended March 31, 2021

10.1 Segment analysis for the three months period ended March 31, 2021 (un-audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Revenue from contracts with customers	25,798,589	6,535,327	-	32,333,916
Depreciation and amortization	(700,797)	(295,618)	-	(996,415)
Operating profit / (loss) before tax and unallocated expenses	4,623,269	513,498	-	5,136,767
Unallocated corporate expenses:				
Finance cost				(473,887)
Other operating expenses				(329,406)
Other income				210,701
Taxation				(1,334,875)
Profit after taxation				3,209,300

Segment analysis for the three month period ended March 31, 2020 (un-audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Revenue from contracts with customers	23,920,497	5,919,861	43,007	29,883,365
Depreciation and amortization	(731,840)	(301,381)	-	(1,033,221)
Operating profit / (loss) before tax and unallocated expenses	3,905,851	147,036	679	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				1,938,942

There is no inter segment revenue between operating segments.

Nestlé Pakistan Limited
Notes to the Condensed Interim Financial Statements
For the three months period ended March 31, 2021

10.2 Reportable segment assets and liabilities

As at March 31, 2021 (un-audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Segment assets	49,982,864	17,631,126	57,984	67,671,974
Unallocated assets				638,390
Total assets				<u>68,310,364</u>
Segment liabilities	26,632,725	7,234,420	40,567	33,907,712
Unallocated liabilities				34,402,652
Total liabilities				<u>68,310,364</u>

As at December 31, 2020 (audited)

	Dairy and nutrition products	Powdered and liquid beverages	Other products	Total
	----- (Rupees in '000) -----			
Segment assets	44,565,339	15,720,130	51,699	60,337,168
Unallocated assets				569,197
Total assets				<u>60,906,365</u>
Segment liabilities	23,746,067	6,450,298	36,170	30,232,535
Unallocated liabilities				30,673,830
Total liabilities				<u>60,906,365</u>

(Un-audited) (Un-audited)
March 31, 2021 Mar 31, 2020
 ----- (Rupees in '000) -----

10.3 Geographical segments

Sales are made by the Company in the following countries:

Pakistan	31,581,056	29,455,649
Afghanistan	574,526	291,503
Other countries	178,334	136,214
	<u>32,333,916</u>	<u>29,883,366</u>

The Company manages and operates manufacturing facilities and sales offices in Pakistan only.

Nestlé Pakistan Limited

Notes to the Condensed Interim Financial Statements

For the three months period ended March 31, 2021

11. 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, 2020.

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, 2020.

12. Dividend

The Board of Directors in their meeting held on April 27, 2021 have proposed an interim cash dividend for the three months period ended March 31, 2021 of Rs. Nil (March 31, 2020: Rs. Nil) per share. These condensed interim financial statements do not reflect this dividend.

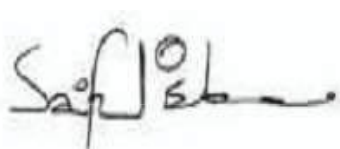
13. General

13.1 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.

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

14. Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue on April 27, 2021 by the Board of Directors.



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman