NOURISHING PAKISTAN

Third Quarter 2020



FrieslandCampina
Engro Pakistan Limited

Contents

Company information	2
directors' report	3
condensed interim statement of financial position	5
condensed interim statement of profit or loss	6
condensed interim statement of comprehensive income	7
condensed interim statement of changes in equity	8
condensed interim statement of cash flows	9
notes to the condensed interim financial statements	10
directors' report (Urdu version)	22

company information

Board of Directors
Abdul Samad Dawood (Chairman)
Ali Ahmed Khan (CEO)
Abrar Hasan
Eduardus Lambertus Holtzer
Petra Attje Zinkweg
Roeland Francois Van Neerbos
Zouhair Khaliq

Chief Financial Officer
Imran Husain

Company Secretary
Muneeza Iftikar

Members of Audit Committee
Abrar Hasan (Chairman)
Eduardus Lambertus Holtzer
Zouhair Khaliq

The secretary of committee is
Saleem Lallany, GM Internal Audit Department

Bankers
Conventional
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank Pakistan Limited
Summit Bank Limited
Tameer Micro Finance Bank Limited
United Bank Limited

Shariah Compliant
Al-Baraka Bank Pakistan Limited
Meezan Bank Limited
Bank Al-Habib Limited - Islamic Banking

Auditors
A. F. Ferguson & Company
Chartered Accountants

State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan.
Tel: +92(21) 32426682-6 / 32426711-5

Share Registrar
M/s FAMCO Associates (Private) Limited
8-F Next to Hotel Faran, Block-6 PECHS,
Shahrah-e-Faisal, Karachi - Pakistan
Tel: +92 (21) 34380104-5, 34384621-3
Fax: +92 (21) 34380106

Registered Office
5th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
Tel: +92 (21) 35296000 (10 lines)
Fax: +92 (21) 35295961-2
E-mail: efl.shareholders@frieslandcampina.com
Website: www.frieslandcampina.com.pk

DIRECTORS' REPORT

On behalf of the Board of Directors of FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited - a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V.), we are pleased to submit the report and the condensed interim financial information of the Company for the nine months ended September 30th, 2020.

BUSINESS REVIEW

The business continued its strong growth trajectory recording an 8th consecutive quarter of robust topline growth. During the first nine months, the Company has reported a revenue of Rs. 32.3 billion, registering a 12% growth versus last year, despite business growth being adversely impacted by lockdowns and closure of retail & leisure outlets.

The overall cost environment remained challenging, with high increases in the commodity costs in the last 12 months due to record inflationary levels and sharp devaluation of the Pak Rupee. However, the Company has taken multiple business initiatives, including cost optimization and mix management to offset these impacts. As a result, gross margins improved by 220 bps versus the same period last year. The improvement in margins has been diluted somewhat by the higher borrowing costs on account of higher interest rates in the first quarter. Consequently, the Company registered a profit after tax of Rs 321 million versus a loss of Rs 809 million in the same period last year.

Employee safety and wellbeing continues to remain the Company's No.1 priority. Safety communication and awareness sessions continue across the organization, while strict protocols have been established at the head office, field offices and manufacturing sites. All company and third-party personnel are required to undergo screening prior to entering the sites, wear masks and sanitize regularly.

DAIRY AND BEVERAGES SEGMENT

The Dairy and Beverages segment reported a revenue of Rs. 28.9 billion, registering a 16% growth vs the same period last year. The growth for the segment continues to be led by Olpers, which grown on the back of strong brand and trade investments. The Company added to its portfolio by launching Olper's Flavored Milk (fortified with added vitamins and minerals) and Tarang Tea Whitening Powder (at an affordable Rs. 10 price point) in the first half of the year. Other recent launches like Olper's full cream milk powder (FCMP), Olper's Creams, Olper's Pro-Cal and Tarang Elaichi have gained a healthy market share in a short span of time despite strong competition from established players. The Company will continue to leverage FrieslandCampina's global expertise to introduce new products and innovations as a key driver of future business growth.

ICE CREAM AND FROZEN DESSERTS SEGMENT

The Ice cream and Frozen Dessert segment reported a revenue of Rs. 3.4 billion versus a revenue of Rs. 3.6 billion in the same period last year. The segment was impacted by the closure of retail and leisure spots due to COVID-19, which coincided with the Ice Cream summer season. However, the business focused on creating excitement by introducing 7 new innovations, investing in brand building through the "summer blockbuster" campaign, and expansion of the trade universe which paid strong dividends when the lockdowns were eased and the segment recorded better volumes during Eid.

FINANCIAL PERFORMANCE

The financial performance of the company for the nine months ended September 30, 2020 is summarized below:

(Rs. in million)	Nine months ended September 30, 2020		Variation
	2020	2019	
Net Sales	32,374	28,494	14%
Operating Profit	1,482	137	985%
% of sales	4.6%	0.5%	
Profit / (Loss) after tax	322	-809	
% of sales	1.0%	-2.8%	
Earnings / (Loss) per share (Rs.)	0.42	-1.05	

FUTURE OUTLOOK

The macro economic environment remains challenging for both consumers and businesses amidst the COVID pandemic. The Company foresees a tougher operating environment in the future due to declining consumer purchasing power and higher costs.

The Company's purpose is to transform the health and well-being of Pakistani's now and for generations to come, by nourishing them through unlocking the goodness of milk from grass to glass, as well as by enhancing the livelihood of farmers. Staying true to its purpose, the Company's priority remains to ensure a consistent supply of nutritious and safe products to its consumers, while driving conversion from unsafe loose milk to packaged milk by:

- Investing in strengthening its brand equity
- Accelerating innovation and expanding its portfolio
- Working with farmers through its dairy development program to help improve productivity, yield and volume while also building profitability for the farmers
- Working with the Pakistan Dairy Association (PDA) to educate consumers on the hazards of loose milk and the benefits of packaged milk
- Working with Regulatory Authorities to harmonize the Federal and Provincial food laws and draft legislation on minimum pasteurization.

The Company remains committed to the highest standards of hygiene, food safety and sustainability and providing safe, affordable, and nourishing dairy products to millions of Pakistanis, every day.

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive

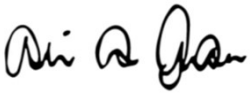
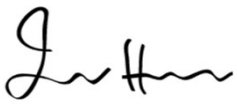
Karachi: October 16, 2020

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT SEPTEMBER 30, 2020

(Amounts in thousand)

	Note	Unaudited September 30, 2020	Audited December 31, 2019
		---------- Rupees ----------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	10,549,922	10,913,215
Biological assets		1,214,444	1,086,734
Intangibles		74,186	95,135
Right-of-use assets		477,495	647,187
Deferred tax asset - net		577,386	174,338
Long term advances and deposits		46,620	58,934
		12,940,053	12,975,543
Current Assets			
Stores, spares and loose tools	6	487,448	515,048
Stock-in-trade	7	4,949,433	3,717,730
Trade debts		692,313	915,728
Advances, deposits and prepayments		506,332	270,866
Other receivables		169,107	313,481
Sales tax recoverable		1,856,120	2,004,857
Taxes recoverable		2,290,628	2,786,929
Cash and bank balances		149,401	65,915
		11,100,782	10,590,554
TOTAL ASSETS		24,040,835	23,566,097
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		106,313	115,517
Remeasurement of post employment benefits - Remeasurement loss		(132,485)	(132,485)
Unappropriated profit / (loss)		201,481	(129,682)
		8,706,624	8,384,665
Non-Current Liabilities			
Long-term finances	8	5,598,214	3,200,000
Lease liabilities against right-of-use assets		271,769	413,752
		5,869,983	3,613,752
Current Liabilities			
Current portion of:			
- long-term finances	8	358,928	800,000
- Lease liabilities against right-of-use assets		241,230	235,692
Trade and other payables		7,816,930	8,226,126
Contract liabilities		267,213	140,926
Unclaimed dividend		8,548	8,731
Accrued interest / mark-up on:			
- long-term finances		230,290	131,474
- short-term finances		82,896	208,581
Short-term finances	9	458,193	1,816,150
		9,464,228	11,567,680
Contingencies and Commitments	10		
TOTAL EQUITY AND LIABILITIES		24,040,835	23,566,097

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chairman **Chief Executive** **Chief Financial Officer**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

[Amounts in thousand except for earnings / (loss) per share]

	Note	Quarter ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		---------- Rupees ----------		---------- Rupees ----------	
Revenue from contracts with customers - net		12,223,667	9,938,320	32,374,421	28,493,598
Cost of revenue		(10,815,965)	(9,194,387)	(27,509,259)	(24,832,171)
Gross profit		1,407,702	743,933	4,865,162	3,661,427
Distribution and marketing expenses		(907,641)	(820,312)	(2,770,776)	(2,843,033)
Administrative expenses		(296,160)	(320,917)	(860,020)	(891,966)
Other operating expenses		(41,479)	(11,071)	(118,936)	(122,719)
Other income		141,197	80,885	366,578	332,861
Operating profit		303,619	(327,482)	1,482,008	136,570
Finance cost		(269,034)	(315,972)	(1,034,406)	(866,897)
Profit / (loss) before taxation		34,585	(643,454)	447,602	(730,327)
Taxation		(5,233)	73,488	(125,644)	(78,430)
Profit / (loss) for the period		29,352	(569,966)	321,958	(808,757)
Earnings / (loss) per share - basic and diluted	11	0.04	(0.74)	0.42	(1.05)

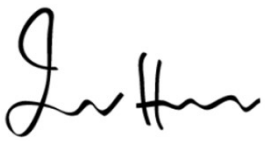
The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

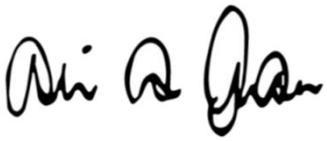
(Amounts in thousand)

	Quarter ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	---------- Rupees ----------		---------- Rupees ----------	
Profit / (loss) for the period	29,352	(569,966)	321,958	(808,757)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	29,352	(569,966)	321,958	(808,757)

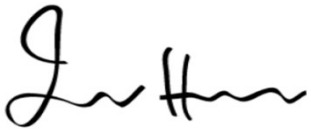
The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	Share capital	RESERVES				Total
		CAPITAL		REVENUE		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits	Unappropriated profit / (loss)	
	Rupees					
Balance as at January 1, 2019 (Audited)	7,665,961	865,354	217,910	(137,826)	729,661	9,341,060
Employee share option scheme	-	-	(6,871)	-	-	(6,871)
Loss for the nine months ended September 30, 2019	-	-	-	-	(808,757)	(808,757)
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(808,757)	(808,757)
Balance as at September 30, 2019 (Unaudited)	7,665,961	865,354	211,039	(137,826)	(79,096)	8,525,432
Balance as at January 1, 2020 (Audited)	7,665,961	865,354	115,517	(132,485)	(129,682)	8,384,665
Transfer of employee share option compensation reserve to unappropriated profit / (loss)	-	-	(9,204)	-	9,204	-
Profit for the period	-	-	-	-	321,958	321,958
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	321,958	321,958
Balance as at September 30, 2020 (Unaudited)	7,665,961	865,354	106,313	(132,485)	201,481	8,706,624

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chairman **Chief Executive** **Chief Financial Officer**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	Note	Nine months ended September 30, 2020	2019
		---------- Rupees ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	1,709,923	2,011,728
Finance costs paid		(1,016,399)	(662,608)
Taxes paid		(32,392)	(352,665)
Contribution to the retirement benefits paid		(28,484)	(118,125)
Long term advances and deposits - net		12,314	25,294
Net cash generated from operating activities		644,962	903,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(1,135,130)	(665,357)
- intangibles		(355)	(5,360)
Proceeds from disposal of:			
- property, plant and equipment		41,755	53,862
- biological assets		122,077	102,780
Net cash utilized in investing activities		(971,653)	(514,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term finances		1,957,142	-
Dividend paid		(183)	(548)
Repayment of lease liabilities		(188,825)	(334,123)
Net cash generated from / (utilized in) financing activities		1,768,134	(334,671)
Net increase in cash and cash equivalents		1,441,443	54,878
Cash and cash equivalents at beginning of the period		(1,750,235)	(1,975,851)
Cash and cash equivalents at end of the period	13	(308,792)	(1,920,973)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chairman **Chief Executive** **Chief Financial Officer**

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 FrieslandCampina Engro Pakistan Limited (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V. (the Holding Company) which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company) and its registered office is situated at 5th Floor, the Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.2 The principal activity of the Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. The Company also owns and operates a dairy farm.

2. BASIS OF PREPARATION

2.1 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 as applicable in Pakistan for interim financial reporting comprise of:

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

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

2.2 The cumulative figures for the nine months ended September 30, 2020 presented in these condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of the Act. These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2019.

2.3 The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to the financial statements for the year ended December 31, 2019, unless otherwise specified.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2019, except relating to the matters stated in notes 3.2 and 3.3 below.

3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3.3 During the period, the management carried out reassessment of its segment reporting and have concluded that dairy farm, which was being reported as separate segment, no longer qualifies as a reportable segment, owing to fact that chief operating decision makers are no longer reviewing the results of dairy farm separately. Operating results of dairy farm are now being reported as part of dairy and beverages segment. Accordingly, all financial information related to dairy farm has been reported as part of dairy and beverages segment and prior period results have been restated.

3.4 New standards, amendments and interpretation to accounting and reporting standards which became effective during the period:

There were certain amendments to accounting and reporting standards which were mandatory for the Company’s annual accounting period which began on January 1, 2020. However, these do not have any significant impact on the Company’s financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

4. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

4.1 During the nine months ended, the World Health Organization (WHO) declared COVID-19 (the Virus) a pandemic. While this has impacted the global economy, the Company's operations, financial position and results have not been materially impacted. Accordingly no additional disclosure is required.

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited September 30, 2020	Audited December 31, 2019
	---------- Rupees ----------	
Operating assets, at net book value (notes 5.1, 5.2 and 5.3)	10,062,296	10,328,104
Capital work-in-progress (note 5.4)	343,415	439,746
Major spare parts and stand-by equipment	144,211	145,365
	10,549,922	10,913,215

(Amounts in thousand)

		Unaudited September 30, 2020	Unaudited September 30, 2019
		---------- Rupees ----------	
5.1	Following additions, including transfers from capital work-in-progress, were made to operating assets during the period:		
	Land	5,161	-
	Buildings on freehold land	149,735	72,737
	Plant, machinery and related equipment	819,273	693,220
	Office equipment & furniture and fittings	24,302	10,080
	Computer equipment	30,131	34,327
	Vehicles	202,859	200,476
		1,231,461	1,010,840

5.2 The details of operating assets disposed-off / write-off during the period are as follows:

	Cost	Accumulated depreciation / impairment	Net book value	Sales proceeds	Mode of disposal
	---------- Rupees ----------				
Plant,machinery and equipment	38,031	(34,340)	3,691	7,517	Auction / sales proceeds
Vehicles - owned	55,124	(45,729)	9,395	18,729	Employee buyback
Computer equipment	4,228	(3,767)	461	895	Employee buyback / Write-off/ Insurance claims
Freezers and Trikes	126,600	(120,030)	6,570	14,614	Auction / Write-off/ Insurance claims
Building & civil works	14,751	(14,751)	-	-	Write-off
September 30, 2020	238,734	(218,617)	20,117	41,755	
September 30, 2019	269,753	(239,143)	30,610	53,862	

5.3 During the period, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 3,745 (September 30, 2019: Rs. 4,381) against idle assets, determined on the basis of fair value of the assets less cost of disposal. The Company based on a review for impairment on the operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed their estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. Accordingly, provision for impairment was recognized thereagainst. The recoverable amount of these assets amounted to Nil (September 30, 2019: Rs. 2,628) determined on the basis of fair value less cost of disposal of underlying assets which is based on the historical experience of net recovery proceeds on similar nature of assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

(Amounts in thousand)

		Unaudited September 30, 2020	Unaudited September 30, 2019
		---------- Rupees ----------	
5.4	Following additions, including transfers to operating assets, were made to capital work-in-progress during the period:		
	Additions:		
	Land	5,161	2,200
	Building on freehold land	102,095	75,479
	Plant, machinery and related equipment	860,875	443,188
	IS and milk automation projects	355	5,360
	Office equipment, furniture & fittings and computer equipment	34,537	42,772
	Vehicles	132,462	101,718
		1,135,485	670,717
	Transfers to:		
	- Operating assets	(1,231,461)	(1,010,840)
	- Intangibles	(355)	(14,151)
		(1,231,816)	(1,024,991)

6. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 237,838 (December 31, 2019: Rs. 174,555).

		Unaudited September 30, 2020	Audited December 31, 2019
		---------- Rupees ----------	
7.	**STOCK-IN-TRADE**		
	Raw and packaging material (note 7.1)	1,687,171	2,691,553
	Work in process (note 7.2)	2,661,439	433,776
	Finished goods (notes 7.3)	650,068	608,290
		4,998,678	3,733,619
	Less: Provision for expired / obsolete stock	(49,245)	(15,889)
		4,949,433	3,717,730

7.1 Includes Rs. 25,130 (December 31, 2019: Rs. 572,263) in respect of raw and packaging material held by third parties.

7.2 Includes Rs. 690,223 (December 31, 2019: 76,549) in respect of semi-finished stock held by third parties.

7.3 Includes Rs. 83,048 (December 31, 2019: Rs. 8,892) in respect of finished goods held by third parties and Rs. 26,549 (December 31, 2019: 36,491) in respect of finished goods stock carried at net realizable value.

7.4 Stock amounting to Rs. 3,871 (Sep 30, 2019: Rs. 4,667) has been written off against provision during the period.

8. LONG TERM FINANCES - secured

8.1 In light of the relief granted by the State Bank of Pakistan vide Banking Policy and Regulation Department (BPRD) Circular Letter No. 13 of 2020 dated March 26, 2020, the Company sought relaxation in repayment terms in respect of its long-term finance facilities from Habib Bank Limited and Bank Al Habib Limited amounting to Rs. 1,000,000 and Rs. 600,000 respectively. The principal payments of these loans which were due in October 2020 and April 2021 have been deferred for a period of one year thereby extending the overall maturities of these liabilities by the same period.

8.2 During the period, the Company entered into a long-term loan agreement with Habib Metropolitan Bank Limited amounting to Rs. 957,142 thousand under the Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns by the State Bank of Pakistan. The loan is repayable in eight equal quarterly instalments, starting from March 2021. The loan carries mark-up of 3% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan is secured by creating a charge over moveable assets, to the extent of loan, of the Company.

8.3 During the year, the Company entered into a long-term loan agreement with MCB Bank Limited amounting to Rs. 1,000,000. The loan is repayable in four equal quarterly instalments, starting from October 2021. The loan carries mark-up of 3-Month KIBOR plus 0.25% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan is secured by creating a charge over moveable assets, to the extent of loan, of the Company.

9. SHORT TERM FINANCES - secured

9.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 9,000,000 (December 31, 2019: Rs. 8,550,000). The unutilized balance against these facilities as at September 30, 2020 was Rs. 8,541,807 (December 31, 2019: Rs. 7,183,850). The rates of mark-up on these finances are KIBOR based and range from 7.03% to 7.93% (December 31, 2019: 10.5% to 14.86%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

9.2 The facilities for opening letters of credit and bank guarantees as at September 30, 2020 amounts to Rs. 12,766,000 (December 31, 2019: Rs. 11,651,000), of which the amount remaining unutilized as at September 30, 2020 was Rs. 4,111,141 (December 31, 2019: Rs. 5,262,243).

(Amounts in thousand)

10. CONTINGENCIES AND COMMITMENTS

There is no significant change in the matters disclosed in notes 16, 24 and 32.1 to the financial statements for the year ended December 31, 2019, except for the following:

- Sui Southern Gas Company Limited amounting to Rs. 83,074 (December 31, 2019: Rs. 81,769) under the contract for supply of gas;

- Commitments in respect of capital expenditure contracted for but not incurred as at September 30, 2020 amounts to Rs. 375,167 (December 31, 2019: Rs. 701,364).

- Commitments in respect of purchase of certain commodities as at September 30, 2020 amounts to Rs. 3,274,252 (December 31, 2019: Rs. 908,855).

- The Government of Sindh, amounting to Rs. 238,387 (December 31, 2019: Rs. 229,886), upon the order of the High Court of Sindh to furnish bank guarantees for 50% of the amount of Infrastructure cess of the goods entering or leaving the province through air or sea;

- On September 30, 2020, Additional Commissioner Inland Reveue (ADCIR) raised a demand of Rs.65,522 for tax year 2017 by disallowing the depreciation on freezers, loss on sale of disposal of fixed assets, written off the inventory and gas infrastructure development cess .The Company has intented to file an appeal with CIR A against the order of ADCIR and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

- On September 21, 2020, Assisstant Commissioner Inland Reveue (ACIR) issued orders of super tax liability of Rs 121,565 and 21,980 for the tax years 2017 and 2018 respectively on the basis of petition dismissed by the Honorable Sindh High Court filed by the tax payers.The Company has intented to file an appeal with CIR A against the orders of ACIR based on the advise of its external legal counsel.

11. EARNINGS PER SHARE - Basic and diluted

	Quarter ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	Rupees		Rupees	
There is no dilutive effect on the basic earnings per share of the Company, which is based on:				
Profit / (loss) for the period	29,352	(569,966)	321,958	(808,757)
	Number of shares			
Weighted average number of ordinary shares for determination of basic and diluted EPS	766,596,075	766,596,075	766,596,075	766,596,075
Earnings / (loss) per share	0.04	(0.74)	0.42	(1.05)

12. CASH GENERATED FROM OPERATIONS

	Unaudited September 30, 2020	Unaudited September 30, 2019
	Rupees	
Profit / (loss) before taxation	447,602	(730,327)
Adjustment for non-cash charges and other items:		
- Depreciation on property, plant and equipment	1,473,409	1,450,142
- Depreciation on right-of-use asset	177,196	231,444
- Impairment of operating assets - net	3,745	1,719
- Impairment of intangibles assets	-	2,662
- Amortization of intangibles	21,304	20,270
- Reversal of amortization of employee share option compensation reserve - net	-	(3,046)
- Loss on death / disposal of biological assets	9,473	101,871
- Gain on disposal of operating assets	(21,638)	(23,252)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(259,260)	(261,983)
- Provision for retirement and other service benefits	99,958	94,095
- Provision for stock-in-trade	37,227	14,795
- Provision for slow moving spares - net	63,284	33,904
- Provision for impairment of trade debts	4,924	1,339
- Finance cost on short term and long term finances including bank charges	989,530	822,652
- Finance cost on lease liability against right-of-use assets	44,876	44,245
Working capital changes (note 12.1)	(1,381,707)	211,198
	1,709,923	2,011,728

(Amounts in thousand)

		Unaudited September 30, 2020	Unaudited September 30, 2019
		---------- Rupees ----------	
12.1	**Working capital changes**		
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	(34,530)	24,027
	- Stock-in-trade	(1,268,930)	(961,089)
	- Trade debts	218,491	(354,790)
	- Advances, deposits and prepayments	(235,466)	104,031
	- Other receivables	144,374	212,889
	- Sales tax recoverable	148,737	40,517
		(1,027,324)	(934,415)
	Increase / (decrease) in current liabilities		
	- Trade and other payables	(480,670)	1,145,613
	- Contract liabilities	126,287	-
		(354,383)	1,145,613
		(1,381,707)	211,198

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	149,401	111,199
Short term finances	(458,193)	(2,032,172)
	(308,792)	(1,920,973)

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

14.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

14.2 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

15. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(Amounts in thousand)

Fair value hierarchy

As per the requirements of IFRS 13 "Fair Value Measurement", the Company shall classify fair value instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2020 and December 31, 2019, the Company did not have any financial instruments which were measured at fair values.

The Company has a number of financial instruments which are not measured at fair value in the statement of financial position. These include bank balances, loans to employees, trade debts, markup receivable and payable and long-term finances. For the majority of these instruments, the fair values are considered not to be materially different from their respective carrying amounts since the instruments are either short-term in nature or are periodically repriced.

16. TRANSACTIONS WITH RELATED PARTIES

16.1 Transactions with related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

Nature of relationship	Nature of transactions	Unaudited September 30, 2020	Unaudited September 30, 2019
		---------- Rupees ----------	
Associated companies / undertakings	Arrangement for sharing of premises, utilities, personnel and assets	86,195	121,954
	Fee for technical assistance	799,433	733,982
	Reimbursement of expense paid / payable on behalf of the Company	13,452	5,903
	Reimbursement of expenses received / receivable from the Company	55,356	22,559
	Purchases of goods and services	868,819	1,194,580
	Donation	10,000	10,000
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited:		
	- Gratuity fund contribution	102,293	93,916
	- Provident fund contribution	274,675	265,873
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	148,254	167,371
	Contribution for staff retirement benefits	20,868	21,767
	Bonus payment	64,183	35,447
Other Directors	Fee	2,410	2,331

16.2 There are no transactions with key management personnel other than under the terms of the employment.

17. SEGMENT INFORMATION

17.1 The basis of segmentation and reportable segments presented in these condensed interim financial statements are the same which were disclosed in annual financial statements for the year ended December 31, 2019 except for impact of change in segment reporting as disclosed in note 3.3.

Unallocated assets include long and short term advances, deposits and prepayments, other receivables, taxes recoverable and cash and bank balances.

Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets are reported to the Board of Directors at entity level. Inter-segment sales of processed milk and powder are made by Dairy & Beverages to Ice cream & frozen desserts, at market value.

17.2 Information regarding the Company's operating segments is as follows:

	Unaudited Nine months ended September 30, 2020			Unaudited Nine months ended September 30, 2019 (Restated)		
	Dairy and Beverages	Ice cream & frozen desserts	Total	Dairy and Beverages	Ice cream & frozen desserts	Total
	----------	----------	Rupees	----------	----------	----------
Results for the period						
Net sales	28,975,884	3,461,384	32,437,268	24,960,050	3,655,454	28,615,504
Inter-segment sales	(62,846)	-	(62,846)	(121,906)	-	(121,906)
	28,913,038	3,461,384	32,374,421	24,838,144	3,655,454	28,493,598
Net profit / (loss) after tax	178,126	143,833	321,958	(1,014,370)	205,613	(808,757)

	Unaudited Nine months ended September 30, 2020			Audited December 31, 2019 (Restated)		
	----------	----------	Rupees	----------	----------	----------
Assets						
- Segment assets	16,006,576	2,395,106	18,401,682	15,814,230	2,227,618	18,041,848
- Un-allocated assets	-	-	5,639,153	-	-	5,524,249
	16,006,576	2,395,106	24,040,835	15,814,230	2,227,618	23,566,097

18. SEASONALITY

The Company's 'Ice cream & frozen desserts' and 'Beverages' businesses are subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits for the nine months ended September 30, 2020 are not necessarily indicative of result to be expected for the full year.

19. CORRESPONDING FIGURES

19.1 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year, 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 have been compared with the transactions of comparable period of immediately preceding financial year.

19.2 For better presentation freight charges for the nine months and quarter ended September 30, 2019 amounting to Rs 215,717 and Rs 80,899 respectively have been reclassified from 'distribution and marketing expenses' to 'revenue from contracts with customers - net'.

(Amounts in thousand)

20. DATE OF AUTHORIZATION FOR ISSUE

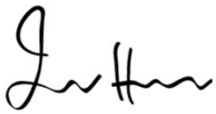
These condensed interim financial statements were authorized for issue on October 16, 2020 by the Board of Directors of the Company.



Chairman



Chief Executive



Chief Financial Officer

فریزلینڈ کمپینا اینگرو پاکستان لمیٹیڈ

ڈائریکٹرز رپورٹ:

(Directors' Report)

فریزلینڈ کمپینا اینگرو پاکستان لمیٹیڈ (سابقہ اینگرو فوڈز۔ فریزلینڈ کمپینا پاکستان ہولڈ نگز بی وی کی اکثریتی ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر 2020 کو ختم ہونے والے 9 ماہ کی رپورٹ اور عبوری مالی معلومات پیش کرنے پر انتہائی خوشی محسوس کر رہے ہیں۔

کاروباری جائزہ:

(Business Review)

کاروبار نے مضبوط ترقی اور بہترین شرح نمو کا سلسلہ جاری رکھتے ہوئے لگاتار آٹھویں سہ ماہی میں شاندار شرح نمو حاصل کی۔ گزشتہ 9 ماہ کے دوران لاک ڈاؤن کے باعث ریٹیل اور تفریحی مقامات کی بندش کی وجہ سے کاروبار پر منفی اثرات مرتب ہونے کے باوجود کمپنی نے 32.3 ارب روپے کی آمدن ظاہر کی جو کہ گزشتہ مالی سال کے اسی عرصے کے مقابلے میں 12 فیصد زائد ہے۔

گزشتہ بارہ ماہ کے دوران اجناس کی قیمتوں میں تیزی سے ہونے والے اضافے کے باعث افراط زر کی ریکارڈ سطح اور روپے کی گرتی ہوئی قدر کے باعث لاگت کا مجموعی ماحول بھی مشکل رہا، تاہم افراط زر کے ان اثرات کو کم کرنے کے لیے کمپنی نے متعدد کاروباری اقدامات اٹھائے جس میں لاگت کی اصلاح، مکس مینجمنٹ وغیرہ شامل تھے جس کے نتیجے میں مجموعی منافع میں گزشتہ سال کے اسی عرصے کے مقابلے میں 220 بیسز پوائنٹس کی بہتری آئی۔ مارجن میں بہتری پہلی سہ ماہی میں بلند شرح سود کے سبب زائد مالیاتی

لاگت کی وجہ سے چند مقامات پر متاثر ہوئی۔ نتیجتاً کمپنی نے رواں مالی سال 9 ماہ کے لیے 321 ملین روپے بعداز ٹیکس منافع کا اعلان کیا ہے جہاں گزشتہ سال کے اسی دورانیے میں 809 ملین روپے کا خسارہ ہوا تھا۔

ملازمین کی حفاظت اور فلاح و بہبود کمپنی کی اولین ترجیح رہی۔ ادارے بھر میں عام اور خصوصی حفاظتی مواصلاتی مہمات اور آگاہی نشستیں منعقد کروائی گئیں جبکہ مرکزی دفتر، فیلڈ دفاتر اور مینوفیکچرنگ سائٹس پر بھی سخت پروٹوکولز اپنائے گئے۔ کمپنی اور فریق ثالث کے لیے کام کرنے والے تمام ملازمین کو سائٹس میں داخلے سے قبل طبّی معائنہ کروانا ہوگا، ماسک لازمی پہننا ہوگا اور مستقل سینی ٹائزر کا استعمال کرنا ہوگا۔

ڈیری و مشروبات کا شعبہ:

(Dairy and Beverages Segment)

ڈیری اور مشروبات کے شعبے نے گزشتہ سال کے مقابلے میں 16 فیصد اضافے کے ساتھ 28.9 ارب روپے کی آمدن ظاہر کی۔ اس شعبے کی ترقی اولپرز کی مرہون منت رہی، جس نے ایک نمایاں برانڈ اور تجارتی سرمایہ کاری کے طور پر اپنی مضبوط پوزیشن برقرار رکھی۔ کمپنی نے سال کے پہلے حصے میں اولپرز فلیورڈ ملک (حیاتین اور معدنیات سے بھرپور) اور ترنگ ٹی وائٹننگ پاؤڈر (10 روپے فی پیکٹ کے کم نرخ پر) متعارف کروا کے اپنے پورٹ فولیو میں اضافہ کیا۔ حالیہ دیگر متعارف کروائی گئی مصنوعات جیسے اولپرز فُل کریم ملک پاؤڈر، اولپرز کریمز، اولپرز پروکال اور ترنگ الائچی نے مختصر وقفے میں مستحکم کاروباری حریفوں سے سخت مقابلے کے باجود حوصلہ افزاء مارکیٹ شیئر حاصل کیا۔ کمپنی فریزلینڈ کمپینا کی بین الاقوامی سطح پر مہارت کا فائدہ اٹھاتے ہوئے نئی مصنوعات اور جدتیں متعارف کراتی رہے گی جو مستقبل میں کاروبار کی ترقی کے سلسلے میں سب سے اہم محرک ہے۔

آئس کریم و منجمد میٹھوں کا شعبہ:

(Ice Cream and Frozen Dessert Segment)

آئس کریم اور منجمد میٹھوں کے شعبے نے 3.4 ارب روپے کی آمدن ظاہر کی جبکہ گزشتہ سال اسی دورانیے میں 3.6 ارب روپے کی آمدن ریکارڈ کی گئی۔ یہ شعبہ کوویڈ 19 کے باعث لاک ڈاؤن کے نتیجے میں ریٹیل اور تفریحی مقامات کی بندش کی وجہ سے متاثر ہوا کیونکہ آئس کریم کا کاروبار موسم گرما سے ہی جڑا ہوتا ہے البتہ اس شعبے نے سات نئی تخلیقات متعارف کراتے ہوئے کاروبار میں دلچسپی برقرار رکھنے کا سلسلہ جاری رکھا جہاں 'سمر بلاک بسٹر' مہم کے ذریعے برانڈ کی ترویج پر سرمایہ کاری کی گئی اور کاروباری دنیا میں توسیع کی گئی۔ جس کے نتیجے میں لاک ڈاؤن میں بتدریج نرمی کے ساتھ ہی بھاری منافع ہوا اور عید کے دوران بہتر کاروباری حجم ریکارڈ کیا گیا۔

مالیاتی کارکردگی:

(Financial Performance)

30 ستمبر 2020 کو ختم ہونے والے 9 مہینوں میں کمپنی کی مالیاتی کارکردگی کا خلاصہ درج ذیل ہے۔

ملین روپے	9 مہینوں کا اختتام: 30 ستمبر 2020		
	2020	2019	تغیر و تبدیلی
خالص فروخت	32,374	28,494	14%
آپریٹنگ منافع	1,482	137	985%
فروخت کا فیصد	4.6%	0.5%	
(خسارہ)/منافع بعد از ٹیکس	322	-809	
فروخت کا فیصد	1.0%	-2.8%	
(خسارہ)/ منافع فی حصص	0.42	-1.05	

مستقبل کا جائزہ:

(Future Outlook)

کوویڈ کی وبا کے سبب صارفین اور کاروباروں دونوں کے لیے معاشی ماحول مشکلات کا شکار رہے گا۔ کمپنی صارفین کی قوت خرید میں کمی اور بلند لاگت کے باعث مستقبل میں مشکل کاروباری ماحول دیکھ رہی ہے۔

کمپنی کا مقصد گھاس سے گلاس تک غذائی دودھ کی فراہمی کے ساتھ ساتھ کسانوں کے ذریعہ آمدن میں اضافے کے ساتھ پاکستانیوں کی موجودہ اور آئندہ آنے والی نسلوں کی صحت و تندرستی کو یقینی بنانا ہے۔ اپنے مقصد پر قائم رہنا، صارفین کو غذائیت سے بھرپور اور محفوظ مصنوعات کی مسلسل فراہمی کو یقینی بنانا کمپنی کی ترجیح رہے گی، جبکہ صارفین کو غیر محفوظ کھلے دودھ سے پیکڈ دودھ کی طرف منتقلی کا عمل بھی جاری رہے گا بذریعہ

۔اپنی برانڈ ایکویٹی کو مضبوط بنانے کے لیے سرمایہ کاری کر کے۔
۔جدید پراڈکٹ پورٹ فولیو رکھ کر
۔اپنے ڈیری ڈیولپمنٹ پروگرام کے ذریعے کسانوں کے ساتھ مل کر کام کر کے آمدنی، پیداوار اور حجم کو بہتر بنانے کے لیے مدد کی جاسکے جبکہ کسانوں کے لیے منافع کو بھی بڑھایا جاسکے۔
۔پاکستان ڈیری ایسوسی ایشن کے ساتھ کام کر کے صارفین کو کھلے دودھ کے استعمال سے ہونے والے نقصان سے متعلق آگاہ کر کے اور پیکڈ دودھ کے فوائد سے آگاہ کر کے
۔نگراں اداروں کے ساتھ کام کر کے وفاقی اور صوبائی غذائی قوانین کو ہم آہنگ کر کے اور کم از کم پیسچرائزیشن کے لئے مسودہ قانون کی تیاری۔

فریزلینڈ کیمپینا اینگرو پاکستان لمیٹیڈ حفظان صحت کے اعلیٰ معیار، غذائی تحفظ اور استحکام کے لیے پر عزم ہے اور کروڑوں پاکستانیوں کو روزانہ محفوظ، سستی اور غذائیت سے بھرپور ڈیری مصنوعات کی فراہمی جاری رکھے گی۔

عبدالصمد داؤد
چیئرمین

علی احمد خان
چیف ایگزیکٹو

HEAD OFFICE
5th Floor, Harbor Front Building, HC-3,
Marine Drive, Block 4, Clifton, Karachi 75600, Pakistan
Phone: +92 213 529 6000 (ext: 9 Lines) Fax: +92 213 529 6010
Web: www.frieslandcampina.com.pk