



**FrieslandCampina Engro Pakistan Limited
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FrieslandCampina Engro Pakistan Limited

Financial Results – Q3, 2020

Business Performance

FrieslandCampina Engro Pakistan Limited (FCEPL) announced its results to the Pakistan Stock Exchange on October 16th, 2020. Despite **challenging times** due to the COVID 19 pandemic, the Company recorded an **8th consecutive quarter of robust topline** growth and registered a **12% growth versus last year**.

The overall cost environment remained challenging, with record inflationary levels leading to a high increase in commodity costs over the last 12 months and sharp devaluation of the Pak Rupee. However, the Company achieved a **220 bps improvement in gross margins versus the same period last year through multiple initiatives including cost optimization and mix management**. The improvement in margins has been diluted somewhat by the higher borrowing costs on account of high interest rates in the first quarter. Accordingly, FCEPL registered a **profit after tax of Rs 321 million** versus a loss of Rs 809 million in the same period last year.

Led by FCEPL's largest brand **Olper's**, the Dairy and Beverages segment registered a **16% growth** versus the same period last year. The segment reported a **revenue of Rs. 28.9 billion**. 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 **Ice Cream** segment was impacted by the closure of retail and leisure spots due to COVID-19, which coincided with the Ice Cream summer season. Consequently, 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. However, the business continued to create excitement by introducing 7 innovations, investing in brand building through the "summer blockbuster" campaign, and expansion of its trade universe. This paid strong dividends when the lockdowns were eased, and the segment recorded better volumes during Eid.

Employee safety and wellbeing remains 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.

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%	
(Loss) / Profit after tax	322	-809	
% of sales	1.0%	-2.8%	
(Loss) / Earnings 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.