

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to submit the half year report along with the reviewed condensed interim financial information of the company for the six months period ended June 30, 2015.

During the first half of 2015, the sociopolitical situation of the country remained unchanged. The poor law and order condition coupled with continued energy crisis has adversely impacted the purchasing power of the consumer.

Despite the above challenges, we are pleased to report the following results, delivering solid top line growth and improved profitability.

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

	Jan – Jun 2015 PKR Million	Jan – Jun 2014 PKR Million	Change
Sales	53,226	50,331	+ 5.7%
Gross Profit	18,656	14,830	+25.8%
% of sales	35.1%	29.5%	
Operating Profit	9,916	7,708	+ 28.6%
% of sales	18.6%	15.3%	
Net Profit after tax	6,205	4,639	+33.8%
% of sales	11.7%	9.2%	
Earnings per share	136.83	102.29	+33.8%

Sales:

The sales revenue stood at PKR 53 billion and yielded a growth of +5.7% compared to same period last year. Our export sales during the period stood at PKR 3.2 billion.

Gross Profit:

Our gross margins increased by 560 bps compared to the same period last year mainly due to favorable input costs as a result of extended cool weather positively impacting milk flush and consequently milk prices as well as a relatively stable Pak Rupee.

Operating Profit:

The operating profit increased to PKR 9.9 billion, registering a growth of +28.6% vs. same period last year, this was achieved through improved gross margin and effective cost management. We have reduced waste in the value chain by approximately PKR 844 million, which has allowed improving margins whilst reducing prices to the consumer for NESTLE MILKPAK and NESTLE EVERYDAY liquid.

Net Profit after tax:

Our net profit after tax stood at PKR 6.2 billion, registering a growth of 33.8% vs. same period last year.

Future Outlook:

Despite the challenges being faced and the 10% Sales Tax imposition on full cream milk powders, we continue to have a positive outlook for the business, though we foresee a more challenging second half.

For and on behalf of the Board of Directors
Magdi Batato
Chief Executive

Lahore: August 26, 2015

