DIRECTORS' REVIEW 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, 2018.

We are pleased with our continued momentum on sales and brand fundamentals, despite macro-economic challenges arising from widening current account deficit and declining foreign reserves. In order to improve situation the Government took various measures including currency devaluation and enhancement of import duties. These measures along with rising material costs and fuel prices had negatively impacted our profit for H1 2018 compared to same period of last year.

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

	Jan – Jun 2018 PKR Million	Jan – Jun 2017 PKR Million	Change
Sales	64,568	61,941	+ 4.2%
Gross Profit	22,392	23,717	- 5.6%
% of sales	34.7%	38.3%	
Operating Profit	10,866	12,881	- 15.6%
% of sales	16.8%	20.8%	
Net Profit after tax	6,260	7,934	- 21.1%
% of sales	9.7%	12.8%	
Earnings per share	138.03	174.95	- 21.1%

Sales:
The sales revenue grew by PKR 2.6 billion, yielded a growth of + 4.2% driven by pricing.

Gross Profit:
We delivered a Gross Margin of 34.7% (-360bps). The major factors behind Gross Margin decline were, increased import duties, rising commodity prices and currency devaluation.

Operating Profit:
We delivered an Operating Profit of 16.8% (-400 bps). The drop is mainly due to reduction in gross profit.
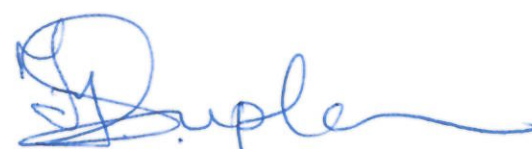
Net Profit after tax:
Our Net Profit After Tax stood at PKR 6.3 billion.

Future Outlook:

Despite macroeconomic challenges, currency risk and input cost increases we continue to maintain a positive outlook on the back of strong Brand Equity, consumer centric innovations and optimization of our value chain through Nestle Continous Excellence (NCE).

For and on behalf of the Board of Directors
Freda Duplan
Chief Executive

Lahore: August 16, 2018