



Abbott Pakistan

Un-Audited Financial Statements for the
Quarter and Nine Month Ended September 30, 2018



Abbott
A Promise for Life

CORPORATE INFORMATION

BOARD OF DIRECTORS

Munir A. Shaikh (Chairman)
Syed Anis Ahmed (Chief Executive Officer)
Kamran Y. Mirza
Ehsan Ali Malik
Shamim Ahmad Khan
Zehra Naqvi
Seema Khan

AUDIT COMMITTEE

Ehsan Ali Malik (Chairman)
Shamim Ahmad Khan
Kamran Y. Mirza

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Zehra Naqvi (Chairman)
Kamran Y. Mirza
Munir A. Shaikh
Syed Anis Ahmed
Shamim Ahmad Khan

SHARE TRANSFER COMMITTEE

Syed Anis Ahmed (Chairman)
Kamran Y. Mirza
Seema Khan

BANKING COMMITTEE

Zehra Naqvi (Chairman)
Syed Anis Ahmed
Seema Khan

CHIEF FINANCIAL OFFICER

Jamshed Azhar

COMPANY SECRETARY

Malik Saadatullah

CHIEF INTERNAL AUDITOR

Fahad Rehman

AUDITORS

EY Ford Rhodes
(a member firm of Ernst & Young)
Chartered Accountants

LEGAL ADVISORS

Orr, Dignam & Co.
Surridge & Beecheno

BANKERS

Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
The Bank of Tokyo-Mitsubishi UFJ Limited
Habib Bank Limited
National Bank of Pakistan
MCB Bank Limited
Faysal Bank Limited
Citibank N.A.

SHARE REGISTRAR

FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery Block 6
P.E.C.H.S, Shahrach-e-Faisal, Karachi

REGISTERED OFFICE

Opposite Radio Pakistan
Transmission Centre,
Hyderabad Road, Landhi,
P.O. Box 7229, Karachi, Pakistan.

CITY OFFICE

8th Floor, Faysal House,
St-02, Shahrach-e-Faisal, Karachi, Pakistan.

WEBSITE

www.pk.abbott

SENIOR MANAGEMENT TEAM

Syed Anis Ahmed
(Chief Executive Officer)
Jamshed Azhar
(Chief Financial Officer)
Rana A. Latif
(Director Operations)
Asim Shafiq
(General Manager, Abbott Nutrition
International Pakistan)
Habib Ahmed
(Country Manager, Abbott Diagnostics
Division Pakistan)
Dr. Shaikh Adnan Lateef
(Head of Abbott Diabetes Care Pakistan)
Asghar Huda
(Director Human Resource)
Malik Saadatullah
(Director Finance - EPD Operations &
Company Secretary)
Abdul Wahab Godil
(Director Finance - EPD Commercial)
Ruby Saeed Shaikh
(Director Quality Assurance)
Dr. Suleman Alvi
(Director Marketing)
Seema Khan
(Director Regulatory Affairs)
Dr. Raef Ahmed
(Director Medical Affairs)
Zahid Hussain
(Director Supply Chain)
Syed Muhammad Fahim
(Director Engineering)
Jamal Nasir
(Director Sales)
Ahmed Ashraf
(Director Commercial Excellence)
Syed Javed Akhter Bukhari
(Director Distribution)
Syed Nasir
(Director MIS)

DIRECTORS' REPORT

The Directors are pleased to present the un-audited condensed interim financial statements of your Company, for the nine months ended September 30, 2018 as well as for the third quarter ended September 30, 2018.

FINANCIAL HIGHLIGHTS

For nine months' period ended September 30, 2018

Sales for the nine months increased by 16% over the same period last year. Pharmaceutical sales increased by 14% mainly attributable to increase in volume. Nutritional sales increased by 27% due to increase in volume.

Gross profit margin of your Company remained under pressure due to the recent devaluation of our rupee. While the Gross profit margin was lower by 5% over the corresponding period last year, Gross profit grew by 2%. Gross profit margin of the pharmaceutical business declined to 35% from 40% and that of Nutritional segment declined to 28% from 33%.

Selling and distribution expenses increased by 27% against the same period last year mainly due to higher expenditure on advertisement and sales promotion. Other charges showed an increase of 11% mainly on account of exchange losses. Overall, your Company posted a net profit of Rs. 2.1 billion.

For third quarter ended September 30, 2018

Sales for the quarter increased by 18% over the same period last year. Pharmaceutical sales increased by 11% mainly on account of increase in volume. Sales for the nutritional segment increased by 60% registering an overall increase of Rs. 578.2 million.

Gross profit margin of the pharmaceutical business declined to 34% from 41% during the same period last year. This is mainly due to rapid devaluation of Pakistani rupee.

Selling and distribution expenses showed an increase of 21% mainly in respect of Nutritional segment due to added expenses on advertisement and sales promotion. Selling and Distribution expenses for Pharmaceutical segment increased by 10%. Profit after tax has declined by 26% in the current quarter compared to the same quarter last year.

FUTURE OUTLOOK

The Company continues to face challenges of escalation in costs due to devaluation of the Pakistani rupee and inflation. Recent rounds of devaluation of Pakistani Rupee with no corresponding price adjustments has been putting further pressure on margins. The new pricing policy is a welcome starting point. Moving forward, it is important that impact of the devaluation of the rupee is also recognised in the policy.

We appreciate the current level of engagement between Drug Regulatory Authority of Pakistan and the industry and hope that it leads to an expeditious resolution of various outstanding issues.

While we remain engaged with relevant stakeholders to address these concerns, your Company will continue its efforts to improve productivity and cost containment.



Chief Executive



Director

Karachi: October 19th, 2018

مستقبل کے امکانات

کمپنی کو پاکستانی روپے کی قدر میں کمی اور مہنگائی کی وجہ سے بڑھتی ہوئی لاگت کی دشواریوں کا بدستور سامنا ہے۔ پاکستانی روپے کی قدر میں بدستور کمی، جسکے باوجود قیمتوں میں اضافے کا نہ ہونا، منافع کی شرح پر دباؤ ڈالے ہوئے ہے۔ نرخوں کے تعین کی نئی پالیسی خوش آئند آغاز ہے۔ مستقبل میں یہ ضروری ہے کہ روپے کی قدر میں کمی کے اثرات کو بھی پالیسی میں جگہ دی جائے۔

ہم ڈرگ ریگولیٹری اتھارٹی آف پاکستان اور صنعت کے مابین تعلقات کی موجودہ سطح کو سراہتے ہیں، اور امید کرتے ہیں کہ یہ تعلقات متعدد مسائل کو تیزی سے حل کرنے کا باعث بنیں گے۔

ان مسائل کے حل کے سلسلے میں ہم متعلقہ فریقین (stakeholders) کے ساتھ رابطہ استوار رکھیں گے، تاہم آپ کی کمپنی productivity بہتر بنانے اور اخراجات محدود رکھنے کی اپنی کاوشیں جاری رکھے گی۔

ڈائریکٹر

چیف ایگزیکٹو

کراچی: 19 اکتوبر 2018ء

ڈائریکٹران کی رپورٹ

ڈائریکٹران آپ کی کمپنی کے 30 ستمبر 2018ء کو ختم ہونے والے نو ماہ کے ساتھ ساتھ 30 ستمبر 2018ء کو ختم ہونے والی تیسری سہ ماہی کے غیر آڈٹ شدہ مشترکہ عبوری مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی جھلکیاں

30 ستمبر 2018ء کو ختم ہونے والے نو ماہ

نو ماہ کی سیلز میں گزشتہ سال کی اسی مدت کے مقابلے میں 16 فیصد اضافہ ہوا۔ حجم بڑھنے کے سبب فارماسوٹیکل کی سیلز 14 فیصد بڑھ گئی۔ اسی طرح سیلز کے حجم میں اضافے کے نتیجے میں نیوٹریشنل کی سیلز 27 فیصد بڑھی۔

آپ کی کمپنی کے خام منافع (Gross profit) کی شرح پاکستانی روپے کی قدر میں حالیہ کمی کی بنا پر دباؤ میں رہی۔ خام منافع کی شرح اسی مدت گزشتہ سال کے مقابلے میں 5 فیصد کم ہو گئی، تاہم خام منافع 2 فیصد بڑھا۔ فارماسوٹیکل بزنس کے خام منافع کی شرح 40 فیصد سے گر کر 35 فیصد ہو گئی، جبکہ نیوٹریشنل کے زمرے میں یہ 33 فیصد سے گر کر 28 فیصد ہو گئی۔

سیلز اور ڈسٹری بیوشن کے اخراجات گزشتہ سال کی اسی مدت کے مقابلے میں 27 فیصد بڑھ گئے جس کا اہم سبب اشتہارات اور سیلز پروموشن کے اخراجات میں اضافہ تھا۔ دیگر اخراجات میں بھی 11 فیصد اضافہ ہوا جس کی اہم وجہ روپے کے مبادلے میں ہونے والا نقصان ہے۔ آپ کی کمپنی نے بحیثیت مجموعی 2.1 ارب روپے کا خالص منافع حاصل کیا۔

30 ستمبر 2018ء کو ختم ہونے والی تیسری سہ ماہی

سہ ماہی کی سیلز گزشتہ سال کی اسی مدت کے مقابلے میں 18 فیصد بڑھ گئیں۔ بنیادی طور پر حجم بڑھنے کے سبب فارماسوٹیکل کی سیلز 11 فیصد بڑھ گئیں۔ نیوٹریشنل کے زمرے کی سیلز 60 فیصد بڑھی جس سے مجموعی طور پر 578.2 ملین روپے کا اضافہ ہوا۔

فارماسوٹیکل بزنس کے خام منافع کی شرح گزشتہ سال کی اسی مدت کے مقابلے میں 41 فیصد سے کم ہو کر 34 فیصد ہو گئی۔ اس کی اہم وجہ پاکستانی روپے کی قدر میں تیزی سے کمی ہے۔

سیلز اور ڈسٹری بیوشن کے اخراجات 21 فیصد بڑھے جس میں زیادہ اضافہ نیوٹریشنل زمرے کے لیے اشتہارات اور سیلز پروموشن کے اخراجات کی بنا پر ہوا۔ فارماسوٹیکل بزنس کے لیے سیلز اور ڈسٹری بیوشن کے اخراجات میں 10 فیصد اضافہ ہوا۔ رواں سہ ماہی میں منافع بعد از ٹیکس گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 26 فیصد کم رہا۔

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2018

		UNAUDITED SEPTEMBER 30, 2018	AUDITED DECEMBER 31, 2017
	Note	----- Rupees in '000 -----	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	3	6,413,562	5,419,054
- Intangible assets		27,493	10,650
		6,441,055	5,429,704
Long-term loans and advances		54,464	50,988
Long-term deposits		7,513	7,513
Long-term prepayments		4,452	4,117
		6,507,484	5,492,322
CURRENT ASSETS			
Stores and spares		172,809	129,521
Stock-in-trade	4	4,762,904	3,475,745
Trade debts		1,116,725	914,972
Loans and advances		200,376	159,591
Trade deposits and short-term prepayments	5	613,349	252,905
Interest accrued		3,516	12,495
Other receivables		264,180	174,448
Taxation - net		370,870	4,390
Cash and bank balances	6	4,890,189	8,571,721
		12,394,918	13,695,788
TOTAL ASSETS		18,902,402	19,188,110
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
200,000,000 ordinary shares of Rs.10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital	7	979,003	979,003
Reserves			
- Capital		515,458	459,761
- Revenue		11,071,934	12,917,071
		11,587,392	13,376,832
		12,566,395	14,355,835
NON-CURRENT LIABILITIES			
Deferred taxation		273,708	231,147
Liabilities against assets subject to finance lease	8	119,198	-
CURRENT LIABILITIES			
Trade and other payables	9	5,897,097	4,601,128
Current maturity of liabilities against assets subject to finance lease	8	46,004	-
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	10	18,902,402	19,188,110

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2018

	Nine Months Ended		Quarter Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	----- Rupees in '000 -----			
NET SALES				
Local	20,484,746	17,515,826	7,446,102	6,138,721
Export	1,109,622	1,143,562	370,496	463,121
	<u>21,594,368</u>	<u>18,659,388</u>	<u>7,816,598</u>	<u>6,601,842</u>
Cost of sales	<u>(14,297,323)</u>	<u>(11,473,007)</u>	<u>(5,337,993)</u>	<u>(3,962,270)</u>
GROSS PROFIT	<u>7,297,045</u>	<u>7,186,381</u>	<u>2,478,605</u>	<u>2,639,572</u>
Selling and distribution expenses	(3,505,686)	(2,769,296)	(1,117,684)	(925,040)
Administrative expenses	(392,283)	(317,440)	(138,635)	(108,726)
Other charges	(480,081)	(433,245)	(150,068)	(157,688)
Other income	329,108	331,424	92,357	100,417
	<u>(4,048,942)</u>	<u>(3,188,557)</u>	<u>(1,314,030)</u>	<u>(1,091,037)</u>
	<u>3,248,103</u>	<u>3,997,824</u>	<u>1,164,575</u>	<u>1,548,535</u>
Finance costs	(9,602)	(8,306)	(4,064)	(3,639)
PROFIT BEFORE TAXATION	<u>3,238,501</u>	<u>3,989,518</u>	<u>1,160,511</u>	<u>1,544,896</u>
Taxation				
- Current	(981,705)	(1,022,087)	(284,336)	(433,814)
- Prior	(143,360)	(163,339)	-	-
- Deferred	(42,561)	(15,330)	(58,242)	(286)
	<u>(1,167,626)</u>	<u>(1,200,756)</u>	<u>(342,578)</u>	<u>(434,100)</u>
NET PROFIT FOR THE PERIOD	<u>2,070,875</u>	<u>2,788,762</u>	<u>817,933</u>	<u>1,110,796</u>
BASIC AND DILUTED EARNINGS PER SHARE (Rs. per share)	<u>21.15</u>	<u>28.49</u>	<u>8.35</u>	<u>11.35</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (Unaudited)

For the Nine Months and Quarter Ended September 30, 2018

	Nine Months Ended		Quarter Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	----- Rupees in '000 -----			
Profit for the period	2,070,875	2,788,762	817,933	1,110,796
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>2,070,875</u>	<u>2,788,762</u>	<u>817,933</u>	<u>1,110,796</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited)

For the Nine Months Ended September 30, 2018

		September 30, 2018	September 30, 2017
Note		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	2,787,290	4,922,557
Income taxes paid		(1,491,545)	(1,046,917)
Long-term loans and advances - net		(3,476)	(3,504)
Long-term deposits - net		-	(33)
Long-term prepayments - net		(335)	1,680
Net cash inflow from operating activities		<u>1,291,934</u>	<u>3,873,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,530,690)	(1,209,298)
Acquisition of intangible asset		(24,280)	-
Sale proceeds from disposal of property, plant and equipment		8,151	8,574
Interest income		283,978	301,553
Net cash outflow from investing activities		<u>(1,262,841)</u>	<u>(899,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(7,493)	(8,306)
Increase in liabilities against assets subject to finance lease		163,093	-
Dividends paid		(3,866,225)	(3,873,182)
Net cash outflow from financing activities		<u>(3,710,625)</u>	<u>(3,881,488)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(3,681,532)</u>	<u>(906,876)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		8,571,721	7,944,429
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>4,890,189</u></u>	<u><u>7,037,553</u></u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the Nine Months Ended September 30, 2018

	Share Capital	Reserves					Total Equity
		Capital Reserves		Revenue Reserves		Total	
		Reserve Arising on Merger	Other	General Reserve	Un-appropriated Profit		
------(Rupees '000)-----							
Balance as at January 01, 2017	979,003	46,097	368,283	5,338,422	7,861,435	13,614,237	14,593,240
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2016 @ Rs. 30 per share declared subsequent to the year end	-	-	-	-	(2,937,009)	(2,937,009)	(2,937,009)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	(979,003)	(979,003)	(979,003)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	34,128	-	-	34,128	34,128
Total comprehensive income for the period ended September 30, 2017							
Net profit for the period	-	-	-	-	2,788,762	2,788,762	2,788,762
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	2,788,762	2,788,762	2,788,762
Balance as at September 30, 2017	979,003	46,097	402,411	5,338,422	6,734,185	12,521,115	13,500,118
Balance as at January 01, 2018	979,003	46,097	413,664	5,338,422	7,578,649	13,376,832	14,355,835
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2017 @ Rs. 30 per share declared subsequent to the year end	-	-	-	-	(2,937,009)	(2,937,009)	(2,937,009)
Interim dividend for the year ending December 31, 2018 @ Rs. 10 per share	-	-	-	-	(979,003)	(979,003)	(979,003)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	55,697	-	-	55,697	55,697
Total comprehensive income for the period ended September 30, 2018							
Net profit for the period	-	-	-	-	2,070,875	2,070,875	2,070,875
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	2,070,875	2,070,875	2,070,875
Balance as at September 30, 2018	979,003	46,097	469,361	5,338,422	5,733,512	11,587,392	12,566,395

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

1. THE COMPANY AND ITS OPERATIONS

Abbott Laboratories (Pakistan) Limited (the Company) is a public limited company incorporated in Pakistan on July 02, 1948, and its shares are quoted on the Pakistan Stock Exchange. The address of its registered office is opposite Radio Pakistan Transmission Centre, Hyderabad Road, Landhi, Karachi. The Company is principally engaged in the manufacture, import and marketing of research based pharmaceutical, nutritional, diagnostic, diabetes care, molecular devices, hospital and consumer products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

These condensed interim financial statements of the Company for the nine months ended September 30, 2018 have been prepared in accordance with the provisions of and directives issued under the Companies Act, 2017 and the accounting and reporting standards as applicable in Pakistan for interim financial reporting which comprise of International Accounting Standard 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board as notified under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

2.2 Accounting policies

The accounting policies and the methods of computation used 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, 2017.

2.3 Accounting estimates and judgments

The preparation of condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those that were applied to the audited annual financial statements of the Company as at and for the year ended December 31, 2017.

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
Note	----- Rupees in '000 -----	-----

3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	3.1	5,651,238	4,678,815
Capital work-in-progress		762,324	740,239
		<u>6,413,562</u>	<u>5,419,054</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

3.1 Operating fixed assets

	Additions	Disposals	
		Cost	Accumulated Depreciation
		Rupees in '000	
Buildings on freehold land	140,026	-	-
Plant and machinery	540,935	23,797	21,766
Vehicles	17,684	14,578	7,917
Computers	10,874	-	-
Service equipment	786,942	-	-
Assets under finance lease			
Vehicles	12,144	-	-
	<u>1,508,605</u>	<u>38,375</u>	<u>29,683</u>
		(Un-audited) September 30, 2018	(Audited) December 31, 2017
		Rupees in '000	

4. STOCK-IN-TRADE

Raw and packing materials	2,662,512	1,915,370
Work-in-process	359,385	312,100
Finished goods	<u>1,867,035</u>	<u>1,540,436</u>
	4,888,932	3,767,906
Less: Provision for slow moving and obsolete items	<u>126,028</u>	<u>292,161</u>
	<u>4,762,904</u>	<u>3,475,745</u>

5. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Represents trade deposits and short-term prepayments amounting to Rs. 408.555 million and Rs. 204.794 million (December 31, 2017: Rs. 161.369 million and Rs. 91.536 million), respectively, net of provision.

(Un-audited) September 30, 2018	(Audited) December 31, 2017
Rupees in '000	

6. CASH AND BANK BALANCES

With banks

Savings accounts:		
- Local currency	706,782	282,727
Deposit accounts:		
- Local currency	3,500,000	7,800,000
Current accounts:		
- Local currency	19,549	2,210
- Foreign currency	439,959	426,180
	459,508	428,390

In hand

- Foreign currency	2,178	3,013
- Local currency	2,426	2,596
	4,604	5,609
Cheques and drafts in hand and in transit	219,295	54,995
	<u>4,890,189</u>	<u>8,571,721</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

As at September 30, 2018, Abbott Asia Investments Limited, UK (the holding company) held 76,259,454 (December 31, 2017: 76,259,454) shares. The ultimate holding company is Abbott Laboratories, USA.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into a finance lease arrangement from a commercial bank for the purchase of vehicles. The utilization under the arrangement cannot exceed Rs. 270 million (December 31, 2017: Rs. Nil). The finance lease arrangement carries markup at the rate of 6-month KIBOR plus 0.5% per annum (December 31, 2017: Nil).

9. TRADE AND OTHER PAYABLES

Includes accrued liabilities and bills payable amounting to Rs. 2,196.583 million and Rs. 1,502.148 million (December 31, 2017: Rs. 1,590.159 million and Rs. 1,127.904 million), respectively.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

- 10.1.1** The taxation officer has contended that the Company has not deducted tax under the law on certain expenses. The orders were passed and demands aggregating to Rs. 54.1 million were raised against the Company for tax year 2011, tax year 2014, tax year 2015 and tax year 2016. Appeals have been filed by the Company with the Appellate Tribunal Inland Revenue for tax year 2014 and with the Commissioner Inland Revenue (Appeals) (CIRA) for tax year 2015 and 2016 whereas, a writ petition has been filed by the Company in the Sindh High Court for tax year 2011 on the grounds that the tax year selected for monitoring proceedings is time barred. The appeals and the petition are pending for adjudication.

Based on the legal advisor's opinion, management is of the view that the position of the Company is sound and the eventual outcome is expected to be in the Company's favor.

- 10.1.2** The Company is defending various suits filed against it in various courts in Pakistan related to its business operations. The Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in Company's favor.

10.2 Commitments

- 10.2.1** Commitments for capital expenditure as at September 30, 2018 aggregated to Rs. 620.890 million (December 31, 2017: Rs. 234.129 million).

- 10.2.2** Commitments in respect of letters of credit as at September 30, 2018 aggregated to Rs. 727.224 million (December 31, 2017: Rs. 705.693 million).

- 10.2.3** The Company has given bank guarantees of Rs. 232.752 million (December 31, 2017: Rs. 232.795 million) to the Customs Department, a utility company and other institutions against tenders.

- 10.2.4** The Company has entered into short term financing facilities from various commercial banks amounting to Rs. 1,320 million (December 31, 2017: Rs. 1,120 million). These facilities can be utilized for letters of credit, guarantees and running finance / short term loans. However, the running finance / short term loan utilization cannot exceed Rs. 250 million (December 31, 2017: Rs. 250 million). The running finance / short term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (December 31, 2017: KIBOR plus 1% to KIBOR plus 2%) and are secured against first joint pari passu hypothecation charge over stocks and book debts of the Company, ranking hypothecation charge over stocks and book debts of the Company, promissory notes, and counter guarantees. The Company has not borrowed any amount against running finance / short term loan facilities as at September 30, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

		Nine months ended September 30, 2018	Nine months ended September 30, 2017
	Note	----- Rupees in '000 -----	
11. CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,238,501	3,989,518
Adjustment for non-cash changes and other items:			
Depreciation		527,490	442,165
Amortisation on intangible assets		7,437	4,200
Loss on disposal of property, plant and equipment		541	8,130
Interest income		(274,999)	(299,376)
Expense recognized in profit or loss in respect of equity-settled shared-based compensation		55,697	34,128
Finance costs		9,602	8,306
Working capital changes	11.1	(776,979)	735,486
		<u>2,787,290</u>	<u>4,922,557</u>
11.1 Working capital changes			
(Increase) / decrease in current assets net of provision			
Stores and spares		(43,288)	(40,614)
Stock-in-trade		(1,287,159)	(253,317)
Trade debts		(201,753)	13,187
Loans and advances		(40,785)	(33,682)
Trade deposits and short-term prepayments		(360,444)	(305,927)
Other receivables		(89,732)	(15,128)
		<u>(2,023,161)</u>	<u>(635,481)</u>
Increase in current liabilities			
Trade and other payables		<u>1,246,182</u>	<u>1,370,967</u>
		<u>(776,979)</u>	<u>735,486</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

12. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise the holding company, ultimate holding company, group companies, employee retirement benefit plans, directors and key management personnel. Transactions with related parties are as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	----- Rupees in '000-----	
Group companies		
Sale of goods	267,792	256,994
Purchase of materials	5,038,545	3,308,218
Technical service fee	123,173	111,731
Reimbursement of expenses - net	120,388	165,062
Other income	30,457	24,970
Retirement fund:		
- Contribution to Pension fund	147,368	130,882
- Contribution to Provident fund	71,664	63,209
Key management personnel:		
Short-term employee benefits	219,657	167,015
Post-employment benefits	24,247	19,760

13. SEGMENT ANALYSIS

13.1 Segment wise operating results for nine months ended (Un-audited):

	September 30, 2018				September 30, 2017			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	15,912,296	4,355,653	1,941,600	22,209,549	13,980,259	3,464,631	1,756,084	19,200,974
Less:								
Sales return and discount	78,737	14,842	63,535	157,114	116,246	7,940	9,859	134,045
Sales tax and excise duty	-	399,617	58,450	458,067	-	342,959	64,582	407,541
Sales - net	15,833,559	3,941,194	1,819,615	21,594,368	13,864,013	3,113,732	1,681,643	18,659,388
Cost of sales	(10,221,847)	(2,836,267)	(1,239,209)	(14,297,323)	(8,330,657)	(2,075,565)	(1,066,785)	(11,473,007)
Gross profit	5,611,712	1,104,927	580,406	7,297,045	5,533,356	1,038,167	614,858	7,186,381
Selling and distribution expenses	(2,311,494)	(798,534)	(395,658)	(3,505,686)	(2,032,088)	(416,514)	(320,694)	(2,769,296)
Administrative expenses	(338,483)	(40,932)	(12,868)	(392,283)	(277,237)	(31,989)	(8,214)	(317,440)
Segment result	2,961,735	265,461	171,880	3,399,076	3,224,031	589,664	285,950	4,099,645

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

13.2 Segment wise operating results for the third quarter (Un-audited):

	September 30, 2018				September 30, 2017			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
----- Rupees in '000 -----								
Sales	5,715,536	1,706,541	599,573	8,021,650	5,195,579	1,080,191	535,371	6,811,141
Less:								
Sales return and discount	18,459	4,025	6,433	28,917	75,297	1,269	7,944	84,510
Sales tax and excise duty	-	164,561	11,574	176,135	-	119,208	5,581	124,789
Sales - net	5,697,077	1,537,955	581,566	7,816,598	5,120,282	959,714	521,846	6,601,842
Cost of sales	(3,762,548)	(1,178,222)	(397,223)	(5,337,993)	(3,020,592)	(610,988)	(330,690)	(3,962,270)
Gross profit	1,934,529	359,733	184,343	2,478,605	2,099,690	348,726	191,156	2,639,572
Selling and distribution expenses	(708,016)	(276,533)	(133,135)	(1,117,684)	(646,539)	(177,792)	(100,709)	(925,040)
Administrative expenses	(118,219)	(15,750)	(4,666)	(138,635)	(97,049)	(8,107)	(3,570)	(108,726)
Segment result	1,108,294	67,450	46,542	1,222,286	1,356,102	162,827	86,877	1,605,806

13.3 Reconciliation of segment results with profit before taxation (Unaudited):

	Jan - Sep 2018	Jan - Sep 2017	Jul - Sep 2018	Jul - Sep 2017
	----- Rupees in '000 -----			
Total segment results	3,399,076	4,099,645	1,222,286	1,605,806
Other income	329,108	331,424	92,357	100,417
Other charges	(480,081)	(433,245)	(150,068)	(157,688)
Finance costs	(9,602)	(8,306)	(4,064)	(3,639)
Profit before taxation	3,238,501	3,989,518	1,160,511	1,544,896

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

13.4 Geographical information (Un-audited):

Jan - Sep 2018	Jan - Sep 2017	Jul - Sep 2018	Jul - Sep 2017
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----- Rupees in '000 -----

Sales to external customers, net of returns, discounts, sales tax and excise duty

Pakistan	20,484,746	17,515,826	7,446,102	6,138,721
Afghanistan	780,914	847,148	286,126	333,924
Srilanka	54,726	39,420	21,164	26,648
Bangladesh	6,190	-	-	-
Switzerland	267,792	256,994	63,206	102,549
	<u>21,594,368</u>	<u>18,659,388</u>	<u>7,816,598</u>	<u>6,601,842</u>

13.5 Segment Assets and Liabilities

Un-audited				Audited			
September 30, 2018				December 31, 2017			
Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total

----- (Rupees '000) -----

Segment assets employed	9,248,850	1,217,068	2,514,851	12,980,769	7,732,726	579,343	1,602,678	9,914,747
Unallocated corporate assets				5,921,633				9,273,363
Total reported assets				<u>18,902,402</u>				<u>19,188,110</u>
Segment liabilities	3,247,947	923,413	340,057	4,511,417	1,926,313	298,481	447,485	2,672,279
Unallocated corporate liabilities				1,824,590				2,159,996
Total liabilities				<u>6,336,007</u>				<u>4,832,275</u>

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2017. There have been no changes in any risk management policies since the year end.

14.1 Fair value of financial assets and liabilities

As of the statement of financial position date, the Company does not have any financial instruments measured at fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months Ended September 30, 2018

15. RECLASSIFICATION

Following corresponding figures have been reclassified for better presentation:

From	To	Rupees in '000
Trade deposits and short-term prepayments	Trade and other payables	73,391
Trade and other payables	Other receivables	25,242

16. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 19, 2018 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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ABBOTT LABORATORIES (PAKISTAN) LIMITED

Registered Office

Opposite Radio Pakistan
Transmission Centre, Hyderabad Road,
Landhi, P.O. Box 7229, Karachi
Phone :111-ABBOTT (111-222-688)
Fax: (92-21) 35001903

City Office

8th Floor, Faysal House,
St-02, Shahrah-e-Faisal, Karachi
Phone: (92-21) 32799018, 32799019
Fax: (92-21) 32800244
URL: www.abbott.com.pk

