



Abbott Pakistan

Un-Audited Financial Statements for the
Quarter and Six Months Ended June 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)
Munir A. Shaikh
Syed Anis Ahmed
Shamim Ahmad Khan
Kamran Y. Mirza

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, Shahrah-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, Shahrah-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
(Assistant 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 six months ended June 30, 2018 as well as for the second quarter ended June 30, 2018.

FINANCIAL HIGHLIGHTS

For six months' period ended June 30, 2018

Sales for the half year increased by 14% over the same period last year. Pharmaceutical sales increased by 16% mainly attributable to sustained performance of established brands. Nutritional sales increased by 12% mainly driven by increase in sales for child nutrition supplements.

Gross profit margin of your Company over this period was 35%, registering increase of 6% over the same period last year. The absolute growth was Rs. 272 million. Gross profit margin for the Pharmaceutical business declined to 36% from 39% mainly on account of devaluation of Pakistani Rupee and increase in raw material prices. Similarly, gross profit margin for Nutritional declined to 31% from 32% whereas Others declined to 32% from 37% which is also attributed to inflation and devaluation of Pakistani Rupee.

Selling and distribution expenses increased by 29% against the same period last year. The increase was mainly due to higher expenditure on advertisement and sales promotion.

Other charges showed an increase of 20% mainly on account of exchange losses due to devaluation of Pakistani Rupee. Overall, the profit after tax declined by 25% due to the reasons mentioned above.

For second quarter ended June 30, 2018

Sales for the quarter increased by 12% over the same period last year. Pharmaceutical sales increased by 15% mainly on account of increase in volume of core brands. Sales for Nutrition increased by 8%.

Similar to the year-to-date results, gross profit margin of the Pharmaceutical business declined to 35% from 40% during the same period last year. This is mainly due to rapid devaluation of Pakistani Rupee witnessed during the second quarter. Increase in cost of imports resulted in higher indirect taxes payable at import stage, have also contributed to decline in gross profit margin. Gross profit margin for the Nutritional and Others segment has also declined to 28% and 32% respectively.

Selling and distribution expenses showed an increase of 24% 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%.

Other charges increased by 45% mainly due to impact of exchange loss. As a result of reasons mentioned above, profit after tax has declined by 35% in the quarter.

DIRECTORS' REPORT

FUTURE OUTLOOK

The Company continues to face challenges of rapid escalation in costs due to inflation and devaluation of the Pakistani Rupee. Recent rounds of devaluation of Pakistani Rupee with no corresponding price adjustments has increased the cost base with adverse impact on margins. 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 DRAP and the industry and hope that pending issues are addressed in the coming days.

Notwithstanding, your Company would continue its efforts to improve productivity and cost containment.



CHIEF EXECUTIVE



DIRECTOR

Karachi: August 17th, 2018

ڈائریکٹران کی رپورٹ

مقابلے 40 فیصد سے کم ہو کر 35 فیصد ہو گئی، اس کا بنیادی سبب دوسری سہ ماہی کے دوران پاکستانی روپے کی قدر میں تیزی سے ہونے والی کمی ہے۔ درآمدی اخراجات بڑھنے کے نتیجے میں درآمد کے مرحلے پر indirect taxes بڑھ گئے جس نے مجموعی شرح منافع کم کرنے میں کردار ادا کیا۔ نیوٹریٹیشنل اور دیگر مصنوعات کے زمرے کی مجموعی شرح منافع بھی کم ہو کر بالترتیب 28 فیصد اور 32 فیصد رہی۔

فروخت اور تقسیم کے اخراجات 24 فیصد بڑھ گئے جس کا بنیادی سبب نیوٹریٹیشنل زمرے کے اشتہارات اور سیلز پروموشن پر اخراجات میں اضافہ تھا۔ فارماسوٹیکل زمرے کی فروخت اور تقسیم کے اخراجات میں 10 فیصد اضافہ ہوا۔

دیگر اخراجات میں 45 فیصد اضافہ ہوا جس کا سبب شرح مبادلہ کے اثرات ہیں۔ مذکورہ بالا اسباب کی بنا پر سہ ماہی میں بعد از ٹیکس منافع 35 فیصد کم ہوا۔

مستقبل کا منظر نامہ

کمپنی کو مہنگائی اور پاکستانی روپے کی قدر میں کمی کی بنا پر اخراجات میں تیزی سے اضافے کی دشواریوں کا بدستور سامنا ہے۔ پاکستانی روپے کی قدر میں حالیہ کمی اور قیمتوں کی مساوی ایڈجسٹمنٹ نہ ملنے سے اخراجات بڑھے، جس کے منفی اثرات منافع پر پڑے۔ نئی پراسٹنگ پالیسی خوش آئند نقطہ آغاز ہے۔ مستقبل میں یہ بات اہم ہوگی کہ روپے کی قدر گرنے کے اثرات کے ازالے کو بھی پالیسی میں جگہ دی جائے۔

ہم DRAP اور انڈسٹری کے مابین تعلقات کی موجودہ سطح کو سراہتے ہیں، اور امید کرتے ہیں کہ آئندہ دونوں میں حل طلب مسائل کی جانب توجہ دی جائے گی۔

اس بات سے قطع نظر، آپ کی کمپنی پیداواریت (productivity) بہتر بنانے اور اخراجات محدود رکھنے کی اپنی کوششیں جاری رکھے گی۔

ڈائریکٹر

چیف ایگزیکٹو

کراچی: 17 اگست 2018ء

ڈائریکٹران کی رپورٹ

ڈائریکٹرز آپ کی کمپنی کے 30 جون 2018ء کو ختم ہونے والی ششماہی کے مالی گوشوارے اور ساتھ ساتھ 30 جون 2018ء کو ختم ہونے والی دوسری سہ ماہی کے غیر آڈٹ شدہ عبوری مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی جھلکیاں

30 جون 2018ء کو ختم ہونے والی ششماہی مدت کے لئے

ششماہی کے دوران سیلز میں گذشتہ سال کی اسی مدت کے مقابلے میں 14 فیصد اضافہ ہوا۔ فارماسوٹیکل کی سیلز بنیادی طور پر معروف برانڈز کی مستحکم کارکردگی کی بنا پر 16 فیصد بڑھی۔ نیوٹریشنل کی سیلز میں 12 فیصد اضافہ ہوا جس کا بنیادی سبب بچوں کے غذائی سپلیمنٹس کی سیلز میں اضافہ ہے۔

اس عرصے کے دوران آپ کی کمپنی کی مجموعی منافع کی شرح 35 فیصد تھی جو گذشتہ سال کی اسی مدت کے مقابلے میں 6 فیصد زیادہ ہے۔ حقیقی معنوں میں یہ اضافہ 272 ملین روپے ہے۔ فارماسوٹیکل کاروبار کے مجموعی منافع کی شرح 39 فیصد سے کم ہو کر 36 فیصد ہو گئی، اس کا بنیادی سبب پاکستانی روپے کی قدر میں کمی اور خام مال کی قیمتوں میں اضافہ ہے۔ اسی طرح نیوٹریشن کی مجموعی شرح منافع 32 فیصد سے کم ہو کر 31 فیصد رہی جبکہ دیگر مصنوعات کی شرح منافع 37 فیصد سے کم ہو کر 32 فیصد ہو گئی جس کی وجہ بھی پاکستانی روپے کی قدر میں کمی اور گرانی ہے۔

فروخت اور تقسیم کے اخراجات گذشتہ سال کی اسی مدت کے مقابلے میں 29 فیصد بڑھے۔ اس زیادتی کا بنیادی سبب اشتہارات اور سیلز پروموشن پر اخراجات میں اضافہ تھا۔

دیگر اخراجات میں 20 فیصد اضافہ دیکھا گیا جس کا سبب پاکستانی روپے کی قدر کرنے کی بنا پر شرح مبادلہ کا خسارہ تھا۔ مجموعی طور پر بعد از ٹیکس منافع مذکورہ بالا وجوہات کی بنا پر 25 فیصد کم ہو گیا۔

30 جون 2018ء کو ختم ہونے والی دوسری سہ ماہی کے لئے

سہ ماہی کے دوران سیلز گذشتہ سال کی اسی مدت کے مقابلے میں 12 فیصد بڑھی۔ فارماسوٹیکل کی سیلز بنیادی طور پر مرکزی برانڈز کا حجم بڑھنے کی بنا پر 15 فیصد بڑھی۔ نیوٹریشنل کی فروخت میں 8 فیصد اضافہ ہوا۔

سال کے اب تک کے نتائج کی طرح فارماسوٹیکل کاروبار کے مجموعی منافع کی شرح گذشتہ سال کی اسی مدت کے



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INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF ABBOTT LABORATORIES (PAKISTAN) LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Abbott Laboratories (Pakistan) Limited** (the Company) as at **30 June 2018** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 30 June 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Khurram Jameel.

Chartered Accountants
Place: Karachi
Date: 17 August 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	UNAUDITED JUNE 30, 2018	AUDITED DECEMBER 31, 2017
Note	----- (Rupees '000) -----	-----
ASSETS		
NON-CURRENT ASSETS		
Fixed Assets		
- Property, plant and equipment	3 5,894,595	5,419,054
- Intangible assets	30,107	10,650
	<u>5,924,702</u>	<u>5,429,704</u>
Long-term loans and advances	52,753	50,988
Long-term deposits	7,513	7,513
Long-term prepayments	5,603	4,117
	<u>5,990,571</u>	<u>5,492,322</u>
CURRENT ASSETS		
Stores and spares	159,027	129,521
Stock-in-trade	4 4,711,096	3,475,745
Trade debts	1,191,461	914,972
Loans and advances	268,033	159,591
Trade deposits and short-term prepayments	5 677,785	252,905
Interest accrued	4,438	12,495
Other receivables	257,477	174,448
Taxation - net	140,490	4,390
Cash and bank balances	6 5,215,858	8,571,721
	<u>12,625,665</u>	<u>13,695,788</u>
TOTAL ASSETS	<u><u>18,616,236</u></u>	<u><u>19,188,110</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised capital 200,000,000 ordinary shares of Rs.10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital	7 979,003	979,003
Reserves		
- Capital	495,977	459,761
- Revenue	11,233,004	12,917,071
	<u>11,728,981</u>	<u>13,376,832</u>
	<u>12,707,984</u>	<u>14,355,835</u>
NON-CURRENT LIABILITY		
Deferred taxation	215,466	231,147
CURRENT LIABILITIES		
Trade and other payables	8 5,692,786	4,601,128
CONTINGENCIES AND COMMITMENTS	9	
TOTAL EQUITY AND LIABILITIES	<u><u>18,616,236</u></u>	<u><u>19,188,110</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 PROFIT OR LOSS (Unaudited)

For the Six Months and Quarter Ended June 30, 2018

	Six Months Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
----- Rupees in '000 -----				
NET SALES				
Local	13,038,644	11,377,105	7,055,042	6,250,027
Export	739,126	680,441	390,204	412,921
	<u>13,777,770</u>	<u>12,057,546</u>	<u>7,445,246</u>	<u>6,662,948</u>
Cost of sales	<u>(8,959,330)</u>	<u>(7,510,737)</u>	<u>(4,911,216)</u>	<u>(4,113,179)</u>
GROSS PROFIT	4,818,440	4,546,809	2,534,030	2,549,769
Selling and distribution expenses	(2,388,002)	(1,844,256)	(1,154,306)	(927,373)
Administrative expenses	(253,648)	(208,714)	(125,306)	(108,147)
Other charges	(330,013)	(275,557)	(194,249)	(134,192)
Other income	236,751	231,007	118,100	116,985
	<u>(2,734,912)</u>	<u>(2,097,520)</u>	<u>(1,355,761)</u>	<u>(1,052,727)</u>
	<u>2,083,528</u>	<u>2,449,289</u>	<u>1,178,269</u>	<u>1,497,042</u>
Finance costs	<u>(5,538)</u>	<u>(4,667)</u>	<u>(2,215)</u>	<u>(2,536)</u>
PROFIT BEFORE TAXATION	2,077,990	2,444,622	1,176,054	1,494,506
Taxation				
- Current	(697,369)	(588,273)	(398,404)	(323,351)
- Prior	(143,360)	(163,339)	(143,360)	(163,339)
- Deferred	15,681	(15,044)	(1,580)	(34,613)
	<u>(825,048)</u>	<u>(766,656)</u>	<u>(543,344)</u>	<u>(521,303)</u>
NET PROFIT FOR THE PERIOD	1,252,942	1,677,966	632,710	973,203
BASIC AND DILUTED EARNINGS PER SHARE (Rs. per share)	12.80	17.14	6.46	9.94

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 Six Months and Quarter Ended June 30, 2018

	Six Months Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	----- Rupees in '000 -----			
Profit for the period	1,252,942	1,677,966	632,710	973,203
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,252,942</u>	<u>1,677,966</u>	<u>632,710</u>	<u>973,203</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 Six Months Ended June 30, 2018

	Note	June 30, 2018	June 30, 2017
		----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	1,163,050	3,413,377
Income taxes paid		(976,829)	(679,110)
Long-term loans and advances - net		(1,765)	(405)
Long-term prepayments - net		(1,486)	787
Net cash inflow from operating activities		182,970	2,734,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(822,895)	(795,597)
Acquisition of intangible asset		(24,280)	-
Sale proceeds from disposal of property, plant and equipment		6,805	6,358
Interest income		205,191	202,411
Net cash outflow from investing activities		(635,179)	(586,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(5,538)	(4,667)
Dividends paid		(2,898,116)	(2,927,074)
Net cash outflow from financing activities		(2,903,654)	(2,931,741)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,355,863)	(783,920)
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		5,215,858	7,160,509

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 Six Months Ended June 30, 2018

	Reserves					Total	Total Equity
	Capital Reserves		Revenue Reserves		Total		
	Reserve Arising on Merger	Other	General Reserve	Un-appropri- ated Profit			
Share Capital							
	(Rupees '000)						
Balance as at January 1, 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)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	22,906	-	-	22,906	22,906
Total comprehensive income for the period ended June 30, 2017							
Net profit for the period	-	-	-	-	1,677,966	1,677,966	1,677,966
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	1,677,966	1,677,966	1,677,966
Balance as at June 30, 2017	979,003	46,097	391,189	5,338,422	6,602,392	12,378,100	13,357,103
Balance as at January 1, 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)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	36,216	-	-	36,216	36,216
Total comprehensive income for the period ended June 30, 2018							
Net profit for the period	-	-	-	-	1,252,942	1,252,942	1,252,942
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	1,252,942	1,252,942	1,252,942
Balance as at June 30, 2018	979,003	46,097	449,880	5,338,422	5,894,582	11,728,981	12,707,984

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 Six Months Ended June 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 six months ended June 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.

These condensed interim financial statements are unaudited but subject to limited scope review by the statutory auditors as required by the Code of Corporate Governance. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2018 and June 30, 2017 have not been reviewed by the statutory auditors of the Company as they have reviewed the cumulative figures for the six months ended June 30, 2018 and June 30, 2017.

2.2 Accounting policies

The accounting policies and the methods of computation used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2017 except as disclosed below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments and interpretations to International Financial Reporting Standards (IFRSs) which became effective for the current period:

IFRS 2 - Share based Payments - Classification and Measurement of Share based payments transactions (Amendments)
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)
IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The adoption of the above amendments to accounting standards did not have any effect on the condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

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) June 30, 2018	(Audited) December 31, 2017
Note	---- Rupees in '000 ----	

3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	3.1	5,098,683	4,678,815
Capital work-in-progress		795,912	740,239
		<u>5,894,595</u>	<u>5,419,054</u>

3.1 Operating fixed assets

	Additions	Disposals Cost	Accumulated Depreciation
	----- Rupees in '000 -----		
Buildings on freehold land	88,063	-	-
Plant and machinery	215,543	9,859	8,873
Vehicles	17,684	11,212	5,897
Computers	10,874	-	-
Service equipment	435,058	-	-
	<u>767,222</u>	<u>21,071</u>	<u>14,770</u>

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

4. STOCK-IN-TRADE

Raw and packing materials	2,645,532	1,915,370
Work-in-process	373,889	312,100
Finished goods	2,031,936	1,540,436
	<u>5,051,357</u>	<u>3,767,906</u>
Less: Provision for slow moving and obsolete items	340,261	292,161
	<u>4,711,096</u>	<u>3,475,745</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

5. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Represents trade deposits and short-term prepayments amounting to Rs. 486.537 million and Rs. 191.248 million (December 31, 2017: Rs. 161.369 million and Rs. 91.536 million), respectively, net of provision.

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

6. CASH AND BANK BALANCES

With banks

Savings accounts:

- Local currency	124,159	282,727
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Deposit accounts:

- Local currency	4,500,000	7,800,000
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Current accounts:

- Local currency	24,739	2,210
- Foreign currency	446,263	426,180
	471,002	428,390

In hand

- Foreign currency	2,104	3,013
- Local currency	2,125	2,596
	4,229	5,609

Cheques and drafts in hand and in transit

116,468	54,995
---------	--------

5,215,858	8,571,721
-----------	-----------

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

As at June 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. TRADE AND OTHER PAYABLES

Includes accrued liabilities and bills payable amounting to Rs. 2,080.740 million and Rs. 1,367.075 million (December 31, 2017: Rs. 1,590.159 million and Rs. 1,127.904 million), respectively.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 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. 40.8 million were raised against the Company for 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, which 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.

9.1.2 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.

9.2 Commitments

9.2.1 Commitments for capital expenditure as at June 30, 2018 aggregated to Rs. 573.795 million (December 31, 2017: Rs. 234.129 million).

9.2.2 Commitments in respect of letters of credit as at June 30, 2018 aggregated to Rs. 883.422 million (December 31, 2017: Rs. 705.693 million).

9.2.3 The Company has given bank guarantees of Rs. 237.743 million (December 31, 2017: Rs. 232.795 million) to the Customs Department, a utility company and other institutions against tenders.

9.2.4 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 June 30, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
---- Rupees in '000----			
10. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,077,990	2,444,622
Adjustment for non-cash changes and other items:			
Depreciation		341,053	286,879
Amortisation on intangible assets		4,823	2,800
Gain on disposal of property, plant and equipment		(504)	(798)
Interest income		(197,134)	(201,624)
Expense recognized in profit or loss in respect of equity-settled shared-based compensation		36,216	22,906
Finance costs		5,538	4,667
Working capital changes	10.1	<u>(1,104,932)</u>	<u>853,925</u>
		<u>1,163,050</u>	<u>3,413,377</u>
10.1 Working capital changes			
(Increase) / decrease in current assets net of provision			
Stores and spares		(29,506)	(5,339)
Stock-in-trade		(1,235,351)	26,385
Trade debts		(276,489)	(111,008)
Loans and advances		(108,442)	(146,871)
Trade deposits and short-term prepayments		(424,880)	(315,568)
Other receivables		(83,029)	(29,296)
		<u>(2,157,697)</u>	<u>(581,697)</u>
Increase in current liabilities			
Trade and other payables		<u>1,052,765</u>	<u>1,435,622</u>
		<u>(1,104,932)</u>	<u>853,925</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

11. 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:

	Six months ended June 30, 2018	Six months ended June 30, 2017
	---- Rupees in '000----	
Group companies		
Sale of goods	204,586	154,445
Purchase of materials	3,323,582	1,915,388
Technical service fee	81,459	69,376
Reimbursement of expenses - net	64,401	107,201
Other income	19,881	15,459
Retirement fund:		
- Contribution to Pension fund	95,289	85,793
- Contribution to Provident fund	41,917	41,561
Key management personnel		
Short-term employee benefits	143,205	107,568
Post-employment benefits	15,838	12,647

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

12. SEGMENT ANALYSIS

12.1 Segment wise operating results for six months ended (Un-audited):

	June 30, 2018				June 30, 2017			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	10,196,760	2,649,112	1,342,027	14,187,899	8,784,680	2,384,440	1,220,713	12,389,833
Less:								
Sales return and discount	60,278	10,817	57,102	128,197	40,949	6,671	1,915	49,535
Sales tax and excise duty	-	235,056	46,876	281,932	-	223,751	59,001	282,752
Sales - net	10,136,482	2,403,239	1,238,049	13,777,770	8,743,731	2,154,018	1,159,797	12,057,546
Cost of sales	(6,459,299)	(1,658,045)	(841,986)	(8,959,330)	(5,310,065)	(1,464,577)	(736,095)	(7,510,737)
Gross profit	3,677,183	745,194	396,063	4,818,440	3,433,666	689,441	423,702	4,546,809
Selling and distribution expenses	(1,603,478)	(522,001)	(262,523)	(2,388,002)	(1,385,549)	(238,722)	(219,985)	(1,844,256)
Administrative expenses	(220,264)	(25,182)	(8,202)	(253,648)	(180,188)	(23,882)	(4,644)	(208,714)
Segment result	1,853,441	198,011	125,338	2,176,790	1,867,929	426,837	199,073	2,493,839

12.2 Segment wise operating results for the second quarter (Un-audited):

	June 30, 2018				June 30, 2017			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	5,655,145	1,325,606	652,478	7,633,229	4,925,844	1,233,428	681,591	6,840,863
Less:								
Sales return and discount	26,000	8,333	23,143	57,476	21,831	3,736	1,762	27,329
Sales tax and excise duty	-	112,945	17,562	130,507	-	112,289	38,297	150,586
Sales - net	5,629,145	1,204,328	611,773	7,445,246	4,904,013	1,117,403	641,532	6,662,948
Cost of sales	(3,631,416)	(862,244)	(417,556)	(4,911,216)	(2,926,943)	(795,695)	(390,541)	(4,113,179)
Gross profit	1,997,729	342,084	194,217	2,534,030	1,977,070	321,708	250,991	2,549,769
Selling and distribution expenses	(789,142)	(246,658)	(118,506)	(1,154,306)	(720,135)	(115,572)	(91,666)	(927,373)
Administrative expenses	(108,572)	(13,028)	(3,706)	(125,306)	(92,572)	(12,447)	(3,128)	(108,147)
Segment result	1,100,015	82,398	72,005	1,254,418	1,164,363	193,689	156,197	1,514,249

12.3 Reconciliation of segment results with profit before taxation (Un-audited)

	Six Months Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	----- Rupees in '000 -----			
Total segment results	2,176,790	2,493,839	1,254,418	1,514,249
Other income	236,751	231,007	118,100	116,985
Other charges	(330,013)	(275,557)	(194,249)	(134,192)
Finance costs	(5,538)	(4,667)	(2,215)	(2,536)
Profit before taxation	2,077,990	2,444,622	1,176,054	1,494,506

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2018

12.4 Geographical information (Un-audited)

Six Months Ended		Quarter Ended	
June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017

----- Rupees in '000 -----

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

Pakistan	13,038,644	11,377,105	7,055,042	6,250,027
Afghanistan	494,788	513,224	284,386	341,205
Srilanka	33,562	12,772	24,227	12,772
Bangladesh	6,190	-	3,086	-
Switzerland	204,586	154,445	78,505	58,944
	<u>13,777,770</u>	<u>12,057,546</u>	<u>7,445,246</u>	<u>6,662,948</u>

12.5 Segment Assets and Liabilities

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

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

Segment assets employed	<u>9,162,240</u>	<u>1,353,876</u>	<u>2,078,027</u>	<u>12,594,143</u>	<u>7,732,726</u>	<u>579,343</u>	<u>1,602,678</u>	<u>9,914,747</u>
Unallocated corporate assets				6,022,093				9,273,363
Total reported assets				<u>18,616,236</u>				<u>19,188,110</u>
Segment liabilities	<u>3,272,843</u>	<u>779,224</u>	<u>454,509</u>	<u>4,506,576</u>	<u>1,926,313</u>	<u>298,481</u>	<u>447,485</u>	<u>2,672,279</u>
Unallocated corporate liabilities				1,401,676				2,159,996
Total liabilities				<u>5,908,252</u>				<u>4,832,275</u>

13. 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.

13.1 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.

14. NON ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 17, 2018 have proposed an interim cash dividend @ 100% (June 30, 2017: 100%). These condensed interim financial statements for the six months ended June 30, 2018 do not include the effect of the above interim cash dividend which will be accounted for subsequent to the period end.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 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 August 17, 2018 by the Board of Directors of the Company.



CHIEF EXECUTIVE



DIRECTOR

















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