

30 October 2023

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Transmission of Quarterly Report for the Period Ended 30 September 2023

Dear Sir / Madam,

We have to inform you that the Quarterly Report of the Company for the period ended 30 September 2023 has been transmitted through PUCARS and is also available on the Company's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Thank you.

For and on behalf of Haleon Pakistan Limited



Ms. Mashal Mohammad
Company Secretary



Enclosed: As above

Resilience is **everything**

Haleon Pakistan Limited

Third Quarter Report 2023



THE BLUE DOT

Haleon Pakistan Limited

11-A, 11th Floor Sky Tower (East Wing), Dolmen City, HC-3, Block 4,
Scheme-5, Clifton, Karachi, 75600, Sindh, Pakistan.

Corporate Information

Board of Directors

Mr. M. Z. Moin Mohajir (Chairperson)
Mr. Farhan Muhammad Haroon
Mr. Dilawar Meghani
Syed Anwar Mahmood
Ms. Ayesha Aziz
Ms. Sumru Atalay Besceli
Mr. Oussama Abbas

Supply Chain Executive Committee

Mr. Oussama Abbas (Chairperson)
Mr. Farhan Muhammad Haroon
Mr. Dilawar Meghani

Secretary

Syed Mohsin Mazher

Human Resource, Remuneration and Nomination Committee

Syed Anwar Mahmood (Chairperson)
Mr. M. Z. Moin Mohajir
Ms. Ayesha Aziz

Secretary

Ms. Ensherah Khan

Board Audit Committee

Ms. Ayesha Aziz (Chairperson)
Mr. M. Z. Moin Mohajir
Syed Anwar Mahmood

Secretary

Ms. Marrium Ahmed

Management Committee

Mr. Farhan Muhammad Haroon
Chief Executive Officer
Mr. Dilawar Meghani
Chief Financial Officer
Ms. Mashal Mohammad
Legal Director and Company Secretary
Ms. Marrium Ahmed
Head of Internal Audit and Compliance
Mr. Moien Ahmed Khan
Pakistan E2E SC and Jamshoro Site Lead
Mr. Khurram H. Khan
Head of Commercial Excellence
Mr. Mazhar Shams
Head of Regulatory Affairs
Mr. Faisal Rafiq
Head of Expert
Mr. Salman Altaf
Marketing Director
Syed Abrar Ali
Sales Director
Ms. Ensherah Khan
Head of Human Resources
Ms. Sadaf Malik
Head of Corporate Affairs

Company Secretary

Ms. Mashal Mohammad

Chief Financial Officer

Mr. Dilawar Meghani

Head of Internal Audit

Ms. Marrium Ahmed

Bankers

Citibank N.A
Standard Chartered Bank (Pakistan) Limited

MCB Bank Limited

Habib Metropolitan Bank Limited

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Haroon Dugal Law Chambers

Registered Office

11-A, 11th Floor Sky Tower (East Wing), Dolmen City, HC-3, Block 4, Scheme-5, Clifton, Karachi, 75600, Sindh, Pakistan*.

*The registered office address was changed w.e.f 9 February 2023.

Tel: 92-21-111-475-725
(111-GSK-Pak)

Investor Relations Contacts

Share Registrar
CDC Share Registrar Services Limited
CDC House, Main Shahrah-e-Faisal, Karachi.
Tel: 021 111-111-500
Email: info@cdcsrsl.com
And
Haleon Pakistan Limited
Corporate Secretarial Department
11-A, 11th Floor, Sky Tower (East Wing), Dolmen City, HC-3, Block 4, Scheme-5, Clifton, Karachi, 75600, Sindh, Pakistan.
Email: pakistan.shareinfo@haleon.com

Website

www.haleon.pk

Directors' Report to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present your Company's Un-audited Condensed financial information for nine months ended September 30, 2023.

Composition And of The Board

The total number of Directors are seven (7) as per the following:

Male: 5 Female: 2

Category	Name
Independent Directors	Mr. M. Z. Moin Mohajir
	Syed Anwar Mahmood
	Ms. Ayesha Aziz
Executive Directors	Mr. Farhan Muhammad Haroon
	Mr. Dilawar Meghani
Non – Executive Directors	Mr. Oussama Abbas
	Ms. Sumru Atalay Besceli

Business / Economic Overview

Pakistan has struggled with challenging economic conditions for a few years now. This has resulted in lower household incomes, record high utility and commodity prices which have significantly changed consumption patterns towards essential spending. For businesses, this has revenue implications due to limited consumer spending. The situation is exacerbated by higher cost of doing business including expensive financing options, particularly for those dependent on imported raw material. Pakistan's pharmaceutical manufacturing sector is heavily import-dependent with 95% of the drugs requiring import of raw material. Lack of policy to help pharmaceutical companies locally produce essential raw material of drugs or their components remains a major detriment to the growth prospects

of the sector and to its contribution to the national economy.

Haleon Pakistan Limited, is the largest Consumer Healthcare Company in Pakistan with a clear purpose to deliver better everyday health with humanity. With a leading Over the Counter (OTC) and Oral Healthcare (OH) portfolio, your Company is focused on ensuring availability of innovative healthcare solutions to the consumers by increasing household penetration and capitalising on new and emerging growth opportunities.

Review of Operating Results

Haleon Pakistan's core business, (excluding toll and export) delivered a growth of 22% in Q3, driven by focused efforts of the team and sustained performance of our established brands in the country.

Despite facing constant adverse economic conditions in a challenging business environment, our pain category drove a revenue growth of 26% in OTC portfolio. In our Fast-Moving Consumer Goods (FMCG) segment, Haleon Pakistan showed a positive growth trend at 4% on account of Oral Health category. Total expenses to net sales ratio in the first nine months have increased from 14% to 15% as compared to SPLY (Same Period Last Year). Furthermore, exchange rate instability was witnessed during the quarter with a declining trend in September 2023. With interest rates remaining high, our Company was able to generate income from financial assets of Rs. 368 million in comparison to Rs.161 million in SPLY.

We are pleased to share that, navigating through difficult circumstances, your Company managed to post a net profit after tax of Rs. 627 million amounting to an Earnings Per Share (EPS) of Rs. 5.36 (SPLY: Rs. -0.58).

Being a responsible business is one of our strategic priorities. We not only aim to make better everyday health more inclusive, sustainable, and achievable but also work towards the welfare and rehabilitation of the society.

Future Outlook and Challenges

Within pharmaceutical industry, companies are struggling to maintain profitability while ensuring access to essential quality medicines for their consumers.

Fiscal reforms are critical for economic stability and sustainable growth in Pakistan; it is vital to have an effective policy in place to address the alarming increase in counterfeit drugs. It is important to understand that counterfeit drugs- obviously harmful to the health of our consumers- are extremely detrimental to the growth of the pharma industry, which can only flourish based on quality and trust. It is imperative for policy makers to take the right steps to protect consumer health and ensure the vibrancy of Pakistan's pharma landscape.

Similarly, consistency in policies and macroeconomic stability are necessary for downstream investment needed to improve production of local raw materials and increasing exports in pharma sector.

As we strive to deliver better everyday health with humanity, the Company has announced an investment of USD 10 million in its manufacturing facility at Jamshoro to expand the production capacity of Panadol base portfolio, including Panadol 500mg and Panadol Extra tablets to 8 billion tablets. Using the latest manufacturing technology in Pakistan, the Company will be able to ensure smooth supplies of Pakistan's largest pharmaceutical / Over-the- Counter medicine to the consumers in need.

Remuneration Policy

The Non-Executive Board Directors of Haleon Pakistan Limited are entitled to a remuneration approved by the Human Resource, Remuneration and Nomination Committee, based on market benchmark of the Consumer Healthcare Industry and other similar type of businesses.

ڈائریکٹرز رپورٹ

عزیز شیئر ہولڈرز

بورڈ آف ڈائریکٹرز کے ایما پر، ہم آپ کی کمپنی کی غیر آڈٹ شدہ کنڈینسڈ فائنانشل معلومات برائے نو ماہ مختتمہ 30 ستمبر 2023 پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

بورڈ کی ساخت

ڈائریکٹرز کی کل تعداد 7 ہے جو کہ درج ذیل ہے:

مرد: 5 خواتین: 2

نام	شعبہ
جناب ایم زید معین مہاجر سید انور محمود محترمہ عائشہ عزیز	خود مختار ڈائریکٹرز
جناب فرحان محمد بارون جناب دلاور میگھانی	ایگزیکٹو ڈائریکٹرز
جناب اسامہ عباسی محترمہ سمرو اتالے بیسیلی	نان ایگزیکٹو ڈائریکٹرز

کاروباری / معاشی جائزہ

گذشتہ چند سالوں سے پاکستان مسلسل انتہائی مشکل حالات کا سامنا کر رہا ہے۔ کم گھریلو آمدنی کے ساتھ ساتھ یوٹیلٹی اور اجناس کی قیمتوں میں ریکارڈ اضافے نے انتہائی ضروری اخراجات کے حوالے سے خرچ کے مروجہ انداز کو یکسر تبدیل کر دیا ہے۔ دوسری طرف کاروباری اداروں کو مختلف خدشات کا سامنا ہے، کاروباری سرگرمیاں انجام دینے کی زیادہ لاگت اور صارفین کے محدود خرچے کے ساتھ ساتھ مہنگے فائنانسنگ آپشنز۔ اس کے ساتھ ساتھ پاکستان کا فارما سیوٹیکل مینوفیکچرنگ سیکٹر اس وقت درآمدات پر بہت زیادہ انحصار کرتا ہے اور 95 فیصد ادویات کی تیاری کے لیے دیگر ممالک سے خام مال درکار ہوتا ہے۔ فارما سیوٹیکل کمپنیز کے لیے ادویات کے لیے مقامی طور پر ضروری خام مال، یا ان کے اجزا کی تیاری کے حوالے سے پالیسی نہ ہونے کی بدولت قومی معیشت کو بھاری نقصان کا سامنا ہے۔

بیلیون پاکستان لمیٹڈ، پاکستان میں سب سے بڑی کنزیومر ہیلتھ کیئر کمپنی ہے جو انسانیت کے ساتھ بہتر روز مرہ صحت کی فراہمی کے واضح مقصد کے ساتھ سرگرم عمل ہے۔ مارکیٹ میں سب سے نمایاں اور-دی-کانونٹر اور اورل ہیلتھ کیئر پورٹ

فولیو کے ساتھ، آپ کی کمپنی ہر گھر گھر تک رسائی ممکن بنانے اور نئے اور ابھرتے ہوئے گروٹھ کے مواقع سے استفادہ کرتے ہوئے صارفین کے لیے جدید ہیلتھ کیئر سلوشنز کی دستیابی کو یقینی بنانے پر اپنی توجہ مرکوز رکھتی ہے

آپریٹنگ نتائج کا جائزہ

بیلیون پاکستان کے بنیادی بزنس (ٹول اور ایکسپورٹ کے علاوہ) میں تیسری سہ ماہی کے دوران ہماری ٹیم کی بھرپور توجہ کے ساتھ کاوشوں اور ملک بھر میں ہمارے مستحکم برانڈز کی زبردست کارکردگی کی بنا پر 22 فیصد گروٹھ دیکھنے میں آئی۔

ایک چیلنجنگ کاروباری ماحول میں مسلسل منفی معاشی حالات سے نبرد آزما رہنے کے باوجود، ہماری پین کیٹیگری نے او ٹی سی پورٹ فولیو میں 26 فیصد گروٹھ فراہم کی۔ فاسٹ موونگ کنزیومر گڈز (ایف ایم سی جی) کیٹیگری میں بیلیون پاکستان کی اورل ہیلتھ کیٹیگری کی بدولت 4 فیصد کی مثبت گروٹھ کا رجحان دیکھنے میں آیا۔ پہلے نو ماہ کے دوران کل اخراجات اور نیٹ سیلز کے تناسب میں مجموعی اخراجات ایس پی ایل وائی (پچھلے سال کی اسی مدت) کے مقابلے میں 14 فیصد سے بڑھ کر 15 فیصد ہو گئے۔ مزید یہ کہ، مذکورہ سہ ماہی کے دوران شرح مبادلہ میں عدم استحکام دیکھا گیا، جس میں ستمبر 2023 میں کمی کا رجحان دکھائی دیا۔ ہماری کمپنی 2023 میں اعلیٰ مانیٹری پالیسی ریٹ کی بدولت ایس پی ایل وائی (گزشتہ سال کی اسی مدت) میں 161 ملین روپے کے مقابلے میں 368 ملین روپے کے مالیاتی اثاثوں سے آمدنی حاصل کرنے میں کامیاب رہی۔

ہم اس بات سے آپ کو آگاہ کرتے ہوئے خوشی محسوس کر رہے ہیں کہ، مشکل ترین حالات سے گزرتے ہوئے، آپ کی کمپنی 627 ملین روپے کا بعد از ٹیکس منافع حاصل کرنے میں کامیاب رہی یعنی 5.36 روپے فی شیئر جو ایس پی وائی ایل (گزشتہ سال اسی مدت کے دوران)؛ 0.58- روپے فی شیئر تھا۔

ایک ذمہ دار کاروباری ادارے کے طور پر سرگرمیاں انجام دینا ہماری اسٹریٹیجک ترجیحات میں سے ایک ہے۔ ہمارا مقصد نہ صرف بہتر روزمرہ صحت کو زیادہ جامع، پائیدار اور قابل رسائی بنانا ہے بلکہ معاشرے کی فلاح و بہبود اور بحالی کے لئے اہم کردار ادا کرنا ہے۔

مستقبل کا منظر نامہ اور چیلنجز

فارما سیوٹیکل انڈسٹری میں، کمپنیز، صارفین کو ضروری نوعیت کی کوالٹی ادویات کی فراہمی تک رسائی کو ممکن بناتے ہوئے اپنے منافع کو برقرار رکھنے کے لیے مسلسل جدوجہد میں مصروف ہیں۔

اگرچہ پاکستان میں معاشی استحکام اور پائیدار ترقی کے حصول کے لیے مالیاتی اصلاحات انتہائی اہمیت کی حامل ہیں، لیکن جعلی ادویات میں اضافے سے نمٹنے کے لئے ایک موثر پالیسی کا ہونا بھی ضروری ہے۔ یہ سمجھنا ضروری ہے کہ جعلی ادویات فارما انڈسٹری کی ترقی کے لئے بہت نقصان دہ ہیں، جو صرف بہتر معیار اور اعتماد کی بنیاد پر ہی پذیرائی حاصل کر سکتی ہیں۔ اس کے ساتھ ساتھ، یہ صارفین کے تحفظ کے حوالے سے بھی انتہائی خطرناک ہے، لہذا اسٹیک ہولڈرز کے لیے ضروری ہے کہ وہ پاکستان کی فارماسیوٹیکل انڈسٹری کے تحفظ کے لیے صحیح اقدامات کریں۔

Acknowledgment

The Board of Directors take this opportunity to extend profound appreciation to our suppliers and partners for their continued support and trust in Haleon's purpose. We are also thankful to our employees for their committed efforts and teamwork to achieve the Company's results helping us to maintain our position as the leading consumer healthcare company in Pakistan.

By the order of the Board

Sincerely,

Farhan M. Haroon
Chief Executive Officer
and General Manager

Dilawar Meghani
Chief Financial Officer

Date: 23 October 2023

اسی طرح ڈاؤن اسٹریم سرمایہ کاری میں اضافے، مقامی طور پر خام مال کی پیداوار میں بہتری اور فارما سیکٹر کی برآمدات کو متحرک رکھنے کے لیے مارکیٹ کے طے کردہ شرح مبادلہ کو برقرار رکھنا، پالیسیوں کا تسلسل اور میکرو اکنامک استحکام ضروری ہیں۔

جیسا کہ ہم انسانیت کے ساتھ بہتر روزمرہ صحت فراہم کرنے کے لیے ہمہ وقت کوشاں رہتے ہیں، کمپنی نے جامشورو میں اپنے مینوفیکچرنگ پلانٹ میں 10 ملین امریکی ڈالر کی سرمایہ کاری کا اعلان کیا ہے تاکہ پیناڈول بیس پورٹ فولیو کی پیداواری صلاحیت کو بڑھایا جاسکے، جس میں پیناڈول 500 ایم جی اور پیناڈول ایکسٹرا ٹیبلٹس شامل ہیں۔ پاکستان میں جدید ترین مینوفیکچرنگ ٹیکنالوجی کے ذریعے کمپنی اپنے صارفین کو پاکستان کی سب سے بڑی فارماسیوٹیکل/ اور دی کاؤنٹر ادویات کی بلا تعطل فراہمی کو یقینی بنانے کے قابل ہو جائے گی۔

مشاہرے کی پالیسی

بیلن پاکستان لمیٹڈ کے نان ایگزیکٹو بورڈ ڈائریکٹرز، کنزیومر ہیلتھ کیئر انڈسٹری اور اسی طرح کے دیگر کاروباری اداروں کے بینج مارک کے لحاظ سے بیومن ریسورس، ریمیونریشن اینڈ نومینشن کمیٹی کی طرف سے منظور کردہ مشاہرے کے اہل ہیں۔

اعتراف

بورڈ آف ڈائریکٹرز اس موقع پر بیلیون کے مقاصد کے حصول میں بھرپور معاونت اور اعتماد پر اپن سپلائرز اور شراکت داروں کا تہ دل سے شکر گزار ہے۔ ہم اپنے ملازمین کے بھی مشکور ہیں جنہوں نے کمپنی کے بہترین نتائج کے حصول کے لیے بھرپور کوشش اور ٹیم ورک کے ذریعے ہمیں پاکستان کی نمایاں کنزیومر ہیلتھ کیئر کمپنی کی حیثیت سے اپنی پوزیشن برقرار رکھنے میں اہم کردار ادا کیا۔

بحکم بورڈ
خیرخواہ

دلاور میگھانی
چیف فائنانشل آفیسر

فرحان محمد بارون
چیف ایگزیکٹو آفیسر

تاریخ: 23 اکتوبر 2023

Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2023

	Note	Un-audited September 30, 2023	Audited December 31, 2022
----- Rupees in '000 -----			
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,807,149	3,989,754
Intangible		127,674	127,674
Long-term loans to employees		8,776	5,995
Long-term deposits		31,859	28,319
		4,975,458	4,151,742
Current assets			
Stores and spares		142,151	143,019
Inventories	5	6,703,374	4,528,669
Trade debts		649,025	635,519
Loans and advances		425,295	418,682
Trade deposits and prepayments		74,998	99,756
Interest accrued		7,560	17,227
Refunds due from Government - Sales Tax		124,770	144,373
Other receivables		729,567	531,826
Taxation - payments less provision		1,389,715	915,200
Investment at amortised cost		400,847	965,302
Bank balances	6	2,322,156	2,508,361
		12,969,458	10,907,934
Total assets		17,944,916	15,059,676
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,170,545	1,170,545
Reserves		6,498,765	5,871,410
Total equity		7,669,310	7,041,955
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		119,324	106,371
Deferred taxation		348,745	133,798
Lease liabilities		192,766	119,164
		660,835	359,333
Current liabilities			
Trade and other payables	7	8,057,365	6,102,666
Unpaid dividend		1,519,496	1,519,713
Current portion of lease liabilities		37,910	36,009
		9,614,771	7,658,388
Total liabilities		10,275,606	8,017,721
Total equity and liabilities		17,944,916	15,059,676
Contingencies and commitments			
	8		

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Profit or Loss And Other Comprehensive Income (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

Note	Nine months ended		Quarter ended		
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	
----- Rupees in '000 -----					
Revenue from contracts with customers - net	9	23,715,794	20,807,868	8,053,365	6,593,614
Cost of sales		(19,242,994)	(17,299,337)	(6,455,526)	(6,216,390)
Gross profit		4,472,800	3,508,531	1,597,839	377,224
Selling, marketing and distribution expenses	10	(2,984,041)	(2,619,100)	(1,080,517)	(732,096)
Administrative expenses		(376,551)	(288,024)	(113,656)	(97,414)
Other operating expenses		(105,853)	(31,701)	(44,641)	43,413
Other income		412,131	205,832	107,691	50,385
Operating profit / (loss)		1,418,486	775,538	466,716	(358,488)
Financial (charges) / income		(174,651)	(363,048)	50,943	(148,849)
Profit / (loss) before taxation		1,243,835	412,490	517,659	(507,337)
Taxation - net		(616,480)	(480,417)	(203,368)	162,124
Profit / (loss) for the period		627,355	(67,927)	314,291	(345,213)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		627,355	(67,927)	314,291	(345,213)

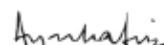
----- Rupees -----

Earnings / (loss) per share - basic and diluted 11 **5.36** (0.58) **2.68** (2.95)

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Director



Chief Executive Officer



Chief Financial Officer



Director



Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

	Share capital	Capital Reserves		Revenue Reserve	Total
		Reserve arising under the Scheme of Arrangement	Reserve arising on amalgamation under the Scheme of Merger	Unappropriated profit	
----- Rupees in '000 -----					
Balance as at January 01, 2022	1,170,545	101,914	728,726	4,713,987	6,715,172
Total comprehensive income for the nine months ended September 30, 2022					
Loss for the period	-	-	-	(67,927)	(67,927)
Other comprehensive income	-	-	-	-	-
	-	-	-	(67,927)	(67,927)
Balance as at September 30, 2022	<u>1,170,545</u>	<u>101,914</u>	<u>728,726</u>	<u>4,646,060</u>	<u>6,647,245</u>
Balance as at January 01, 2023	1,170,54	101,914	728,726	5,040,770	7,041,95
Total comprehensive income for the nine months ended September 30, 2023					
Profit for the period	-	-	-	627,355	627,355
Other comprehensive income	-	-	-	-	-
	-	-	-	627,355	627,355
Balance as at September 30, 2023	<u>1,170,545</u>	<u>101,914</u>	<u>728,726</u>	<u>5,668,125</u>	<u>7,669,310</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Cash Flows (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

	Note	Nine months ended	
		September 30, 2023	September 30, 2022
----- Rupees in '000 -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	12	871,209	(455,858)
Staff retirement benefits paid		(64,605)	(49,464)
Income taxes paid		(876,048)	(841,683)
Increase in long-term loans to employees		(2,781)	(424)
Increase in long term-deposits		(3,540)	(664)
Net cash used in operating activities		(75,765)	(1,348,093)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(1,057,448)	(200,828)
Proceeds from disposal of operating assets		75,005	27,513
Interest received		373,755	161,852
Net cash used in investing activities		(608,688)	(11,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(217)	(395,575)
Lease rental paid		(28,200)	-
Net cash used in financing activities		(28,417)	(395,575)
Net decrease in cash and cash equivalents during the period		(712,870)	(1,755,131)
Cash and cash equivalents at the beginning of the period	13	3,435,873	3,087,785
Cash and cash equivalents at the end of the period	13	2,723,003	1,332,654

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Director

Chief Executive Officer

Chief Financial Officer

Director

Chief Executive Officer

Notes to the Condensed Interim Financial Statements (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

1. THE COMPANY AND ITS OPERATIONS

1.1 Haleon Pakistan Limited (the Company) was incorporated in Pakistan as a public unlisted company under the provisions of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on March 31, 2015 principally to effect the demerger of consumer healthcare business of GlaxoSmithKline Pakistan Limited (GSK Pakistan) under a Scheme of Arrangement (the Scheme), which was approved by the Honourable High Court of Sindh (SHC) and its order was submitted to the Registrar of Companies on April 01, 2016. The Company is engaged in manufacturing, marketing and sale of consumer healthcare products. The Company has been listed at the Pakistan Stock Exchange Limited since March 22, 2017. During the period, the Company has changed its registered office to 11-A, 11th Floor, Sky Tower (East Wing), Dolmen City, HC-3, Block 4, Scheme-5, Clifton, Karachi, 75600, with effect from February 09, 2023.

The Company is a subsidiary of Haleon Netherlands B.V. In pursuant of the demerger of the consumer healthcare business from GlaxoSmithKline plc, UK on July 18, 2022, to Haleon plc, an independent listed Company (listed on London Stock Exchange and New York Stock Exchange), the ultimate parent Company has changed from GlaxoSmithKline plc to Haleon plc. Name of the Company has changed to Haleon Pakistan Limited from GlaxoSmithKline Consumer Healthcare Pakistan Limited effective from January 03, 2023.

1.2 Due to the pending transfer of marketing authorisations and certain permissions for Over the Counter (OTC) products of the Company with Drug Regulatory Authority of Pakistan (DRAP), GSK Pakistan, for and on behalf of the Company is engaged in the procurement, manufacturing and managing the related inventory and receivable balances pertaining to such products against a service fee charged by GSK Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34 and IFASs standard, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2022.

2.2 Standards, interpretations and amendments to published approved accounting standards that became effective during the period.

The following amendments are effective on or after January 1, 2023. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures that would be applied in the preparation of financial statements for the year ending December 31, 2023.

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes).

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Significant accounting policies

3.1.1 The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2022.

3.1.2 Taxes on income are accrued using the average tax rate that is expected to be applicable to the full financial year.

3.2 Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2022.

3.3 Estimates and judgments

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2022.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited September 30, 2023	Audited December 31, 2022
Operating assets	4.1	3,755,580	3,029,675
Capital work-in-progress		842,560	809,487
Right-of-use assets - Office premises		209,009	150,592
		4,807,149	3,989,754

Un-audited September 30, 2023	Audited December 31, 2022
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Note ----- Rupees in '000 -----

4.1 Details of additions to and disposals of operating assets are as follows:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Un-audited		Un-audited	
	Additions - at cost	Disposals - at net book value	Additions - at cost	Disposals - at net book value
Operating assets	----- Rupees in '000 -----		----- Rupees in '000 -----	
Building and improvements on leasehold land	153,196	16,936	17,266	-
Plant & machinery	455,449	-	103,174	-
Furniture & fixtures	142,681	5,920	129	-
Vehicles	220,868	16,350	1,828	10,710
Office equipment	52,180	2,617	43,487	-
	<u>1,024,374</u>	<u>41,823</u>	<u>165,884</u>	<u>10,710</u>

5. INVENTORIES

	Note	Un-audited September 30, 2023	Audited December 31, 2022
		----- Rupees in '000 -----	
Raw and packing materials		3,578,838	2,115,690
Work-in-process		83,254	50,787
Finished goods		3,198,129	2,484,675
	5.1	6,860,221	4,651,152
Less: provision for slow moving, obsolete and damaged stock		(156,847)	(122,483)
		<u>6,703,374</u>	<u>4,528,669</u>

5.1 Inventories include items costing Rs. 3,086.64 million (December 31, 2022: Rs. 2,770.32 million) valued at net realisable value of Rs. 3,071.69 million (December 31, 2022: Rs. 2,400.15 million).

6. BANK BALANCES

	Note	Un-audited September 30, 2023	Audited December 31, 2022
		----- Rupees in '000 -----	
With banks:			
- in savings accounts		1,761,096	2,498,902
- in current accounts		561,060	9,459
		<u>2,322,156</u>	<u>2,508,361</u>

7. TRADE AND OTHER PAYABLES

	Note	Un-audited September 30, 2023	Audited December 31, 2022
		----- Rupees in '000 -----	
Creditors and bills payable		1,811,321	1,760,934
Accrued liabilities		4,920,137	3,048,958
Contract liabilities		913,100	927,899
Book overdraft	7.1	-	37,790
Others		412,807	327,085
		<u>8,057,365</u>	<u>6,102,666</u>

7.1 This balance represents book overdraft against the cheques issued but not yet presented. As per arrangement with the bank, the payments to these cheques will be made by transferring balance from the savings account as and when presented.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no change in status of pending tax and legal contingencies disclosed in note 21 to the annual audited financial statements of the Company for the year ended December 31, 2022, except that following matter arose during the period:

(a) Income tax

(i) During the period ended September 30, 2023, GlaxoSmithKline OTC (Private) Limited (merged in Haleon Pakistan Limited) received an amended assessment order under section 122(5A) of Income Tax Ordinance, 2001 (the Ordinance) for tax year 2017 (financial year 2016) raising demand of Rs. 351 million. Such alleged demand was on account of various inadmissible expenditures, tax depreciation, intercompany loan as well as defined benefit & contributory plans. The Company filed an appeal against the said order before the Commissioner Inland Revenue (Appeals) [CIR(A)], who via order dated July 05, 2023, has annulled the demand.

(ii) During the period ended September 30, 2023, Haleon Pakistan Limited (the Company) received an amended assessment order under section 122(5A) of the Ordinance for tax year 2017 (financial year 2016) raising demand of Rs. 392 million. Such alleged demand was on account of various inadmissible expenditures including Shared Service Cost, Trade discounts and Exchange Loss. The Company filed an appeal against the said order before the CIR(A), who via order dated August 08, 2023, has given favorable decision on all grounds except exchange loss. Both the Company as well as Tax Department have filed appeals before Appellate Tribunal Inland Revenue [ATIR].

Management is confident that the ultimate decisions in the above case will be in favor of the Company, hence, no provision has been made in respect of the aforementioned tax demand.

(b) Sales tax

(i) During the year ended December 31, 2022, the Assessment Officer passed an order and raised demand of Rs. 95.8 million in respect of tax periods from July 2021 to June 2022 allegedly on account of incorrect input tax claimed on exempt supplies as well as apportionment of input tax claimed. The Company filed appeal against the said order before CIR(A) who, via order dated February 15, 2023, annulled the assessment and rescinded the demand as well as the levy of penalty / default surcharge. Tax Department has filed an appeal against the said order of CIR(A) before ATIR.

(ii) Moreover, the Assessment Officer passed another order, dated September 07, 2023, and raised demand of Rs. 286.8 million (including penalty of Rs 13.6 million) in respect of tax periods from July 2021 to March 2023 [which inadvertently includes 12 months of earlier order]. The Company has filed appeal before CIR(A) against this order which is due for hearing.

(iii) During the period ended September 30, 2023, the Taxation Officer raised demand of Rs. 1.4 million (including default surcharge of Rs. 0.40 million) under section 34 of the Sales Tax Act, 1990 claiming that the Company submitted certain sales tax returns filed after the due date for the months of November & December 2021 and January, April & June 2022. The Company has filed appeal against the aforesaid order before CIR(A).

Management is confident that the ultimate decisions in the above case will be in favor of the Company, hence, no provision has been made in respect of the aforementioned tax demand.

8.2 Commitments

8.2.1 Commitments for capital expenditure outstanding as at September 30, 2023, amount to Rs. 694.74 million (December 31, 2022: Rs. 975.94 million).

9. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

9.1 This includes sales amounting to Rs. 0.79 billion (September 30, 2022: Rs. 0.97 billion) made by GSK Pakistan on behalf of the Company (refer note 1.2).

10. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs.1.81 billion (September 30, 2022: Rs. 1.81 billion).

11. EARNINGS / (LOSS) PER SHARE

	Nine months ended - Unaudited		Quarter ended - Unaudited	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Profit / (loss) after taxation (Rupees in '000)	627,355	(67,927)	314,291	(345,213)
Weighted average number of shares outstanding during the period (Numbers in '000)	117,055	117,055	117,055	117,055
Earnings / (loss) per share - basic and diluted-Rs	5.36	(0.58)	2.68	(2.95)

Un-audited September 30, 2023	Un-audited September 30, 2022
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----- Rupees in '000 -----

12. CASH GENERATED FROM / (USED IN) OPERATIONS

Profit before taxation	1,243,835	412,490
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	304,598	233,886
Interest on lease liabilities	24,335	-
Gain on disposal of operating assets	(33,182)	(16,803)
Provision for slow moving, obsolete and damaged inventories - net of inventory written off	72,423	56,501
Provision for staff retirement benefits	92,809	70,806
Interest income	(364,088)	(160,625)
Reversal of provision for impairment on operating assets	(27,000)	-
Unrealised exchange (gain) / loss	(109,435)	204,802
Profit before working capital changes	1,204,295	801,057
Effect on cash flow due to working capital changes (Increase) / decrease in current assets		
Stores and spares	868	(5,659)
Inventories	(2,247,128)	(1,719,413)
Trade debts	(13,506)	205,563
Loans and advances	(6,613)	(621,795)
Trade deposits and prepayments	24,758	21,236
Refunds due from Government - Sales Tax	19,603	(958,126)
Other receivables	(197,741)	332,365
	(2,419,759)	(2,745,829)
Increase in current liabilities		
Trade and other payables	2,086,673	1,488,914
	(333,086)	(1,256,915)
	871,209	(455,858)

Un-audited September 30, 2023	Audited December 31, 2022	Un-audited September 30, 2022
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----- Rupees in '000 -----

13. CASH AND CASH EQUIVALENTS

Note	Un-audited September 30, 2023	Audited December 31, 2022	Un-audited September 30, 2022
Bank balances	2,322,156	2,508,361	1,588,595
Investment at amortised cost	400,847	965,302	-
Book overdraft	-	(37,790)	(255,941)
	2,723,003	3,435,873	1,332,654

14. TRANSACTIONS WITH RELATED PARTIES

The related parties include holding company, associated companies, directors of the Company, companies where directors also hold directorship and key management personnel of the Company. The transactions with related parties are carried out in the normal course of business at contracted rates. Details of transactions with related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

Un-audited September 30, 2023	Un-audited September 30, 2022
----- Rupees in `000 -----	

14.1 Details of transactions carried out during the period with the related parties are as follows:

Relationship	Nature of transactions		
Holding Company:	a. Dividend paid	-	394,595
Associated Companies:	a. Purchase of goods and services	1,145,409	2,418,635
	b. Recovery of expenses	78,779	23,788
	c. Sale of goods	41,044	72,397
Staff retirement funds:	a. Expense charged for retirement benefit plans	92,809	70,806
	b. Payments to retirement benefit plans	64,605	49,464
Key management personnel:	a. Salaries and other employee benefits	194,159	154,929
	b. Post employment benefits	12,919	10,083
	c. Sale of assets - sales proceeds	5,033	3,450

15. FAIR VALUE MEASUREMENTS

The Company discloses the financial instruments carried at fair value in the statement of financial position in accordance with the following fair value hierarchy:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at September 30, 2023, the Company does not have any financial instruments carried at fair values which are measured using methods falling under above categories, and the carrying values of financial assets and financial liabilities approximate their fair values at the reporting date.

16. CORRESPONDING FIGURES

Corresponding figures have been reclassified in these condensed interim financial statements, wherever necessary, to facilitate the comparison and to conform with changes and presentation in the current period. However, no significant reclassifications were made in the condensed interim financial information.

17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on October 23, 2023.



Chief Financial Officer



Director



Chief Executive Officer