

The Directors of Cipla Quality Chemical Industries Limited (CiplaQCIL) are pleased to present the unaudited interim financial statements for the six month period ended 30th September 2018. These have been reviewed by Ernst & Young, CiplaQCIL's independent auditors.

Condensed Statement of Income

	6 month ended 30-Sep-18 Ushs million	6 month ended 30-Sep-17 Ushs million
Revenue	84,279	71,372
Cost of Sales	(51,727)	(42,308)
Gross Profit	32,552	29,064
as % of Sales	38.6%	40.7%
Other Income	28	82
Net foreign exchange gains/losses	315	232
Administration expenses	(10,323)	(6,525)
Staff expenses	(14,607)	(14,641)
IPO related expenses	(1,862)	(2,545)
Finance expense	(151)	(263)
Interest expense	(76)	-
EBITDA	5,876	5,403
Amortisation and depreciation	(2,558)	(3,532)
Operating profit	3,318	1,870
Profit before tax	3,318	1,870
Income tax credit	-	-
Profit after tax	3,318	1,870
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	3,318	1,870
Basic and diluted earnings per share	0.91	0.51

Condensed Statement of Financial Position

	30-Sep-18 Ushs million	31-Mar-18 Ushs million
Non-Current Assets		
Property, Plant & Equipment	28,923	31,299
Capital Work in Progress	30,722	24,153
Leasehold Land	2,776	2,776
Intangible Assets	263	369
Total Non-Current Assets	62,685	58,597
Current Assets		
Inventories	58,670	37,218
Trade & Other Receivables	121,838	91,845
Cash & Cash Equivalents	414	10,558
Cash Held under Guarantee	-	11,078
Due from Related Cos	-	-
Total Current Assets	180,922	150,699
Total Assets	243,607	209,296
Financed by:		
Shareholders' Funds		
Ordinary Share Capital	45,649	45,649
Capital Reserve	2,275	2,275
Retained Earnings/(Loss)	118,366	126,165
Total Shareholders' Funds	166,290	174,089
Non-Current Liabilities		
Deferred Income Tax Liability	2,434	2,434
Total Non-Current Liabilities	2,434	2,434
Current Liabilities		
Trade & Other Payables	60,380	32,773
Bank Overdraft	14,502	-
Bank Loan Current Portion	-	-
Due to Related Companies	-	-
Total Current Liabilities	74,882	32,773
Total Capital Employed	243,607	209,296

Abbreviations

ACT	Artemisinin-based combination therapies, the recommended therapy by the WHO for non-complicated malaria
ARV	Antiretroviral medications that are used for the treatment of HIV/AIDS
EBITDA	Earnings before interest, taxation, depreciation and amortisation
GOU	Government of Uganda
GOZ	Government of Zambia
H1/H2	First Half Year, Second Half Year
MRZ	Ministry of Health, Zambia
NMS	National Medical Stores
USHS	Ugandan Shillings
WHO	World Health Organization



H1 2018 / 2019

Condensed Statement of Cash Flow

	6 month ended 30-Sep-18 Ushs million	6 month ended 30-Sep-17 Ushs million
OPERATING ACTIVITIES		
Profit/(loss) before tax	3,318	1,870
Depreciation	2,451	3,209
Amortisation of intangible assets	106	323
Profit / (Loss) on asset disposal	-	9
Interest expense	76	-
Cash flows before working capital changes	5,952	5,412
Changes in working capital		
Increase in inventories	(21,452)	(7,278)
(Increase)/decrease in trade and other receivables	(29,993)	34,487
Increase/(decrease) in trade and other payables	27,608	(4,152)
Cash flows generated from operations	(17,961)	28,469
Interest paid	(76)	-
Net cash from operating activities	(17,961)	28,469
INVESTING ACTIVITIES		
Proceeds from sale of assets	-	2
Purchase of property, plant & equipment	(76)	(1,088)
Investment in capital work-in-progress	(6,569)	(8,518)
Purchase of intangible assets	-	(38)
Net cash used in investing activities	(6,645)	(9,642)
FINANCING ACTIVITIES		
Payment of Dividends	(11,118)	(10,893)
Net cash (used in)/from financing activities	(11,118)	(10,893)
Net increase in cash and cash equivalents	(35,725)	7,934
Cash and cash equivalents at start of period	21,636	13,823
Cash and cash equivalents at 30 Sep 2018	(14,088)	21,758

Condensed Statement of Changes in Equity

	Issued Capital Ushs million	Share Premium Ushs million	Capital Reserve Ushs million	Accumulated Gains Ushs million	Total Equity Ushs million
Balance at 31 March 2018	45,649	-	2,275	126,165	174,089
Movement in H1	-	-	-	-	-
Sale of shares	-	-	-	-	-
Additions for the period	-	-	-	-	-
Prior year adjustment	-	-	-	-	-
Net profit/(loss) for the period	-	-	-	3,318	3,318
Transfer to Share Capital	-	-	-	-	-
Dividend Paid	-	-	-	(11,118)	(11,118)
Balance at 30 Sept 2018	45,649	-	2,275	118,366	166,290



CiplaQCIL

CiplaQCIL is a state-of-the-art pharmaceutical manufacturer based in Kampala, Uganda which was commissioned in 2009. The Company is focused on the production of high quality WHO pre-qualified first line treatments for HIV/AIDS and Malaria. The Company also manufactures the two first line WHO recommended therapies for hepatitis B.

In the first half of this year, CiplaQCIL completed its Ushs 12 billion, 4500 pallet storage facility, distribution centre and warehouse that will enable the consolidation of several existing facilities and will provide ample warehousing to support future growth.

H1 also saw the transfer of new, exciting products into the facility – the most notable of which is Tenofovir-Lamivudine-Dolutegravir (TLD), the new ‘drug of choice’ for first line treatment of HIV in males. The product has fewer side effects and is less prone to resistance than the current treatment regimen. TLD will become a very significant product for the Company as it is rolled out across Uganda and other SSA markets.

In addition to its WHO pre-qualification, CiplaQCIL has been approved by national regulatory bodies across Africa, including: Uganda, Kenya, Rwanda, Tanzania, Namibia, Ivory Coast, Zambia, Zimbabwe, Malawi, Mozambique, Ghana, Ethiopia, Angola and South Sudan.

The Company is committed to achieving the vision of the African Union’s Pharmaceutical Manufacturing Plan for Africa and the East African Community’s Pharmaceutical Manufacturing Plan of Action.

Financial Results

Company Revenue showed double digit growth of 18.1% largely attributable to the new regional off take agreement with the GOZ, which contributed Ushs 27.4 billion of H1 revenue. This incremental business offset the impact of the significant reduction in sales funded by the Global Fund due to an overall reduction in donor funded Malaria treatment purchases, this declining trend is expected to continue and will not reach the heights experienced in H2 2017/2018. CiplaQCIL continued to deliver on its commitment to supply lifesaving medicines to the GOU National Medical Stores.

Gross Margin increased by Ushs 3.5 billion but as a percentage of sales decreased by 2.1%, reflecting the product portfolio mix and ARV pricing trends, which have experienced downward pressure. As the mix continues to evolve away from Global Fund funded business to more regional offtakes, this margin position is expected to remain.

Operational Costs increased by 8.5% to Ushs 25.9 billion. The additional expenditure relates to increased marketing and sales expenses, as well as once-off IPO-related costs.

Operating Profit for the period was Ushs 3.3 billion, compared to Ushs 1.8 billion in the prior period, largely behind reduced amortisation and depreciation charges.

Cash Flows during the period had a negative position of Ushs 14.1 billion due to an increase of receivables and inventories in anticipation of H2 manufacturing volumes. (Post the end of the reporting period, receivables of Ushs 29 billion have been received, significantly improving this position.)

Dividends. The Board has resolved not to pay an interim dividend at this time to invest in the business, but will review this decision as and when appropriate

Message from the Directors

A copy of the interim financial statements can be obtained from the CiplaQCIL’s Registrar; M/s Uganda Securities Exchange Nominees Ltd located at Plot 3-4 New Port Bell Road, UAP Nakawa Business Park, Block A, 4th Floor.

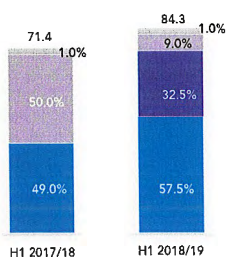
The financial statements were approved by the Board of Directors on 9th November on behalf of the Board by:



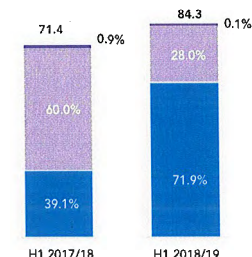
Emmanuel Katongole
Executive Chairman

Nevin Bradford
Chief Executive Officer

Sales breakdown by customer Ushs billion



Sales breakdown by therapeutic area Ushs billion



■ NMS ■ The Global Fund ■ MHZ ■ Other ■ ARV ■ ACT ■ Hepatitis B