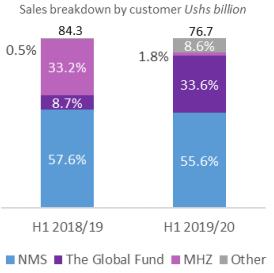
The Directors of Cipla Quality Chemical Industries Limited ("CiplaQCIL" or "the Company") are pleased to present the unaudited condensed interim financial statements for the six month period ended 30th September 2019.

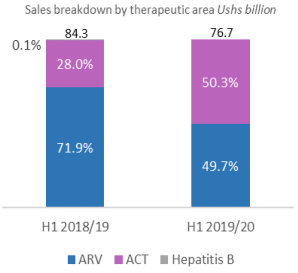
Condensed Statement of Comprehensive Income

	Un-audited 6 months ended 30-Sep-19 Ushs 'million	Un-audited 6 months ended 30-Sep-18 Ushs 'million
Revenue	76,742	84,279
Cost of sales	(53,276)	(51,727)
Gross profit	**23,466**	**32,552**
Gross profit %	*30.6%*	*38.6%*
Other income	16	28
Net foreign exchange gains	265	315
	23,747	**32,895**
Expected credit losses on financial instruments	(11,359)	-
Administration expenses	(7,993)	(12,185)
Staff expenses	(14,621)	(14,607)
Other operating expenses	(157)	(143)
Earnings before interest, tax, depreciation & amortisation	**(10,383)**	**5,960**
Amortisation and depreciation	(2,957)	(2,558)
Finance costs	(1,981)	(84)
(Loss)/ profit before tax	**(15,321)**	**3,318**
Less: Taxation	833	-
(Loss)/ profit after tax	**(14,488)**	**3,318**
Other comprehensive income, net of tax	-	-
Total comprehensive (loss)/ income for the period	**(14,488)**	**3,318**
Basic and diluted earnings per share (in Ushs)	(3.97)	0.91

Condensed Statement of Financial Position

	Un-audited At 30-Sep-19 Ushs 'million	Un-audited At 31-Mar-19 Ushs 'million
ASSETS		
Non-current assets		
Property, plant and equipment	48,801	27,860
Capital work-in-progress	16,342	33,739
Leasehold land	2,776	2,776
Intangible assets	1,552	1,550
	69,471	65,925
Current Assets		
Inventories	71,993	81,222
Trade and other receivables	114,022	139,701
Cash in hand and at bank	768	714
	186,783	221,637
Total Assets	**256,254**	**287,562**
EQUITY AND LIABILITIES		
Equity		
Share capital	45,649	45,649
Capital contribution	2,275	2,275
Retained earnings	105,899	120,386
	153,823	168,310
Non-current Liabilities		
Deferred income tax liability	1,323	2,157
	1,323	2,157
Current Liabilities		
Bank overdraft	57,788	51,919
Trade and other payables	43,320	65,176
	101,108	117,095
Total Equity and Liabilities	**256,254**	**287,562**





Condensed Statement of Cash Flows

	Un-audited 6 months ended 30-Sep-19 Ushs 'million	Un-audited 6 months ended 30-Sep-18 Ushs 'million
OPERATING ACTIVITIES		
(Loss)/profit before tax	(15,321)	3,318
Adjustment for:		
Unrealised foreign exchange gains	584	-
Expected credit losses on financial instruments	11,359	-
Depreciation	2,721	2,452
Amortisation of intangible assets	236	106
Stock write off	206	-
Provision for inventories	1,424	-
Finance costs	1,981	84
Cash flows before working capital changes	3,190	5,960
Changes in working capital:		
- Inventories	7,599	(21,452)
- Trade and other receivables	14,557	(29,993)
- Trade and other payables	(21,694)	27,608
Cash flows generated from operations	**3,652**	**(17,877)**
Tax paid	(759)	-
Interest paid	(1,981)	(84)
Net cash flows generated from operating activities	**912**	**(17,961)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(76)
Investment in capital work-in-progress	(6,503)	(6,569)
Net cash used in investing activities	**(6,503)**	**(6,645)**
FINANCING ACTIVITIES		
Dividend paid	-	(11,118)
Net cash used in financing activities	**-**	**(11,118)**
Net change in cash and cash equivalents	(5,591)	(35,724)
Effect of exchange rate movement on cash and cash equivalents	(224)	-
Cash and cash equivalents at start of period	(51,205)	21,636
Cash and cash equivalents at end of period	**(57,020)**	**(14,088)**

Condensed Statement of Changes in Equity

	Share capital Ushs 'million	Capital contribution Ushs 'million	Retained earnings Ushs 'million	Total Ushs 'million
At 31 March 2019	**45,649**	**2,275**	**120,387**	**168,311**
Total comprehensive income for the period	-	-	(14,488)	(14,488)
At 30 September 2019 (Un-audited)	**45,649**	**2,275**	**105,899**	**153,823**

The Company has applied the same accounting policies in these unaudited condensed interim financial statements as those applied in the Company's financial statements for the year ended 31st March 2019. Those financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

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
ECL	Expected Credit Losses
GOU	Government of Uganda
GOZ	Government of Zambia
H1;H2	First Half Year; Second Half Year
MHZ	Ministry of Health, Zambia
NMS	National Medical Stores, Uganda
PMI	President's Malaria Initiative
Q4	Fourth Quarter Year
USHS	Ugandan Shillings
WHO	World Health Organization

CiplaQCIL

CiplaQCIL is a state-of-the-art pharmaceutical manufacturer in Kampala, Uganda, which focuses on producing high-quality WHO pre-qualified first-line treatments for HIV/Aids and malaria. CiplaQCIL also manufactures the two first line WHO-recommended therapies for Hepatitis B.

As a result of its WHO pre-qualifications, CiplaQCIL is qualified to participate in international tenders floated by major international donors. In the first half of 2019, CiplaQCIL received its first orders from PMI after successfully winning the PMI tender in 2018-19 and exported ACT malaria treatments to South-East Asian markets for the first time.

In addition to the WHO pre-qualification, CiplaQCIL has been approved by national regulatory bodies across Africa, including countries such as Uganda, Kenya, Rwanda, Tanzania, Namibia, Ivory Coast, Zambia, Zimbabwe, Malawi, Mozambique, Ghana, Ethiopia, Angola and South Sudan. In H1 the Company hosted regulatory inspections from the WHO, the East African Community and Zazibona, the regulatory grouping of Southern African states.

Challenges in H1

For the first time CQCIL has made an impairment allowance in line with the requirement IFRS 9 in its books relating to government receivables due to the length of time taken to collect receivables from the Republic of Zambia. The Company remains committed to its Supply Agreement with the Zambian Government, and we continue to have positive engagement as we work towards an agreed payment plan. However, we are required under IFRS 9 to make such impairment allowance based on expected credit loss. The Republic of Zambia has confirmed its intent to pay down these receivables in line with the agreed payment plan.The reduction in orders from the GOZ combined with this impairment allowance for delayed payments have resulted in CQCIL recording a loss for the first 6 months of this year.

Management endeavoured to minimise the impact of the reduction in revenue from GOZ through increased funder related sales. Significant orders were received in H1 from PMI which will be invoiced in H2, increasing significantly the full year sales contribution from donor funded business. Global Fund business has rebounded significantly in H1 from the disappointing performance in 2018-19. In H1, Global Fund sales were 400% of the full 2018-19 performance.

Operations

Despite these challenges, revenue was largely in line with our internal expectations for H1 but the different product mix (less ARVs and orders from GOZ and higher donor funded related business) impacted our gross margins. This, along with the ECL, resulted in the loss for the first six months of the year.

Operationally, we had a strong H1 and many building blocks were put in place to support our growth aspirations going forward. These included:

- Building capacity and commencing work on operationalizing a third shift to manage increased demand from third parties
- Critical Technology transfers of key products to support the next wave of growth; and
- Diversification of our customer base with new partners (e.g. PMI) and additional registrations across selected countries.

In addition, we are concluding negotiations to support PMI by holding their emergency stock of life saving antimalarial treatments as we already do for the Global Fund.

Expectations

Based on current visibility and run rates in the funder business we expect continued acceleration from this revenue stream into H2 which will support strong growth compared to last year. Along with PMI and the ramp up of capacity in Q4 to cater for the third party demand, we are confident we will meet our internal expectations and deliver strong growth in H2 and for the full year, despite the reduction in GOZ business. Profit enhancement will be delivered in H2 but is predicated on the Zambia payment plan being realised and no further provision required in the second half of the year.

Financial Results

The Company Revenue showed a decline of 8.9%, largely attributable to the reduction in sales to GOZ of Ushs 26.5 billion. This sales reduction was partially offset by an increase in sales funded by the Global Fund of Ushs 18.5 billion. Orders placed by the PMI will significantly contribute to revenue in H2.

Gross profit decreased by Ushs 9.1 billion, reflecting a change in product portfolio mix, increasingly competitive conditions and price reductions.

Operational costs increased by 26.7% to Ushs 34.1 billion. The increase is attributed to the Expected Credit Loss due to challenges in the collection of GOZ overdue receivables. Before the impact of the ECL, operational costs reduced by 15% versus the prior period.

Loss for the period was Ushs 14.5 billion, compared to a profit of Ushs 3.3 billion in the prior period, due to the reduced gross margins, the impairment allowance, interest expenses and increased amortisation and depreciation charges.

Cash and cash equivalents as at 30th September 2019 were a negative Ushs 57 billion due to the delay in collection of certain overdue receivables and further capital investments. These investments have set the Company up to deliver significant manufacturing volume growth in H2. However, cash generated from operations was positive in H1 compared to a decline in the prior period.

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.

The unaudited condensed interim financial statements were approved by the Board of Directors on 27th November 2019 and were signed on its behalf by:

Emmanuel Katongole	Nevin Bradford
Executive Chairman	Chief Executive Officer