

sanofi-aventis Pakistan limited

**CONDENSED INTERIM
FINANCIAL STATEMENTS**
FOR THE FIRST QUARTER ENDED
31 MARCH, 2015

(UN-AUDITED)



SANOFI



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Company Information

Board of Directors

Syed Babar Ali
Shakeel Mapara
Arshad Ali Gohar
Syed Hyder Ali
Patrick Aghanian
Francois Jean Louis Briens
Jean-Marc Georges
Mohammad Ibadullah
Javed Iqbal

Chairman
Acting Chief Executive

(Alternate Laila Khan)
(Alternate Shakeel Mapara)
(Alternate Mohammad Ali Hasani)

Company Secretary

Saad Usman

URL

www.sanofi.com.pk
www.sanofidiabetes.com.pk

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

Bank of Tokyo-Mitsubishi UFJ, Limited
Barclays Bank PLC
Citibank, N.A
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank

Legal Advisors

Bilal Law Associates
Ghani Law Associates
Haidermota & Co.

Registrars & Share

Transfer Office

FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran,
Nursery, Block-6, P.E.C.H.S.
Sharah-e-Faisal, Karachi - 74000.
Tel. No: +92 21 34380101-5
Fax No: +92 21 34380106
URL: www.famco.com.pk

Registered Office

Plot 23, Sector 22, Korangi Industrial
Area, Karachi - 74900

Postal Address

P.O. Box No. 4962, Karachi - 74000

Contact

Tel: +92 21 35060221-35
contact.pk@sanofi.com



Directors' Report to the Shareholders

The Board of Directors of sanofi-aventis Pakistan limited is pleased to present the un-audited interim condensed financial statements of your Company, for the 1st quarter ended March 31, 2015. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and the provisions of and the directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of directives issued under the Companies Ordinance, 1984 have been followed.

The net sales of the Company for the first quarter ended March 31, 2015, amounted to Rs.2,244 million, registering a decline of 0.6% over comparative prior period. The net sales of pharmaceutical business during the quarter reached Rs.1,974 million, recording a marginal decline of 3.2% over the comparative prior period. Vaccines and CHC recorded sales of Rs.118.3 million and Rs.41.3 million, growing by 30.3% and 25.4% respectively over the comparative prior period.

The Company further increased its foot hold in the export of pharmaceutical medicines in Afghanistan market as witnessed by the growth in sales achieved during the first quarter. The Company recorded export sales of Rs.110.6 million for the quarter, registering an increase of 17.3% over comparative prior period.

Gross margin as a percentage of net sales improved to 31.6% for the quarter ended respectively from 28.5% during the comparative prior period. The marginal improvement is primarily attributable to the significant appreciation of Pak Rupee versus the EUR – and in a lesser extent against US dollar, complemented by savings in rent, rates and taxes, security cost, travelling & conveyance which was partly offset by the negative elements such as higher repair and maintenance cost and depreciation. These negative elements shall be partially mitigated through cost cutting measures which are being adopted by the Company during the year.

Distribution and marketing expenses for the quarter increased by 16.4% over the comparative prior period while the administrative expenses increased by 1.2%. The expenses increased due to higher staff costs, depreciation, travelling and conveyance, repairs & maintenance and advertising & promotional activities.

Other operating cost for the quarter increased by 45.7% over the comparative prior period due to higher statutory levies based on profits. The exchange gain for the quarter increased by Rs.95.7 million over comparative period prior year, primarily due to significant appreciation of Pak Rupee versus the EUR – and in a lesser extent against US dollar. The Company's financing cost during the quarter increased by 30.2% over the comparative period, consequent to higher borrowings to support working capital requirements.

Profit before and after taxes for the quarter ended March 31, 2015 increased by Rs.61.6 million (43.3%) and Rs.55.4 million (72.4%) respectively over the comparative prior period because of the reasons explained above.

The Company devotes utmost importance to cash flow management and regularly monitors its day to day working capital and other financing requirements. During the three months the Company spent Rs.61.2 million on account of capital expenditure.



Directors' Report to the Shareholders

The Company expects that the growth of the pharmaceutical business during the year shall be close to market growth barring major unforeseen adverse events. The Company however, is concerned about the new pricing policy issued by the Drug Regulatory Authority of Pakistan (DRAP) wherein it has been recommended amongst other points, that the Maximum Retail Price (MRP) of all drugs be frozen at the approved level of MRP as on 31st October, 2013 which would remain at this level till 30th June 2016. In addition, DRAP has proposed to reduce the prices of life-saving and other drugs to the extent of 30% equally over a period of three years (i.e. 10% per annum).

The Company is closely monitoring the legal and business implications of the case and will take all necessary measures to ensure that the appropriate representations are made to the Government in support of a pricing policy acceptable to the industry.

On behalf of the Board of Directors, we would like to acknowledge the hard work put in by all the employees of the Company.

By order of the Board

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.



Condensed Interim Balance Sheet

As at March 31, 2015

| | Note | March 31, 2015Rupees in '000..... (Un-audited) | December 31, 2014 (Audited) |
|--|------|---|-----------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | | |
| Property, plant and equipment | 4 | 2,002,415 | 2,018,562 |
| Intangible asset | | 190 | 220 |
| | | <u>2,002,605</u> | <u>2,018,782</u> |
| Long-term loans | | 7,226 | 7,737 |
| Long-term deposits | | 4,030 | 4,030 |
| CURRENT ASSETS | | | |
| Stores and spares | | 48,977 | 49,471 |
| Stock-in-trade | | 4,063,661 | 3,758,056 |
| Trade debts | | 975,136 | 733,717 |
| Short-term loans and advances | | 65,977 | 49,250 |
| Trade deposits and short-term prepayments | | 211,839 | 218,792 |
| Other receivables | | 45,815 | 178,899 |
| Taxation | | 844,252 | 804,733 |
| Cash at banks | | 26,239 | 9,280 |
| | | <u>6,281,896</u> | <u>5,802,198</u> |
| TOTAL ASSETS | | <u>8,295,757</u> | <u>7,832,747</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | | | |
| Authorized | | | |
| 10,000,000 Ordinary shares of Rs. 10 each | | <u>100,000</u> | <u>100,000</u> |
| Issued, subscribed and paid-up | | 96,448 | 96,448 |
| Reserves | | | |
| Capital reserves | | 193,352 | 188,982 |
| Revenue reserves | | 2,238,687 | 2,106,717 |
| | | <u>2,432,039</u> | <u>2,295,699</u> |
| | | <u>2,528,487</u> | <u>2,392,147</u> |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | | 500,000 | 500,000 |
| Deferred taxation | | 132,908 | 132,276 |
| | | 632,908 | 632,276 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,871,702 | 1,991,679 |
| Accrued mark-up | | 79,779 | 67,778 |
| Short term borrowings | | 600,000 | 600,000 |
| Running finances utilized under mark-up arrangements - secured | | 2,582,881 | 2,148,867 |
| | | <u>5,134,362</u> | <u>4,808,324</u> |
| CONTINGENCIES AND COMMITMENTS | 5 | 5,767,270 | 5,440,600 |
| TOTAL EQUITY AND LIABILITIES | | <u>8,295,757</u> | <u>7,832,747</u> |

The annexed notes 1 to 10 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive



Condensed Interim Profit and Loss Account

For the first quarter ended March 31, 2015 (Un-audited)

| | <u>March 31, 2015</u> | <u>March, 31 2014</u> |
|--|--------------------------|-----------------------|
| |Rupees in `000..... | |
| NET SALES | 2,244,276 | 2,256,792 |
| Cost of sales | <u>(1,535,517)</u> | <u>(1,612,545)</u> |
| GROSS PROFIT | 708,759 | 644,247 |
| Distribution and marketing expenses | <u>(498,542)</u> | <u>(428,141)</u> |
| Administrative expenses | <u>(56,961)</u> | <u>(56,272)</u> |
| Other operating expenses | <u>(22,070)</u> | <u>(15,139)</u> |
| Other income | <u>162,548</u> | <u>66,596</u> |
| | <u>(415,025)</u> | <u>(432,956)</u> |
| OPERATING PROFIT | <u>293,734</u> | <u>211,291</u> |
| Finance costs | <u>(89,719)</u> | <u>(68,889)</u> |
| PROFIT BEFORE TAXATION FOR THE PERIOD | <u>204,015</u> | <u>142,402</u> |
| Taxation - Current | <u>(71,413)</u> | <u>(41,334)</u> |
| - Prior | <u>-</u> | <u>(11,663)</u> |
| - Deferred | <u>(632)</u> | <u>(12,857)</u> |
| | <u>(72,045)</u> | <u>(65,854)</u> |
| NET PROFIT FOR THE PERIOD | <u>131,970</u> | <u>76,548</u> |
| BASIC EARNINGS PER SHARE (Rupees) | <u>13.68</u> | <u>7.94</u> |

The annexed notes 1 to 10 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.



Condensed Interim Statement of

Comprehensive Income

For the first quarter ended March 31, 2015 (Un-audited)

| | <u>March 31, 2015</u> | <u>March, 31 2014</u> |
|---|--------------------------|-----------------------|
| |Rupees in `000..... | |
| Net profit for the period | 131,970 | 76,548 |
| Other comprehensive income / (loss) for the period | - | - |
| Total comprehensive income for the period | <u>131,970</u> | <u>76,548</u> |

The annexed notes 1 to 10 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.



Condensed Interim Cash Flow Statement

For the first quarter ended March 31, 2015 (Un-audited)

| | Note | March 31, 2015 | March 31, 2014 |
|--|------|--------------------------|--------------------|
| | |Rupees in '000..... | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 6 | (155,262) | 510,774 |
| Finance costs paid | | (77,718) | (73,797) |
| Income tax paid | | (110,932) | (68,682) |
| Retirement benefits paid | | (14,101) | - |
| Long-term loans and advances (net) | | 511 | 109 |
| Net Cash (used in) / generated from operating activities | | <u>(357,502)</u> | <u>368,404</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (61,159) | (48,835) |
| Sale proceeds from disposal of operating fixed assets | | 1,623 | 763 |
| Net cash used in investing activities | | <u>(59,536)</u> | <u>(48,072)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (17) | (2) |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | | <u>(417,055)</u> | <u>320,330</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | (2,139,587) | (1,558,937) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 7 | <u>(2,556,642)</u> | <u>(1,238,607)</u> |

The annexed notes 1 to 10 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive



**Condensed Interim Statement of
Changes in Equity**
For the first quarter ended March 31, 2015 (Un-audited)

| | Capital Reserves | | | | Revenue Reserves | | Total |
|--|---|--|---|----------------|--------------------|-------------------------------|------------------|
| | Issued, subscribed and paid-up share capital | Long term liabilities forgone | Difference of share capital under scheme of arrangement for amalgamation | Other | General reserve | Unappropri- ated profit | |
| | Rupees in '000. | | | | | | |
| Balance as at January 1, 2014 | 96,448 | 5,935 | 18,000 | 129,403 | 1,535,538 | 441,289 | 2,226,613 |
| Employee benefits cost under IFRS - 2 "Share based payment" | - | - | - | 7,378 | - | - | 7,378 |
| Transfer to general reserve | - | - | - | - | 200,000 | (2,00,000) | - |
| Net profit for the period | - | - | - | - | - | 76,548 | 76,548 |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - | 76,548 | 76,548 |
| Balance as at March 31, 2014 | <u>96,448</u> | <u>5,935</u> | <u>18,000</u> | <u>136,781</u> | <u>1,735,538</u> | <u>317,837</u> | <u>2,310,539</u> |
| Balance as at January 1, 2015 | 96,448 | 5,935 | 18,000 | 165,047 | 1,735,538 | 371,179 | 2,392,147 |
| Employee benefit cost under IFRS 2 - "Share based Payment" | - | - | - | 4,370 | - | - | 4,370 |
| Transfer to general reserve | - | - | - | - | 200,000 | (200,000) | - |
| Net profit for the period | - | - | - | - | - | 131,970 | 131,970 |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - | 131,970 | 131,970 |
| Balance as at March 31, 2015 | <u>96,448</u> | <u>5,935</u> | <u>18,000</u> | <u>169,417</u> | <u>1,935,538</u> | <u>303,149</u> | <u>2,528,487</u> |

The annexed notes 1 to 10 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Karachi: April 28, 2015.

Shakeel Mapara
Acting Chief Executive



**Notes to the Condensed Interim
Financial Statements**
For the first quarter ended March 31, 2015 (Un-audited)

Commitments

- 5.3 Commitments in respect of capital expenditure contracted for amounted to Rs. 58.303 (December 31, 2014:Rs. 36.581) million at the end of the first quarter.
- 5.4 Post dated cheques aggregating to Rs. 20.694 (December 31, 2014: Rs. 27.634) million at the end of the current period have been given to Collector of Customs in respect of exemption of levies on import of machine accessories.

| | March 31, 2015 | December 31, 2014 |
|-----------------------------------|--------------------------|----------------------|
| |Rupees in `000..... | |
| | (Un-audited) | (Audited) |
| 5.5 Outstanding letters of credit | <u>88,719</u> | <u>112,817</u> |
| 5.6 Outstanding bank contracts | <u>312,709</u> | <u>225,944</u> |

| | March 31, 2015 | March 31, 2014 |
|--|--------------------------|-------------------|
| |Rupees in `000..... | |
| | Note | |
| 6. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 204,015 | 142,402 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation / amortization | 75,775 | 55,398 |
| Gain on disposal of operating fixed assets | (1,305) | (713) |
| Fixed assets written off | 1,243 | - |
| Expenses arising from equity settled share based payment plans | 4,370 | 7,378 |
| Retirement benefits | 14,101 | 12,646 |
| Finance costs | 89,719 | 68,889 |
| Working capital changes | 6.1 (543,180) | 224,774 |
| | <u>(155,262)</u> | <u>510,774</u> |

6.1 Working capital changes

Decrease / (Increase) in current assets:

| | | |
|---|------------------|----------------|
| Stores and spares | 494 | 102 |
| Stock-in-trade | (305,605) | (124,737) |
| Trade debts | (241,419) | 186,610 |
| Short-term loans and advances | (16,727) | (15,870) |
| Trade deposits and short-term prepayments | 6,953 | 9,696 |
| Other receivables - net | 133,084 | 331,781 |
| | <u>(423,220)</u> | <u>387,582</u> |

Decrease in current liabilities:

| | | |
|---|------------------|------------------|
| Trade and other payables - net (excluding unclaimed dividend) | <u>(119,960)</u> | <u>(162,808)</u> |
| | <u>(543,180)</u> | <u>224,774</u> |

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

| | | |
|---|--------------------|--------------------|
| Cash and bank balance | 26,239 | 17,615 |
| Running finance utilized under mark-up arrangements | <u>(2,582,881)</u> | <u>(1,256,222)</u> |
| | <u>(2,556,642)</u> | <u>(1,238,607)</u> |



Notes to the Condensed Interim
Financial Statements
For the first quarter ended March 31, 2015 (Un-audited)

8. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, employees' provident fund, employees' gratuity fund, employees' pension fund, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties.

There are no transactions with key management personnel other than under the terms of employment.

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

| | March 31, 2015 | | | | March 31, 2014 | | | |
|---|--------------------|---|---------------------------|--------------------------------|--------------------|---|---------------------------|--------------------------------|
| | Group of companies | Associated undertaking by virtue of common directorship | Retirement benefits plans | Key management personnel Total | Group of companies | Associated undertaking by virtue of common directorship | Retirement benefits plans | Key management personnel Total |
| | Rupees in '000 | | | | Rupees in '000 | | | |
| i) Gross Sales | 2,722 | - | - | 2,722 | 3,520 | - | - | 3,520 |
| ii) Purchase of goods | 936,197 | - | - | 936,197 | 838,449 | - | - | 838,449 |
| iii) Purchase of services | - | 8,061 | - | 8,061 | - | 9,573 | - | 9,573 |
| iv) Contribution paid | - | - | 10,863 | 10,863 | - | - | 9,552 | 9,552 |
| - Provident fund | - | - | 8,474 | 8,474 | - | - | - | - |
| - Gratuity fund | - | - | 5,628 | 5,628 | - | - | - | - |
| - Pension fund | - | - | - | - | - | - | - | - |
| v) Remuneration of key management personnel | - | - | 45,021 | 45,021 | - | - | 34,032 | 34,032 |

Further, the impact of benefits to the Chief Executive and others recognized by the Company in the expenses during the period on account of share-based payment plans aggregated to Rs. 0.404 (March 31, 2014: Rs. 1.334) million and Rs. 3.966 (March 31, 2014: Rs. 6.044) million, respectively.

9. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 28, 2015 by the Board of Directors of the Company.

10. GENERAL

Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive