sanofi-aventis Pakistan limited

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
30 SEPTEMBER, 2014

(UN-AUDITED)



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Company Information

Board of Directors

Syed Babar Ali	Chairman
Ayub Ahmed Siddiqui	Chief Executive
Arshad Ali Gohar	
Syed Hyder Ali	
Dr. Pius Stephan Hornstein	(Alternate Laila Khan)
Francois Jean Louis Briens	(Alternate Shakeel Mapara)
Jean-Marc Georges	(Alternate Muhammad Ali Hasani)
Mohammad Ibadullah	
Javed Iqbal	

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
HSBC Bank Middle East Limited
MCB Bank Limited.
National Bank of Pakistan
Standard Chartered Bank

Legal Advisors
Bilal Law Associates
Ghani Law Associates
Haidermota & Co.
Saadat Yar Khan & 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
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Registered Office
Plot 23, Sector 22, Korangi Industrial Area, Karachi - 74900

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

Contact
Tel: +92 21 35060221-35
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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 nine months ended September 30, 2014. These financial statements have been prepared in accordance with the requirements of the International Accounting Standards (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 Company's net sales amounted to Rs.2,698 million and Rs.7,649 million for the quarter and nine months ended September 30, 2014 respectively registering a growth of 18.29% and 13.89% over comparative prior periods. The sales growth, despite the challenging business environment, is the result of our strategy to become "A diversified healthcare company with patient centric approach".

The Company's pharmaceutical business net sales during the quarter and nine months ended September 30, 2014 reached Rs.2,446 million and Rs.6,877 million respectively, recording an increase of 20.91% and 19.0% over the comparative prior periods. During the period under review the sales growth was realized from established brands such as Lantus®, Daonil®, Amaryl®, Flagyl® range and NoSpa® in addition to new launches notably Thymoglobulin®.

The vaccines business net sales for the quarter and nine months ended September 30, 2014 reached Rs.129 million and Rs.297 million respectively recording a growth of 5.95% and decline 37.17% over the comparative prior periods. The decline in the nine months was due to lower sales of polio vaccine in the public market segment during the first nine months of 2014 as compared to the same period in 2013. On the other hand, non Govermental Institution business showed a growth of 14.4% during the nine months of 2014 over the same period of 2013.

The consumer healthcare (CHC) business net sales for the quarter and nine months reached Rs.18.54 million and Rs.75.9 million respectively recording a decline of 37.62% and 1.09% over the comparative prior periods. The decline is due to the supply constraints in key brands like Selsun Blue®.

The Company continued on its path of exploring and materializing growth opportunities by focusing on bringing new products in the market that address patients' healthcare needs. New product launches during the nine months include Jevtana® and Ciprozee® whereas line extensions in existing product lines included Claforan 2G®, CoPlavix® and Taxotere® Injection.

The Company continued to ensure its presence in the Afghanistan market through export of pharmaceutical products which stood at Rs.104.7 million and Rs.399 million for the quarter & nine months, registering a decline of 1.84% and increase of 2.93% respectively over comparative prior periods. The decline in exports sales was due to adverse political situation in Afghanistan following general elections and ensuing violence leading to disruption in supplies.

Gross margin as a percentage of net sales declined to 25.30% and 24.94% for the quarter and nine months ended September 30, 2014 respectively from 29.99% and 27.69% during the comparative prior periods. The decline in margin is primarily attributable to the increase in depreciation on plant and machinery, higher fuel & power costs, increase in raw, auxiliary and packing materials consumed as well as continued high inflation recording increase in all cost categories. These negative elements have been partly offset by the cost cutting and efficiency measures taken by the management during the period.

During the month of June 2014, the terrorist attacks on the Karachi Airport resulted in the destruction of company's stock consignments worth Rs.45 million, the impact of which has been taken in the books of account for the nine months ended September 30, 2014. The company has lodged the insurance claim and the corresponding effect of its settlement will be taken in the books of account subject to acknowledgment of the same by the insurance company.

Directors' Report to the Shareholders

Distribution and marketing expenses have increased by 6.86% and 19.27%, on an overall basis, for the quarter and nine months respectively over the comparative prior periods mainly due to spending on advertising & promotional activities primarily to support new product launches, travelling & conveyance as well as staff costs. The distribution and marketing costs also include costs incurred on restructuring done in sales and marketing functions during the year where the company switched from a traditional structure to a business unit structure. The restructuring is expected to bring synergies in the sales and marketing activities and ensure alignment with the overall corporate objectives. These cost escalations were partly offset by the decrease in commission expenses and depreciation/amortization expenses. The expenditure on sales and promotion during the nine months of the current year has been higher than last year to maximize our marketing efforts due to change in business unit structure, which has resulted in a healthy sales trend in Q3, 2014. It is planned to rationalize expenses in last quarter to offset the higher spending in September year to date.

Administrative expenses increased by 25.80% and 16.05% for the quarter and nine months ended respectively over the corresponding periods last year mainly due to increase in staff costs, repair & maintenance, travelling & conveyance and security & maintenance.

Other operating cost for the period mainly includes statutory charges (i.e. Workers' Profits Participation Fund, Workers' Welfare Fund and Central Research Fund), which are all related to profit. Other income for the period primarily comprises exchange gain amounting to Rs.98.04 million (2013: exchange loss of Rs.136.75 million).

The Company's financing cost during the nine months has increased by 31.58% during the period under report over comparative prior period, owing to higher borrowing levels.

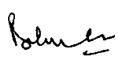
Profit before and after taxes for the 3rd quarter rose by Rs. 60.06 million (+80.14%) and Rs. 30.61 million (+83.28%) respectively over the comparative prior period, whereas Profit before and after taxes for the nine months has decreased by Rs.25.44 million (-10.18%) and Rs.35.95 million (-27.06%) respectively over the comparative prior period because of the reasons explained above.

The Company gives paramount importance to cash flow management and regularly monitors its day to day working capital and other financing requirements. During the nine months the Company spent Rs.253 million on capital expenditure and paid Rs.96 million in dividends.

Nonetheless barring unforeseen events, the management expects the sales growth of the pharmaceutical business in the remaining quarter of 2014 to be above the market. The management further anticipates the profitability of the company to improve in the forthcoming months when the impact of recent price increase on pharmaceutical products will be visible after taking into account the effect of channel inventory. In addition, rationalization of expenses should also have a positive impact on the bottom line.

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



Ayub Ahmed Siddiqui
Managing Director

Karachi: October 28, 2014.

Condensed Interim Balance Sheet

As at September 30, 2014

	Note	September 30, 2014	December 31, 2013
		.....Rupees in `000.....	
		(Un-audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,909,992	1,845,108
Intangible asset		253	343
		1,910,245	1,845,451
Long-term loans		6,855	7,386
Long-term deposits		4,030	4,030
CURRENT ASSETS			
Stores and spares		48,371	49,469
Stock-in-trade		2,784,837	2,451,046
Trade debts		1,262,068	905,875
Short-term loans and advances		69,826	40,133
Trade deposits and short-term prepayments		219,128	119,798
Other receivables		25,460	364,285
Taxation		620,621	723,557
Cash and bank balances		16,635	21,925
		5,046,946	4,676,088
TOTAL ASSETS		6,968,076	6,532,955
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
10,000,000 Ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid-up		96,448	96,448
Reserves			
Capital reserves		181,385	153,338
Revenue reserves		1,977,231	1,976,827
		2,158,616	2,130,165
		2,255,064	2,226,613
NON-CURRENT LIABILITIES			
Long term financing		500,000	500,000
Deferred taxation		120,180	136,501
		620,180	636,501
CURRENT LIABILITIES			
Trade and other payables		1,923,607	1,624,684
Accrued mark-up		57,718	64,295
Short term borrowings		600,000	400,000
Running finances utilized under mark-up arrangements - secured		1,511,507	1,580,862
		4,092,832	3,669,841
		4,713,012	4,306,342
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		6,968,076	6,532,955

The annexed notes 1 to 12 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Ayub Ahmed Siddiqui
Chief Executive

Karachi: October 28, 2014.

Condensed Interim Profit and Loss Account
For the nine months ended September 30, 2014 (Un-audited)

	Note	Nine Months Ended Sep. 30, 2014	Nine Months Ended Sep. 30, 2013	Quarter Ended Sep. 30, 2014	Quarter Ended Sep. 30, 2013
		.....Rupees in `000.....			
NET SALES		7,649,310	6,716,246	2,698,248	2,280,898
Cost of sales		(5,741,546)	(4,856,674)	(2,015,624)	(1,596,833)
GROSS PROFIT		1,907,764	1,859,572	682,624	684,065
Distribution and marketing costs	6	(1,352,938)	(1,134,364)	(419,883)	(392,858)
Administrative expenses		(204,743)	(176,425)	(80,504)	(63,992)
Other operating expenses		(34,103)	(171,999)	(13,117)	(108,497)
Other operating income	7	118,584	32,797	38,346	13,271
		(1,473,200)	(1,449,991)	(475,158)	(552,076)
OPERATING PROFIT		434,564	409,581	207,466	131,989
Finance costs		(210,082)	(159,663)	(72,461)	(57,043)
PROFIT BEFORE TAXATION FOR THE PERIOD		224,482	249,918	135,005	74,946
Taxation - Current		(143,951)	(156,593)	(64,783)	(41,400)
- Deferred		16,321	39,475	(2,839)	3,218
		(127,630)	(117,118)	(67,622)	(38,182)
NET PROFIT FOR THE PERIOD		96,852	132,800	67,383	36,764
BASIC EARNINGS PER SHARE (Rupees)		10.04	13.77	6.99	3.81

The annexed notes 1 to 12 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Ayub Ahmed Siddiqui
Chief Executive

Karachi: October 28, 2014.

Condensed Interim Statement of Comprehensive Income
For the nine months ended September 30, 2014 (Un-audited)

	Nine Months Ended Sep. 30, 2014	Nine Months Ended Sep. 30, 2013	Quarter Ended Sep. 30, 2014	Quarter Ended Sep. 30, 2013
	.....Rupees in `000.....			
Net profit for the period	96,852	132,800	67,383	36,764
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	96,852	132,800	67,383	36,764

The annexed notes 1 to 12 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Ayub Ahmed Siddiqui
Chief Executive

Karachi: October 28, 2014.

Condensed Interim Cash Flow Statement

For the nine months ended Septmeber 30, 2014 (Un-audited)

	Note	September 30, 2014	September 30, 2013
		.....Rupees in `000.....	
CASH FLOWS FROM OPERATING ACTIVITES			
Cash generated from operations	8	502,592	(271,489)
Finance costs paid		(216,659)	(147,637)
Income tax paid		(41,015)	(201,475)
Retirement benefits paid		(41,583)	(22,625)
Long-term loans (net)		531	(167)
Long-term deposits (net)		-	999
Net Cash generated from / (used in) from operating activities		203,866	(642,394)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(253,089)	(352,535)
Sale proceeds from disposal of operating fixed assets		9,368	16,342
Net cash used in investing activities		(243,721)	(336,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liability against asset subject to a finance lease		-	(2,453)
Repayment of long-term financing		-	(125,000)
Short-term loan obtained		200,000	400,000
Long-term financing obtained		-	500,000
Dividends paid		(96,080)	(119,972)
Net cash used in financing activities		103,920	652,575
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		64,065	(326,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		(1,558,937)	(1,413,496)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9	(1,494,872)	(1,739,508)

The annexed notes 1 to 12 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Ayub Ahmed Siddiqui
Chief Executive

Karachi: October 28, 2014.

Condensed Interim Statement of Changes in Equity

For the nine months ended September 30, 2014 (Un-audited)

	Capital Reserves				Revenue Reserves		
	Issued, subscribed and paid-up share capital	Long term liabilities forgone	Difference of share capital under scheme of arrangement for amalgamation	Other	General reserve	Unappropriated profit	Total
	Rupees in '000						
Balance as at January 1, 2013	96,448	5,935	18,000	105,332	1,285,538	504,128	2,015,381
Employee benefits cost under IFRS - 2 "Share based payment"	-	-	-	26,883	-	-	26,883
Final dividend @ Rs. 12.50/- per ordinary share for the year endend December 31, 2012	-	-	-	-	-	(120,560)	(120,560)
Transfer to general reserve	-	-	-	-	250,000	(250,000)	-
Net profit for the period	-	-	-	-	-	132,800	132,800
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	132,800	132,800
Balance as at September 30, 2013	96,448	5,935	18,000	132,215	1,535,538	266,368	2,054,504
Balance as at January 1, 2014	96,448	5,935	18,000	129,403	1,535,538	441,289	2,226,613
Employee benefit cost under IFRS 2 - "Share based Payment"	-	-	-	28,047	-	-	28,047
Final dividend @ Rs. 10/- per ordinary share for the year endend December 31, 2013	-	-	-	-	-	(96,448)	(96,448)
Transfer to general reserve	-	-	-	-	200,000	(200,000)	-
Net profit for the period	-	-	-	-	-	96,852	96,852
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	96,852	96,852
Balance as at September 30, 2014	96,448	5,935	18,000	157,450	1,735,538	241,693	2,255,064

The annexed notes 1 to 12 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Ayub Ahmed Siddiqui
Chief Executive

Karachi: October 28, 2014.

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2014 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1967 under the Companies Act, VII of 1913 (now the Companies Ordinance, 1984), as a Public Limited Company. The shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges. It is currently engaged in the manufacturing and selling of pharmaceutical and consumer products.

The registered office of the Company is located at Plot 23, Sector 22, Korangi Industrial Area, Karachi.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) – 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These are required to be presented to the shareholders under section 245 of the Companies Ordinance, 1984.

2.2 These condensed interim financial statements are unaudited and 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, 2013.

3. ACCOUNTING POLICIES

3.1 SIGNIFICANT ACCOUNTING POLICIES

The 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 financial statements for the year ended December 31, 2013, except as follows:

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the period:

- IAS 32 – Financial Instruments: Presentation - (Amendment) - Offsetting Financial Assets and Financial Liabilities.
- IAS 36 – Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets.
- IAS 39 – Financial Instruments: Recognition and Measurement - (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting.
- IFRIC 21 – Levies.
- IFAS 3 – Profit and Loss Sharing on Deposits.

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

3.2 CHANGE IN ACCOUNTING POLICY

During the year the Company has revised accounting estimate relating to residual value for motor vehicles with effect from 1st January, 2014. The revisions were accounted for prospectively as a change in accounting estimate.

Had the estimate not been revised, the depriciation charge for the period would have been higher by Rs. 20.362 million and the carrying value of the fixed asstes and profit before tax would have been lower by the same amount.

		September 30, 2014	December 31, 2013
		.....Rupees in `000.....	
		(Un-audited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,697,299	1,483,551
Capital work-in-progress		212,693	361,557
		1,909,992	1,845,108

4.1 Operating fixed assets

Following were the additions and disposals of operating fixed assets during the current period:

	Additions	Disposals	
		Cost	Accumulated Depreciation
	..... Rupees in `000		
Building	20,462	-	-
Plant and machinery	255,266	8,212	8,212
Furniture and fixtures	5,009	-	-
Factory and office equipment	74,451	6,019	5,997
Motor vehicles - owned	46,765	28,436	24,459
	401,953	42,667	38,668

5. CONTINGENCIES AND COMMITMENTS

Contingencies

5.1 There is no change in the status of contingencies as defined in note 20 to the annual audited financial statements of the Company for the year ended December 31, 2013.

Commitments

5.2 Commitments in respect of capital expenditure contracted for amounted to Rs. 158.879 million (December 31, 2013: Rs. 80.230 million) as at September 30, 2014.

5.3 Post dated cheques aggregating to Rs. 21.980 million (December 31, 2013: Rs. 20.613 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.

	September 30, 2014	December 31, 2013
	..... Rupees in `000	
	(Un-audited)	(Audited)
5.4 Outstanding letters of credit	244,464	53,425
5.5 Outstanding bank contracts	517,700	197,307

6. DISTRIBUTION AND MARKETING EXPENSES

Distribution & marketing expenses mainly includes:

	September 30, 2014	September 30, 2013
	..... Rupees in `000	
Staff costs	529,116	432,765
Travelling and conveyance expenses	234,148	160,797
Advertising, samples and sales promotion expenses	346,778	325,923

7. OTHER INCOME

Includes net exchange gain amounting to Rs. 98.042 million [September 30, 2013: net exchange loss (Rs. 136.749)] million.

8. CASH GENERATED FROM OPERATIONS

	Note	September 30, 2014	September 30, 2013
		..... Rupees in `000	
Profit before taxation		224,482	249,918
Adjustment for non-cash charges and other items:			
Depreciation / amortization		184,296	181,772
Fixed assets written off		-	7
Gain on disposal of operating fixed assets		(5,369)	(13,896)
Expenses arising from equity settled share based payment plans		28,047	26,883
Retirement benefits		40,044	31,612
Finance costs		210,082	159,663
Working capital changes	8.1	(178,990)	(907,448)
		502,592	(271,489)

	September 30, 2014	September 30, 2013
	.....Rupees in `000.....	
8.1 Working capital changes		
Increase in current assets:		
Stores and spares	1,098	(457)
Stock-in-trade	(333,791)	(177,310)
Trade debts	(346,848)	(357,187)
Short-term loans and advances	(29,693)	(27,853)
Trade deposits and short-term prepayments	(99,330)	(63,614)
Other receivables - net	323,504	6,117
	(485,060)	(620,304)
Increase /(decrease) in current liabilities:		
Trade and other payables - net (excluding unclaimed dividend)	306,070	(287,144)
	(178,990)	(907,448)

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:		
Cash and bank balance	16,635	23,555
Running finance utilized under mark-up arrangements	(1,511,507)	(1,763,063)
	(1,494,872)	(1,739,508)

10. 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:

	September 30, 2014					September 30, 2013				
	Group companies	Associated undertaking by virtue of common directorship	Retirement benefits plans	Key management personnel	Total	Group companies	Associated undertaking by virtue of common directorship	Retirement benefits plans	Key management personnel	Total
	.....Rupees in `000.....					.....Rupees in `000.....				
i) Gross Sales	29,464	-	-	-	29,464	35,002	-	-	-	35,002
ii) Purchase of goods	2,995,516	670	-	-	2,996,186	2,411,387	1,373	-	-	2,412,760
iii) Purchase of services	-	11,762	-	-	11,762	-	11,230	-	-	11,230
iv) Contribution paid										
- Provident fund	-	-	30,451	-	30,451	-	-	25,502	-	25,502
- Gratuity fund	-	-	6,582	-	6,582	-	-	3,918	-	3,918
- Pension fund	-	-	35,000	-	35,000	-	-	18,707	-	18,707
v) Remuneration of key - management personnel	-	-	-	106,536	106,536	-	-	-	91,330	91,330

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. 4.307 (September 30, 2013: Rs. 4.380) million and Rs. 23.740 (September 30, 2013: Rs. 22.503) million, respectively.

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 28, 2014 by the Board of Directors of the Company.

12. 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

Ayub Ahmed Siddiqui
Chief Executive

Karachi: October 28, 2014.