

PROFIT WARNING

This announcement is made by Cipla Quality Chemical Industries Limited (the "Company") pursuant to Rules 38 and 40 of the Uganda Securities Exchange Listing Rules.

The Board of Directors (the "Board") wish to inform the shareholders of the Company and potential investors that it is expected that the Company will record a loss for the year as compared to a profit in the previous Financial Year ended 31st March 2019.

This announcement is based on the unaudited financial results of the Company for the year ending 31 March 2020.

The reduction in profit is mainly due to:

1. Delays in collection of receivables from the Republic of Zambia.

IFRS 9 rules require recognition of additional Expected Credit Losses (the "ECL") in the financial statements for the year ending 31 March 2020.

Furthermore, the finance costs increased due to increased borrowings to cover the working capital gap.

2. Revenue reduced after suspension of sales to this customer. The impact of this was partly offset by increased sales to international donor organisations.

3. Change in product mix in the orders received affected the gross margins as a result of the change referred to in point 2 above.

4. Increased competition in some of the product ranges, which in turn, increased pressure on pricing in order to remain competitive.

The Board, with the help of the Government of Uganda, has engaged the Government of Zambia to expedite the settlement of the outstanding balance. Any funds collected from this engagement will result in a reversal of the ECL to that extent.

The Company has continued with normal operations during the current COVID 19 pandemic and will endeavour to increase deliveries of life saving medicines should the need arise.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Further details of the Company annual financial performance will be disclosed in the Company's audited financial statements to be published and circulated to shareholders.

By order of the Board,
CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED



Doreen Pachuto Awanga
COMPANY SECRETARY