

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 31 March 2013	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2013	2012	2013	2012
Revenue	500,339	446,745	500,339	446,745
Cost of sales	(412,834)	(359,951)	(412,834)	(359,951)
Gross profit	87,505	86,794	87,505	86,794
Other income	876	590	876	590
Operating expenses	(47,674)	(41,206)	(47,674)	(41,206)
Finance cost	(4,019)	(3,356)	(4,019)	(3,356)
Interest income	236	133	236	133
Profit before taxation	36,924	42,955	36,924	42,955
Taxation	(11,771)	(13,894)	(11,771)	(13,894)
Profit for the period	25,153	29,061	25,153	29,061
Profit for the period attributable to:				
Owners of the parent	24,771	28,685	24,771	28,685
Non-controlling interest	382	376	382	376
Profit for the period	25,153	29,061	25,153	29,061
Earnings per share - sen				
Basic	21.05	24.38	21.05	24.38

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)**

For the quarter ended 31 March 2013	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2013	2012	2013	2012
Profit for the period	25,153	29,061	25,153	29,061
<u>Other comprehensive income/(loss), net of tax</u>				
Foreign currency translation difference in respect of foreign operations	43	(1,199)	43	(1,199)
	43	(1,199)	43	(1,199)
Total comprehensive income for the period	25,196	27,862	25,196	27,862
Attributable to:				
Owners of the parent	24,795	29,652	24,795	29,652
Non-controlling interest	401	(1,790)	401	(1,790)
Total comprehensive income for the period	25,196	27,862	25,196	27,862

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2013	As at 31 December 2012
(All figures are stated in RM'000)		
ASSETS		
Non-current assets		
Property, plant and equipment	335,894	339,660
Prepaid lease payments	1,113	1,126
Investment in an Associate	19	19
Intangible assets	142,113	149,523
Deferred tax assets	6,467	9,137
	<u>485,606</u>	<u>499,465</u>
Current assets		
Inventories	398,832	464,855
Receivables	244,401	218,289
Tax recoverable	2,941	5,664
Deposits, cash and bank balances	22,359	34,553
	<u>668,533</u>	<u>723,361</u>
TOTAL ASSETS	<u>1,154,139</u>	<u>1,222,826</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	117,674	117,674
Share premium	11,751	11,751
Foreign currency translation reserve	(1,034)	(1,058)
Retained earnings	356,655	343,651
Shareholders' equity	<u>485,046</u>	<u>472,018</u>
Non-controlling interest	16,236	15,835
Total equity	<u>501,282</u>	<u>487,853</u>
Non-current liabilities		
Loans and borrowings	454	72
Deferred tax liabilities	2,306	5,137
Provision for defined benefit plan	6,316	6,036
	<u>9,076</u>	<u>11,245</u>
Current liabilities		
Payables	316,500	380,111
Amount due to immediate holding company	29	179
Current tax liabilities	1,069	2,461
Loans and borrowings	326,183	340,977
	<u>643,781</u>	<u>723,728</u>
Total liabilities	<u>652,857</u>	<u>734,973</u>
TOTAL EQUITY AND LIABILITIES	<u>1,154,139</u>	<u>1,222,826</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company							
For the financial period ended 31 March 2013	Share Capital	* Share Premium	* Foreign Currency Translation Reserve	Retained Earnings	Total	Non- controlling Interest	Total Equity
(All figures are stated in RM'000)							
At 1 January 2013	117,674	11,751	(1,058)	343,651	472,018	15,835	487,853
Total comprehensive income for the year	-	-	24	24,771	24,795	401	25,196
Transaction with owners							
Dividends	-	-	-	(11,767)	(11,767)	-	(11,767)
At 31 March 2013	<u>117,674</u>	<u>11,751</u>	<u>(1,034)</u>	<u>356,655</u>	<u>485,046</u>	<u>16,236</u>	<u>501,282</u>
At 1 January 2012 (restated)	106,978	22,447	1,897	334,710	466,032	15,645	481,677
Total comprehensive (loss)/income for the year	-	-	(2,918)	32,570	29,652	(1,790)	27,862
Transaction with owners							
Bonus issue	10,696	(10,696)	-	-	-	-	-
Dividends	-	-	-	(24,712)	(24,712)	-	(24,712)
At 31 March 2012	<u>117,674</u>	<u>11,751</u>	<u>(1,021)</u>	<u>342,568</u>	<u>470,972</u>	<u>13,855</u>	<u>484,827</u>

* Denotes non distributable reserves

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****For the quarter ended 31 March 2013**

(All figures are stated in RM'000)	2013	2012
Operating Activities		
Cash receipts from customers	482,884	432,490
Cash payments to suppliers and employees	(425,395)	(426,409)
Net cash generated from operations	57,489	6,081
Interest paid	(4,911)	(1,602)
Tax paid	(10,984)	(8,400)
Interest received	231	120
Net cash generated from/(used in) operating activities	41,825	(3,801)
Investing Activities		
Settlement on acquisition of a subsidiary	-	(48,868)
Settlement on novation consideration (Note B22)	(21,083)	-
Purchase of property, plant and equipment	(5,820)	(4,159)
Purchase of intangible assets	(968)	-
Proceeds from disposal of property, plant and equipment	49	26
Net cash used in investing activities	(27,822)	(53,001)
Financing Activities		
Dividend paid	(11,767)	(31,933)
Net (repayment)/drawdown of borrowings	(14,412)	109,440
Net cash (used in)/generated from financing activities	(26,179)	77,507
Net (decrease)/increase in cash and cash equivalents	(12,176)	20,705
Effects of exchange rate changes	(18)	231
Cash and cash equivalent at beginning of period	34,553	55,075
Cash and cash equivalent at end of period	22,359	76,011
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	22,359	76,011

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")**A1. Basis of Preparation**

These unaudited condensed consolidated interim financial statements for the period ended 31 March 2013 have been prepared in accordance with MFRS134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This condensed consolidated interim financial statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs which are applicable for the Group's financial period beginning 1 January 2013.

A2.1 Adoption of MFRSs and Amendments to MFRSs

On 1 January 2013, the Group adopted the following MFRSs and Amendments to MFRSs:-

MFRS 101	Presentation of items of other comprehensive income
Amendments to MFRS 7	Disclosures - Offsetting financial assets and financial liabilities
MFRS 3	Business Combinations
MFRS 10	Consolidated financial statements
MFRS 11	Joint arrangements
MFRS 12	Disclosures on interests in other entities
MFRS 13	Fair value measurements
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 127	Separate financial statements
MFRS 128	Investments in associates and joint ventures
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting

Adoption of the above MFRSs and Amendments to FRSs did not have any material effect on the financial performance, position or presentation of financials of the Group.

A2.2 MFRSs and Amendments to MFRSs issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS and Amendments to MFRSs		Effective for annual period beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
Amendments to MFRS 132	Offsetting financial assets and financial liabilities	1 January 2014
MFRS 9	Financial instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

A3. Audit report in respect of the 2012 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2012 was not qualified.

A4. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A5. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the period under review.

A6. Change in Estimates

There were no material changes in estimates of amounts reported in the current financial period or the previous financial year.

A7. Debt and equity securities

There were no other issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

A8. Dividends

On 27 March 2013, the Company paid a fourth interim single tier dividend of 10 sen (2011: 30 sen) per share in respect of the financial year ended 31 December 2012 amounting to RM11.8 million (2011: RM31.9 million).

For the first quarter, the Directors have declared a first interim single tier dividend of 7.5 sen (2012: 7.5 sen) per share in respect of the year ending 31 December 2013. The dividend will be paid on 28 June 2013 to shareholders registered in the Register of Members at the close of business on 3 June 2013.

A9. Operating segments

Operating segment information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Eliminations	Total
2013				
Revenue				
External revenue	500,105	234	-	500,339
Inter-segment revenue	1,339	66,532	(67,871)	-
Total revenue	<u>501,444</u>	<u>66,766</u>	<u>(67,871)</u>	<u>500,339</u>
Results				
Segment results	15,491	6,772	18,444	40,707
Finance costs	(3,964)	(889)	834	(4,019)
Interest income	1,067	3	(834)	236
Profit before taxation	<u>12,594</u>	<u>5,886</u>	<u>18,444</u>	<u>36,924</u>
Taxation				(11,771)
Profit for the period				<u>25,153</u>
2012				
Revenue				
External revenue	446,723	22	-	446,745
Inter-segment revenue	725	81,485	(82,210)	-
Total revenue	<u>447,448</u>	<u>81,507</u>	<u>(82,210)</u>	<u>446,745</u>
Results				
Segment results	33,710	17,789	(5,321)	46,178
Finance costs	(3,209)	(870)	723	(3,356)
Interest income	842	14	(723)	133
Profit before taxation	<u>31,343</u>	<u>16,933</u>	<u>(5,321)</u>	<u>42,955</u>
Taxation				(13,894)
Profit for the period				<u>29,061</u>

A10. Carrying Amount of Revalued Assets

There has been no revaluation of property, plant and equipment during the current financial period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A11. Subsequent Event**

There was no subsequent event as at 15 May 2013 that will materially affect the financial statements of the financial period under review.

A12. Changes in the Composition of the Group

There was no change in the composition of the Group for the current financial period ended 31 March 2013.

A13. Contingent Liabilities

No contingent liability has arisen since the financial period end.

A14. Commitments

The Group has the following commitments as at 31 March 2013:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	12,652	9,261	21,913
Acquisition of a subsidiary	-	63,000	63,000
	<u>12,652</u>	<u>72,261</u>	<u>84,913</u>

A15. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for year ended 31 December 2012.

A16. Intangible Assets

RM'000	Goodwill	Software	Right to supply	Total
Cost				
At 1 January 2013	89,825	4,054	89,776	183,655
Additions	-	-	968	968
Foreign exchange adjustments	-	15	-	15
At 31 March 2013	<u>89,825</u>	<u>4,069</u>	<u>90,744</u>	<u>184,638</u>
Accumulated amortisation				
At 1 January 2013	-	1,507	24,972	26,479
Amortisation charged	-	147	8,241	8,388
Foreign exchange adjustments	-	5	-	5
At 31 March 2013	<u>-</u>	<u>1,659</u>	<u>33,213</u>	<u>34,872</u>
Accumulated impairment				
At 1 January 2012/31 March 2013	<u>7,653</u>	-	-	<u>7,653</u>
Net carrying value				
At 31 March 2013	<u>82,172</u>	<u>2,410</u>	<u>57,531</u>	<u>142,113</u>
At 31 December 2012	<u>82,172</u>	<u>2,547</u>	<u>64,804</u>	<u>149,523</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B17. Performance Review***1st Quarter 2013 versus 1st Quarter 2012*

The Group's revenue in the current quarter was RM500.3 million, higher than the corresponding quarter last year by 12.0% due to increased demand from both government and private sector.

The current quarter profit before tax of RM36.9 million was below the corresponding quarter last year of RM43.0 million due to provision for doubtful debts and lower gross profit margin as a result of higher direct overheads.

The **Logistics and Distribution Division** posted a lower profit before tax of RM12.6 million compared with corresponding quarter last year's RM31.3 million mainly due to higher direct overheads.

The **Manufacturing Division's** profit before tax of RM24.3 million outperformed against the corresponding quarter last year of RM11.6 million mainly due to successful cessation of outsourced manufacturing and shift to in-house production.

B18. Comparison Between the Current Quarter and the Immediate Preceding Quarter

The Group's revenue in the current quarter was RM500.3 million, marginally higher than the preceding quarter by 3.7% due to increased demand from government hospitals.

The **Logistics and Distribution Division** revenue was marginally higher compared with the preceding quarter as a result of higher sales volume for both government and private sector. This has contributed to the Division's higher profit before tax in the current quarter.

The **Manufacturing Division's** current quarter profit before tax of RM24.3 million is significantly higher than the RM2.3 million in the preceding quarter mainly due to increased demand from government hospitals.

B19. Prospects

Moving forward, the Group will continue to grow its private sector market to enhance the revenue stream. However, intense competition for generic pharmaceuticals in this sector is expected to continue. On the international front, the Group remains committed to expand its overseas business which is on track. It is anticipated that the Group's strategic manufacturing plans will contribute positively to the Group's long term revenue.

The Group is committed to maintain its earnings momentum to record satisfactory performance in 2013 as well as upholding strong corporate governance.

B20. Notes on variance in actual profit and shortfall in profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and shortfall in profit guarantee are not applicable.

B21. Income Tax

For the quarter ended 31 March 2013	Current Period		Cumulative Period	
RM'000	2013	2012	2013	2012
Taxation based on profit for the period:				
- Current	9,965	12,574	9,965	12,574
- Deferred	4,059	1,320	4,059	1,320
	14,024	13,894	14,024	13,894
Overprovision of prior years	(2,253)	-	(2,253)	-
	11,771	13,894	11,771	13,894

The Group's effective tax rate for the financial period is higher than the statutory tax rate of 25% principally due to certain expenses which were not deductible for tax purposes.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B22. Corporate Proposals****a) Novation Agreement between Pharmaniaga Logistics Sdn Bhd ("PLSB") and Idaman Pharma Manufacturing Sdn Bhd ("IPMSB") with Idaman Pharma Sdn Bhd ("IPSB")**

On 23 March 2012, the Novation Agreement become unconditional and the novation of the PLSB-IPSB Supply Agreement by IPSB to IPMSB became effective on the same date. In accordance with the Novation Agreement, the Novation Consideration of RM51.083 million was settled in two separate payments with RM30.0 million on 18 April 2012 and the balance of RM21.083 million in March 2013.

b) Proposed Share Split and Bonus Issue

On 18 February 2013, the Company announced the Proposed Share Split and Bonus Issue involving the subdivision of every one existing ordinary share of RM1.00 each into two ordinary shares of RM0.50 each ("Subdivided shares") and bonus issue of new ordinary shares on the basis of one bonus share for every 10 Subdivided shares held.

Following the approval obtained on the Extraordinary General Meeting held on 3 April 2013, the listing of and quotation for the Subdivided Shares and Bonus Shares is expected to take place by June 2013. The financial effects will only be accounted for in the consolidated statement of equity for the second quarter ended 30 June 2013.

c) Proposed acquisition of a subsidiary

On 2 April 2013, the Company has announced that a Memorandum of Understanding has been entered between Pharmaniaga Berhad and Glenn Rahyu Adli Ariff and Sutjipto Tjengudororo and Hendrijanto Surjosuseno in relation to the proposed acquisition of 40,000 ordinary share in PT Errita Pharma ("PTEP") representing the entire issued and paid up share capital of PTEP.

B23. Borrowings and Debt Securities - Unsecured

	31 March 2013 RM'000	31 December 2012 RM'000
Current:		
Bankers' acceptances	114,473	149,518
Revolving credits	175,200	155,000
Short term foreign time loan	36,354	36,393
Hire purchase	156	66
	326,183	340,977
Non-current:		
Hire purchase	454	72

Short term foreign time loan of RM36.4 million (2012: RM36.4 million) is denominated in Indonesian Rupiah (IDR) and is equivalent to IDR114,321 million (2012: IDR114,804 million).

B24. Realised and Unrealised Profits of the Group

The retained profits as at 31 March 2013 is analysed as follows:

	31 March 2013 RM'000	31 December 2012 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	366,122	418,077
- unrealised profits	3,127	2,941
	369,249	421,018
Less: Consolidation adjustments	(12,594)	(77,367)
Total Group retained profits as per consolidated accounts	356,655	343,651

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B25. Additional Disclosures**

For the quarter ended 31 March 2013	Current Period		Cumulative Period	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Depreciation and amortisation	13,674	8,125	13,674	8,125
Provision for and write off of receivables	8,014	7,286	8,014	7,286
Provision for and write off of inventories	169	1,066	169	1,066
Foreign exchange gain	(5)	(386)	(5)	(386)

Other than the items mentioned above which have been included in the statement of comprehensive income, there were no impairment of assets, gain or loss on derivatives, gain or loss on disposal of subsidiaries and exceptional items included in the results for the current quarter ended 31 March 2013.

B26. Economic Profit ("EP") Statement

For the quarter ended 31 March 2013	Cumulative Period	
	2013 RM'000	2012 RM'000
Economic profit	9,443	19,922

B27. Profit Forecast

No commentary is made on any variance between actual profit from forecast profit, as it does not apply to the Group.

B28. Earnings Per Share ("EPS")

For the quarter ended 31 March 2013	Current Period		Cumulative Period	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit attributable to shareholders of the Company	24,771	28,685	24,771	28,685
Weighted average number of ordinary shares in issue ('000)	117,674	117,674	117,674	117,674
Basic earnings per share (sen)	21.05	24.38	21.05	24.38

B29. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 May 2013.

By Order of the Board

Kuala Lumpur
15 May 2013

SHARIFAH MALEK (LS00448)
NOR AZRINA ZAKARIA (LS0009161)