

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 September 2013	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2013	2012	2013	2012
Revenue	440,807	426,460	1,378,779	1,329,942
Cost of sales	(376,263)	(349,161)	(1,166,043)	(1,094,105)
Gross profit	64,544	77,299	212,736	235,837
Other income	(189)	21	1,016	1,590
Operating expenses	(47,625)	(45,325)	(143,626)	(128,503)
Finance cost	(3,500)	(3,580)	(10,908)	(10,251)
Interest income	231	78	772	393
Profit before taxation	13,461	28,493	59,990	99,066
Taxation	(9,291)	(2,957)	(24,496)	(28,392)
Profit for the period	4,170	25,536	35,494	70,674
Profit for the period attributable to:				
Owners of the parent	3,751	25,247	34,387	69,645
Non-controlling interest	419	289	1,107	1,029
Profit for the period	4,170	25,536	35,494	70,674
Earnings per share - sen				
Basic	1.45	9.75*	13.28	26.90*

* The weighted average number of ordinary shares in issue for the purpose of the computation of the earnings per share had been adjusted retrospectively to reflect the Company's share split and bonus issue which were completed on 5 June 2013 as referred to in Note A7.

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 30 September 2013	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2013	2012	2013	2012
Profit for the period	4,170	25,536	35,494	70,674
<u>Other comprehensive income, net of tax</u>				
Foreign currency translation difference in respect of foreign operations	(4,592)	(1,618)	(4,328)	(2,615)
	(4,592)	(1,618)	(4,328)	(2,615)
Total comprehensive (loss)/income for the period	(422)	23,918	31,166	68,059
Attributable to:				
Owners of the parent	1,225	24,357	32,007	69,833
Non-controlling interest	(1,647)	(439)	(841)	(1,774)
Total comprehensive (loss)/income for the period	(422)	23,918	31,166	68,059

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 30 September 2013	As at 31 December 2012
(All figures are stated in RM'000)		
ASSETS		
Non-current assets		
Property, plant and equipment	345,877	339,660
Prepaid lease payments	1,088	1,126
Investment in an Associate	19	19
Intangible assets	135,005	149,523
Deferred tax assets	7,732	9,137
	<u>489,721</u>	<u>499,465</u>
Current assets		
Inventories	382,761	464,855
Receivables	227,390	218,289
Tax recoverable	14,164	5,664
Deposits, cash and bank balances	16,575	34,553
	<u>640,890</u>	<u>723,361</u>
TOTAL ASSETS	<u>1,130,611</u>	<u>1,222,826</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	129,441	117,674
Reserves	345,163	354,344
Shareholders' equity	<u>474,604</u>	<u>472,018</u>
Non-controlling interest	15,193	15,835
Total equity	<u>489,797</u>	<u>487,853</u>
Non-current liabilities		
Loans and borrowings	350	72
Deferred tax liabilities	9,794	5,137
Provision for defined benefit plan	6,200	6,036
	<u>16,344</u>	<u>11,245</u>
Current liabilities		
Payables	318,027	380,111
Amount due to immediate holding company	476	179
Current tax liabilities	1,940	2,461
Loans and borrowings	304,027	340,977
	<u>624,470</u>	<u>723,728</u>
Total liabilities	<u>640,814</u>	<u>734,973</u>
TOTAL EQUITY AND LIABILITIES	<u>1,130,611</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

For the financial period ended 30 September 2013	Attributable to shareholders of the Company						Non- controlling Interest	Total Equity
	Share Capital	* Share Premium	* Foreign Currency Translation Reserve	Retained Earnings	Total			
(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	-	-	(2,380)	34,387	32,007	(642)	31,365	
Transaction with owners								
Bonus issue	11,767	-	-	(11,767)	-	-	-	
Dividends	-	-	-	(29,421)	(29,421)	-	(29,421)	
At 30 September 2013	<u>129,441</u>	<u>11,751</u>	<u>(3,438)</u>	<u>336,850</u>	<u>474,604</u>	<u>15,193</u>	<u>489,797</u>	
At 1 January 2012 (restated)	106,978	22,447	1,897	334,710	466,032	15,645	481,677	
Total comprehensive income for the year	-	-	188	69,645	69,833	(1,774)	68,059	
Transaction with owners								
Bonus issue	10,696	(10,696)	-	-	-	-	-	
Dividends	-	-	-	(42,364)	(42,364)	-	(42,364)	
At 30 September 2012	<u>117,674</u>	<u>11,751</u>	<u>2,085</u>	<u>361,991</u>	<u>493,501</u>	<u>13,871</u>	<u>507,372</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 30 September 2013

(All figures are stated in RM'000)	2013	2012
Operating Activities		
Cash receipts from customers	1,337,318	1,284,525
Cash payments to suppliers and employees	(1,197,616)	(1,299,715)
Net cash generated from/(used in) operations	139,702	(15,190)
Interest paid	(12,543)	(5,248)
Tax paid	(27,363)	(23,242)
Interest received	735	371
Net cash generated from/(used in) operating activities	100,531	(43,309)
Investing Activities		
Acquisition of subsidiaries (Note B22)	(4,504)	(48,868)
Settlement on novation consideration (Note B22)	(21,083)	(30,000)
Purchase of property, plant and equipment	(19,805)	(10,373)
Purchase of intangible assets	(11,653)	(19,808)
Proceeds from disposal of property, plant and equipment	213	34
Net cash used in investing activities	(56,832)	(109,015)
Financing Activities		
Dividend paid	(29,421)	(49,583)
Net (repayment)/drawdown of borrowings	(31,311)	185,312
Net cash (used in)/generated from financing activities	(60,732)	135,729
Net decrease in cash and cash equivalents	(17,033)	(16,595)
Effects of exchange rate changes	(945)	485
Cash and cash equivalent at beginning of period	34,553	55,075
Cash and cash equivalent at end of period	16,575	38,965
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	16,575	38,965

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 30 September 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
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount disclosure for Non-Financial Assets	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

On 5 June 2013, the Company completed the subdivision of every one existing ordinary share of RM1.00 each into two ordinary shares of RM0.50 each ("Subdivided shares") ("Share Split) and bonus issue of new ordinary shares on the basis of one bonus share for every 10 Subdivided shares held ("Bonus Issue").

Following the completion of the Share Split and Bonus Issue, the Company's issued and paid up share capital was increased from RM117.7 million to RM129.4 million by way of a bonus issue of 23,534,794 ordinary shares of RM0.50 each on the basis of 1 new share for every 10 existing shares held.

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 28 June 2013, the Company paid a first interim single tier dividend of 3.41 sen (2012: 3.41 sen) per share in respect of the financial year ending 31 December 2013 amounting to RM8.8 million (2012: RM8.8 million).

On 24 September 2013, the Company paid a second interim single tier dividend of 3.41 sen (2012: 3.41 sen) per share in respect of the financial year ending 31 December 2013 amounting to RM8.8 million (2012: RM8.8 million).

For the third quarter, the Directors have declared a third interim single tier dividend of 3.00 sen (2012: 4.55 sen) per share in respect of the year ending 31 December 2013. The dividend will be paid on 24 December 2013 to shareholders registered in the Register of Members at the close of business on 5 December 2013.

The number of ordinary shares in issue for the purpose of the computation of the dividend per share for the 2013 first interim single tier dividend and 2012 had been adjusted retrospectively to reflect the Company's Share Split and Bonus Issue which were completed on 5 June 2013 as referred to in Note A7.

A9. Operating segments

Operating segment information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Eliminations	Total
2013				
Revenue				
External revenue	1,378,324	455	-	1,378,779
Inter-segment revenue	2,339	225,876	(228,215)	-
Total revenue	<u>1,380,663</u>	<u>226,331</u>	<u>(228,215)</u>	<u>1,378,779</u>
Results				
Segment results	18,723	37,761	13,642	70,126
Finance costs	(10,763)	(2,080)	1,935	(10,908)
Interest income	2,701	6	(1,935)	772
Profit before taxation	<u>10,661</u>	<u>35,687</u>	<u>13,642</u>	<u>59,990</u>
Taxation				(24,496)
Profit for the period				<u>35,494</u>
2012				
Revenue				
External revenue	1,294,548	35,394	-	1,329,942
Inter-segment revenue	3,774	219,017	(222,791)	-
Total revenue	<u>1,298,322</u>	<u>254,411</u>	<u>(222,791)</u>	<u>1,329,942</u>
Results				
Segment results	65,260	66,224	(22,560)	108,924
Finance costs	(10,048)	(3,193)	2,990	(10,251)
Interest income	3,369	14	(2,990)	393
Profit before taxation	<u>58,581</u>	<u>63,045</u>	<u>(22,560)</u>	<u>99,066</u>
Taxation				(28,392)
Profit for the period				<u>70,674</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A10. Carrying Amount of Revalued Assets**

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

A11. Subsequent Event

There was no subsequent event as at 18 November 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 30 September 2013.

A13. Contingent Liabilities

No contingent liability has arisen since the financial period end.

A14. Commitments

The Group has the following commitments as at 30 September 2013:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	13,632	7,948	21,580
Acquisition of a subsidiary	-	58,275	58,275
	<u>13,632</u>	<u>66,223</u>	<u>79,855</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	-	-	11,653	11,653
Foreign exchange adjustments	-	(560)	-	(560)
At 30 September 2013	<u>89,825</u>	<u>3,494</u>	<u>101,429</u>	<u>194,748</u>
Accumulated amortisation				
At 1 January 2013	-	1,507	24,972	26,479
Amortisation charged	-	437	25,482	25,919
Foreign exchange adjustments	-	(308)	-	(308)
At 30 September 2013	<u>-</u>	<u>1,636</u>	<u>50,454</u>	<u>52,090</u>
Accumulated impairment				
At 1 January 2013/30 September 2013	<u>7,653</u>	-	-	<u>7,653</u>
Net carrying value				
At 30 September 2013	<u>82,172</u>	<u>1,858</u>	<u>50,975</u>	<u>135,005</u>
At 31 December 2012	<u>82,172</u>	<u>2,547</u>	<u>64,804</u>	<u>149,523</u>

B17. Performance Review

For the third quarter, the Group's unaudited revenue of RM440.8 million was 3.4% higher compared with RM426.5 million recorded in the corresponding period last year. However, the Group's profit before tax (PBT) of RM13.5 million for the quarter under review saw a reduction compared with RM28.5 million recorded in the previous year's corresponding quarter, on the back of lower gross profit and higher operating expenses.

Revenue for the nine-month period rose to RM1.38 billion, a 3.7% increase from RM1.33 billion for the same period in 2012. This improved revenue was attributable to stronger contributions from non-concession business, which included the private sector and Group's Indonesian operations.

Cumulatively, PBT for the period was RM60.0 million compared with RM99.1 million for the corresponding period last year. This was due to reduced orders from the concession business as a result of budget reviews by Government hospitals and higher provision for doubtful debts.

The **Logistics and Distribution Division** posted a lower PBT of RM10.7 million for the nine-month period, compared with RM58.6 million for last year's corresponding period. This was a result of lower contributions from the concession business and higher provision for doubtful debts.

The **Manufacturing Division** recorded an increased PBT of RM49.3 million for the first nine months compared with RM40.5 million in the previous year's corresponding period. This was attributable to the higher off-take for in-house products which led to increased production volumes.

B18. Material Changes in Quarterly Results Compared to The Results of the Immediate Preceding Quarter

The Group's revenue of RM440.8 million for the current quarter under review was marginally higher compared with RM437.6 million in the immediate preceding quarter. The Group registered an increased PBT of RM13.5 million for the quarter under review compared with RM9.6 million in the previous quarter, primarily due to improved revenue from the non-concession business.

The **Logistics & Distribution Division** registered a loss before taxation of RM3.4 million compared with a PBT of RM1.5 million in the immediate preceding quarter, as a result of higher overheads and provision for doubtful debts.

The **Manufacturing Division** recorded a higher PBT of RM16.9 million compared with RM8.1 million in the quarter under review, mainly attributable to higher off-take for in-house products.

B19. Prospects

In line with its long term growth strategy, the Group continues to pursue opportunities to expand to international markets. Towards this end, during the quarter under review, the Group was awarded European Union ("EU") certification for our small volume injectable manufacturing plant. As a result of this certification, the Group will eventually be able to accept contract manufacturing projects from multinational companies in the EU.

On the domestic front, the Group is cognisant that seasonal market forces may result in downward pressure on demand, which could have an impact on the Group's performance for the remainder of the year. In order to mitigate this, the Group will maintain prudent risk management practices and continuously build our core businesses by implementing market strategies to meet stakeholders' requirements and expectations.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B21. Income Tax**

For the quarter ended 30 September 2013	Current Period		Cumulative Period	
	2013	2012	2013	2012
RM'000				
Taxation based on profit for the period:				
- Current	8,683	(10,510)	23,775	31,585
- Deferred	2,228	13,467	4,594	(3,193)
	10,911	2,957	28,369	28,392
(Over)/underprovision of prior years:				
- Current	(7,340)	-	(5,412)	-
- Deferred	5,720	-	1,539	-
	(1,620)	-	(3,873)	-
	9,291	2,957	24,496	28,392

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.

B22. Corporate Proposals**a) 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 ("ERRITA") representing the entire issued and paid up share capital of ERRITA.

Further to the Company's announcement dated 2 April 2013, the Board of Directors of the Company has announced that Pharmaniaga International Corporation Sdn Bhd, a wholly-owned subsidiary of Pharmaniaga Berhad, and PT Dasar Teknologi had on 29 August 2013, entered a Binding Agreement ("BA") with Sutjipto Tjengudoro and Hendrijanto Surjosuseno to acquire the Sale Shares for a cash payment of USD18.0 million and cash payment of up to USD6.0 million representing the total liabilities of ERRITA.

In addition, Pharmaniaga has placed an Earnest Fee equivalent to USD1.35 million representing 75% of the First Tranche payment of USD1.8 million, in accordance with the terms and conditions set out in the BA.

b) Proposed joint venture

On 20 May 2013, the Company has announced that a joint venture agreement with Modern Healthcare Solutions Company Limited and Pharmaniaga Berhad to form and operate a joint venture limited liability company ("JV Company") in the Kingdom of Saudi Arabia. Upon incorporation of the JV Company, each Party will have a 50% equity interest in share capital of the JV Company.

B23. Borrowings and Debt Securities - Unsecured

	30 September 2013	31 December 2012
	RM'000	RM'000
Current:		
Bankers' acceptances	75,283	149,518
Revolving credits	185,000	155,000
Short term foreign time loan	43,572	36,393
Hire purchase	172	66
	304,027	340,977
Non-current:		
Hire purchase	350	72

Short term foreign time loan of RM43.6 million (2012: RM36.4 million) is denominated in Indonesian Rupiah (IDR) and is equivalent to IDR156,172 million (2012: IDR114,804 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B24. Realised and Unrealised Profits of the Group**

The retained profits as at 30 September 2013 is analysed as follows:

	30 September 2013 RM'000	31 December 2012 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	358,761	418,077
- unrealised profits	(5,500)	2,941
	353,261	421,018
Less: Consolidation adjustments	(16,411)	(77,367)
Total Group retained profits as per consolidated accounts	336,850	343,651

B25. Additional Disclosures

For the quarter ended 30 September 2013	Current Period		Cumulative Period	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Depreciation and amortisation	16,160	15,228	47,690	37,786
Provision for and write off of receivables	3,303	3,107	14,655	10,828
Provision for and write off of inventories	1,339	(569)	3,927	3,513
Foreign exchange loss	347	63	124	288

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 30 September 2013.

B26. Economic Profit ("EP") Statement

For the quarter ended 30 September 2013	Cumulative Period	
	2013 RM'000	2012 RM'000
Economic profit	(3,236)	34,649

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 30 September 2013	Current Period		Cumulative Period	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit attributable to shareholders of the Company	3,751	25,247	34,387	69,645
Weighted average number of ordinary shares in issue ('000)	258,883	258,883*	258,883	258,883*
Basic earnings per share (sen)	1.45	9.75	13.28	26.90

* The weighted average number of ordinary shares in issue for the purpose of the computation of the earnings per share as tabulated above had been adjusted retrospectively to reflect the Company's share split and bonus issue which were completed on 5 June 2013 as referred to in Note A7.

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 18 November 2013.

Kuala Lumpur
18 November 2013

By Order of the Board

SHARIFAH MALEK (LS00448)
NOR AZRINA ZAKARIA (LS0009161)