Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 30 September 2021	Current Period		Cumulative Period	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	**2,132,675**	624,804	**4,103,297**	2,090,488
Cost of sales	**(1,848,281)**	(557,338)	**(3,630,357)**	(1,848,223)
Gross profit	**284,394**	67,466	**472,940**	242,265
Other income	**92**	276	**631**	939
Operating expenses	**(175,249)**	(53,607)	**(297,116)**	(165,532)
Finance costs	**(11,606)**	(10,128)	**(25,428)**	(28,822)
Interest income	**588**	86	**960**	449
Profit before zakat and taxation	**98,219**	4,093	**151,987**	49,299
Zakat	**(10,600)**	(1,105)	**(11,800)**	(1,113)
Taxation	**(37,295)**	(1,694)	**(53,147)**	(14,870)
Profit for the financial period	**50,324**	1,294	**87,040**	33,316
Profit for the financial period attributable to:				
Owners of the parent	**49,835**	1,442	**86,675**	33,820
Non-controlling interests	**489**	(148)	**365**	(504)
Profit for the financial period	**50,324**	1,294	**87,040**	33,316
Earnings per share - sen				
- Basic	**3.81**	0.11 *	**6.62**	2.59 *
- Diluted	**3.81**	0.11 *	**6.62**	2.58 *

* For comparative purpose, the earnings per share for the quarter and cumulative period ended 30 September 2020 had been adjusted to reflect the bonus issue of 4 for every 1 existing ordinary share which was completed on 7 July 2021.

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

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 September 2021	Current Period		Cumulative Period	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the financial period	**50,324**	1,294	**87,040**	33,316
Other comprehensive income/(loss), net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gain/(loss) of foreign operations	**3,921**	(8,755)	**2,466**	(5,382)
Recognition of actuarial gain	**-**	-	**619**	-
	3,921	(8,755)	**3,085**	(5,382)
Total comprehensive income for the financial period	**54,245**	(7,461)	**90,125**	27,934
Attributable to:				
Owners of the parent	**53,022**	(6,028)	**88,911**	29,081
Non-controlling interests	**1,223**	(1,433)	**1,214**	(1,147)
Total comprehensive income for the financial period	**54,245**	(7,461)	**90,125**	27,934

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

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2021	As at 31 December 2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**368,361**	365,529
Intangible assets	**206,525**	205,037
Rights-of-use assets	**31,449**	32,942
Deferred tax assets	**55,683**	50,405
	662,018	653,913
Current assets		
Inventories	**1,135,896**	586,713
Receivables	**522,672**	287,932
Amount due from immediate holding company	**-**	7
Tax recoverable	**8,348**	10,896
Deposits, cash and bank balances	**53,776**	40,696
	1,720,692	926,244
TOTAL ASSETS	**2,382,710**	1,580,157
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**154,051**	153,339
Reserves	**237,789**	184,189
Shareholders' equity	**391,840**	337,528
Non-controlling interests	**20,927**	17,437
Total equity	**412,767**	354,965
Non-current liabilities		
Borrowings	**293,890**	337
Lease liabilities	**530**	590
Deferred tax liabilities	**26,039**	16,239
Provision for defined benefit plan	**9,151**	10,259
Government grants	**3,694**	3,948
	333,304	31,373
Current liabilities		
Payables	**1,072,010**	515,088
Amount due to immediate holding company	**18**	74
Current tax liabilities	**39,744**	926
Contract liabilities	**6,588**	6,567
Government grants	**341**	341
Borrowings	**516,676**	669,272
Lease liabilities	**1,262**	1,551
	1,636,639	1,193,819
Total liabilities	**1,969,943**	1,225,192
TOTAL EQUITY AND LIABILITIES	**2,382,710**	1,580,157

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

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						
	<---------- Non-distributable		---------->	Distributable		Non-	
For the period ended 30 September 2021	**Share Capital**	**Exchange Reserve**	**Share Reserve**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2021	**153,339**	**452**	**1,996**	**181,741**	**337,528**	**17,437**	**354,965**
- Net profit for the financial period	**-**	**-**	**-**	**86,675**	**86,675**	**365**	**87,040**
- Other comprehensive income	**-**	**1,781**	**-**	**455**	**2,236**	**849**	**3,085**
Total comprehensive income for the financial period	**-**	**1,781**	**-**	**87,130**	**88,911**	**1,214**	**90,125**
Transactions with owners							
Share options granted under Long Term Incentive Plan	**-**	**-**	**64**	**-**	**64**	**-**	**64**
Share options granted under Share Option Plan	**-**	**-**	**403**	**-**	**403**	**-**	**403**
Issuance of new shares - Long Term Incentive Plan	**712**	**-**	**(712)**	**-**	**-**	**-**	**-**
Forfeiture of shares options under Share Option Plan	**-**	**-**	**(1,331)**	**1,331**	**-**	**-**	**-**
Forfeiture of shares under Long Term Incentive Plan	**-**	**-**	**(17)**	**17**	**-**	**-**	**-**
Changes in ownership interests in subsidiaries	**-**	**-**	**-**	**(2,320)**	**(2,320)**	**2,320**	**-**
Dividends	**-**	**-**	**-**	**(32,746)**	**(32,746)**	**(44)**	**(32,790)**
Total transactions with owners for the financial period	**712**	**-**	**(1,593)**	**(33,718)**	**(34,599)**	**2,276**	**(32,323)**
At 30 September 2021	**154,051**	**2,233**	**403**	**235,153**	**391,840**	**20,927**	**412,767**
At 1 January 2020	151,879	3,289	7,191	175,492	337,851	19,075	356,926
- Net profit/(loss) for the financial period	-	-	-	33,820	33,820	(504)	33,316
- Other comprehensive loss	-	(4,739)	-	-	(4,739)	(643)	(5,382)
Total comprehensive (loss)/income for the financial period	-	(4,739)	-	33,820	29,081	(1,147)	27,934
Transactions with owners							
Share options granted under Share Option Plan	-	-	91	-	91	-	91
Shares granted under Long Term Incentive Plan	-	-	752	-	752	-	752
Issuance of new shares - Long Term Incentive Plan	1,460	-	(1,460)	-	-	-	-
Forfeiture of shares options/ shares granter under							
- Share Option Plan	-	-	(2,840)	2,840	-	-	-
- Long Term Incentive Plan	-	-	(294)	294	-	-	-
Dividends	-	-	-	(22,216)	(22,216)	(86)	(22,302)
Total transactions with owners for the financial period	1,460	-	(3,751)	(19,082)	(21,373)	(86)	(21,459)
At 30 September 2020	153,339	(1,450)	3,440	190,230	345,559	17,842	363,401

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 (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2021

	2021 RM'000	2020 RM'000
Operating Activities		
Cash receipts from customers	**4,070,653**	1,914,000
Cash payments to suppliers and employees	**(4,100,503)**	(2,022,638)
Net cash used in operations	**(29,850)**	(108,638)
Interest paid	**(23,938)**	(32,241)
Tax (paid)/refunded	**(6,824)**	7,559
Zakat paid	**(11,800)**	(913)
Interest received	**960**	85
Net cash used in operating activities	**(71,452)**	(134,148)
Investing Activities		
Purchase of property, plant and equipment	**(15,445)**	(7,437)
Purchase of intangible assets	**(1,016)**	(2,622)
Proceeds from disposal of property, plant and equipment	**58**	1
Increase in investment in deposits maturing more than three (3) months	**(352)**	-
Net cash used in investing activities	**(16,755)**	(10,058)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(32,746)**	(15,674)
- non-controlling interests of a subsidiary	**(44)**	(86)
Net drawdown of borrowings	**136,279**	169,624
Payment of lease liabilities	**(517)**	-
Net cash generated from financing activities	**102,972**	153,864
Net increase in cash and cash equivalents	**14,765**	9,658
Effects of exchange rate changes	**(2,037)**	(902)
Cash and cash equivalent at beginning of period	**35,862**	22,950
Cash and cash equivalent at end of period	**48,590**	31,706
Analysis of cash and cash equivalents:		
Cash and bank balances	**31,790**	31,706
Deposits with licensed banks	**21,986**	4,834
	53,776	36,540
Less: Deposits maturing more than three (3) months	**(5,186)**	(4,834)
	48,590	31,706

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these 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 2021 have been prepared in accordance with MFRS 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2020.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020, except for the adoption of the following new published standard and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2021.

A2.1 Standards and amendments to published standards that are effective

On 1 January 2021, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 16 "Leases" on ‘COVID-19 - Related Rent Concessions’.

The adoption of the above amendments to published standards did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

A2.2 Amendments that have been issued but not yet effective

i) Amendments to MFRS116 "Leases" on COVID-19 - Related Rent Concessions beyond 30 September 2021 (effective 1 April 2021).

ii) Annual Improvements to MFRS 9 "Financial Instruments" on ‘Fees in the 10% test for derecognition of financial liabilities’ (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

iii) Amendments to MFRS 3 "Business Combinations" on ‘Reference to Conceptual Framework’ (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 ‘Provisions, contingent liabilities and contingent assets’ and IC Interpretation 21 ‘Levies’ when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

iv) Amendments to MFRS 116 "Property, Plant and Equipment" on ‘Proceeds before intended use’ (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

v) Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" on ‘Onerous contracts—cost of fulfilling a contract’ (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

vi) Amendments to MFRS 101 "Presentation of Financial Statements" on ‘Classification of liabilities as current or non-current’ (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

The amendments shall be applied retrospectively.

vii) Amendments to MFRS 112 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).

A2. Significant Accounting Policies (Cont'd)

A2.2 Amendments that have been issued but not yet effective (Cont'd)

viii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between Investor and its Associate or Joint Venture (the effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board).

ix) Amendments to MFRS 101 and MFRS Practice Statement 2 (effective for annual period beginning on or after 1 January 2023). The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

x) Amendments to MFRS 108 (effective for annual period beginning on or after 1 January 2023). The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

The Group is assessing the impact of the above amendments to published standards on the financial statements of the Group in the year of initial adoption.

A3. Audit report in respect of the 2020 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2020 was unqualified.

A4. Seasonal or cyclical factors

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

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.

A7. Debt and equity securities

The Group did not undertake any 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 other than:

a) The issuance of 286,000 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 8 June 2021. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

b) The bonus issue of up to 1,047,966,928 new ordinary shares in the Company on the basis of 4 Bonus Shares for every 1 existing ordinary share in the Company. The bonus issue was completed on 7 July 2021.

A8. Dividends

On 22 April 2021, the Company paid a fourth interim dividend of 0.2 sen* (2019: Nil) per share in respect of the financial year ended 31 December 2020 amounting to RM2.6 million (2019: Nil).

On 6 July 2021, the Company paid a first interim dividend of 0.8 sen* (2020: 1.2 sen*) per share in respect of the financial year ending 31 December 2021 amounting to RM10.4 million (2020: RM15.7 million).

On 30 September 2021, the Company paid a second interim dividend of 1.5 sen (2020: 0.5 sen*) per share in respect of the financial year ending 31 December 2021 amounting to RM19.6 million (2020: RM6.5 million).

For the third quarter, the Directors have declared a third interim dividend of 2.0 sen (2020: 0.3 sen*) per share in respect of the financial year ending 31 December 2021. The dividend will be paid on 29 December 2021 to shareholders registered in the Register of Members at the close of business on 7 December 2021.

* The number of ordinary shares in issue for the purpose of the computation of the dividend per share had been adjusted retrospectively to reflect the Company's Bonus Issue which were completed on 7 July 2021 as referred to in Note B22.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2021						
Revenue						
External revenue	1,814,104	1,613,004	676,189	-	-	4,103,297
Inter-segment revenue	-	164,732	-	-	(164,732)	-
Total revenue	1,814,104	1,777,736	676,189	-	(164,732)	4,103,297
Results						
Earnings before interest, taxation, depreciation and amortisation	44,334	144,688	16,988	(4,627)	-	201,383
Depreciation and amortisation	(5,696)	(13,619)	(5,613)	-	-	(24,928)
Finance costs	(9,192)	(9,340)	(10,134)	-	3,238	(25,428)
Interest income	3,789	391	18	-	(3,238)	960
Profit before zakat and taxation	33,235	122,120	1,259	(4,627)	-	151,987
Zakat	(2,700)	(9,100)	-	-	-	(11,800)
Taxation	(15,873)	(36,114)	(1,160)	-	-	(53,147)
Net profit for the financial period	14,662	76,906	99	(4,627)	-	87,040
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,814,104	1,777,736	676,189	-	(164,732)	4,103,297
- Over time	-	-	-	-	-	-
	1,814,104	1,777,736	676,189	-	(164,732)	4,103,297
2020						
Revenue						
External revenue	1,492,186	1,969	596,333	-	-	2,090,488
Inter-segment revenue	-	199,257	-	-	(199,257)	-
Total revenue	1,492,186	201,226	596,333	-	(199,257)	2,090,488
Results						
Earnings before interest, taxation, depreciation and amortisation	60,929	27,601	15,987	(3,564)	-	100,953
Depreciation and amortisation	(6,792)	(11,796)	(4,693)	-	-	(23,281)
Finance costs	(12,856)	(2,735)	(13,735)	-	504	(28,822)
Interest income	520	418	15	-	(504)	449
Profit/(Loss) before zakat and taxation	41,801	13,488	(2,426)	(3,564)	-	49,299
Zakat	(913)	(200)	-	-	-	(1,113)
Taxation	(11,654)	(2,691)	(525)	-	-	(14,870)
Net profit/(loss) for the financial period	29,234	10,597	(2,951)	(3,564)	-	33,316
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,491,601	201,226	596,333	-	(199,257)	2,089,903
- Over time	585	-	-	-	-	585
	1,492,186	201,226	596,333	-	(199,257)	2,090,488

For Indonesia segment, the breakdown of segment revenue and results that is denominated in foreign currency and the currency exchange ratio used are as follows:

	Period Ended 30 September					
	2021			2020		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,359,801,767	0.0287	676,189	2,048,961,562	0.0291	596,333
Earnings before interest, taxation, depreciation and amortisation	59,285,662	0.0287	16,988	54,930,296	0.0291	15,987

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 19 November 2021 that will materially affect the financial statements of the financial period under review except for the corporate proposals as disclosed in Note B22 below.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 September 2021 except for:

a) the acquisition of a total 20,000 ordinary shares in Paradigm Industry Sdn Bhd ("PISB") by Pristine Pharma Sdn Bhd ("PPSB"), a wholly-owned subsidiary of the Company, for a purchase consideration of RM1.00 representing the remaining 20% of the total issued and paid-up capital of PISB.

b) the acquisition of a total 600,000 ordinary shares in Bio-Collagen Technologies Sdn Bhd ("BCT") for a purchase consideration of RM1.00 representing the remaining 30% of the total issued and paid-up capital of BCT.

Upon acquisition, both PISB and BCT are effectively 100% owned subsidiaries of the Company.

A13. Contingent Liabilities

There is no other contingent liability has arisen since the financial year end.

A14. Commitments

The Group has the following commitments as at 30 September 2021:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	55,535	60,824	116,359

A15. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for year ended 31 December 2020.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost and work-in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2021	143,758	19,342	49,184	20,421	342,865	3,071	578,641
Additions	-	1,098	1,363	-	-	-	2,461
Transfer from property, plant and equipment	-	-	572	-	-	-	572
Written off	-	-	(1,224)	-	-	-	(1,224)
Foreign exchange adjustments	2,496	103	(1)	482	-	-	3,080
At 30 September 2021	146,254	20,543	49,894	20,903	342,865	3,071	583,530
Accumulated amortisation							
At 1 January 2021	-	3,551	553	13,178	342,865	804	360,951
Amortisation charged	-	1,059	200	1,518	-	154	2,931
Foreign exchange adjustments	-	103	-	367	-	-	470
At 30 September 2021	-	4,713	753	15,063	342,865	958	364,352
Accumulated impairment							
At 1 January/ 30 September 2021	12,653	-	-	-	-	-	12,653
Net carrying value							
At 30 September 2021	133,601	15,830	49,141	5,840	-	2,113	206,525
At 31 December 2020	131,105	15,791	48,631	7,243	-	2,267	205,037

B17. Performance Review

	Current Period			Cumulative Period		
	2021 RM'000	**2020 RM'000**	**+/(-) %**	**2021 RM'000**	**2020 RM'000**	**+/(-) %**
Revenue	2,132,675	624,804	241.3%	4,103,297	2,090,488	96.3%
Earnings before interest, taxation, depreciation and amortisation	117,711	21,372	450.8%	201,383	100,953	99.5%
Profit before interest, zakat and taxation	109,237	14,135	672.8%	176,455	77,672	127.2%
Profit before zakat and taxation	98,219	4,093	2299.7%	151,987	49,299	208.3%
Profit for the financial period	50,324	1,294	3789.0%	87,040	33,316	161.3%
Profit attributable to owners of the parent	49,835	1,442	3356.0%	86,675	33,820	156.3%

Quarter 3 2021 vs Quarter 3 2020

For the third quarter ended 30 September 2021, the Group recorded RM2.1 billion in revenue, a tremendous jump from RM625 million in the previous year's corresponding quarter. This commendable performance was attributable to positive growth across the Group's concession, non-concession and Indonesian businesses. The non-concession business was a key driver due to sales of the Sinovac COVID-19 Vaccine to the Ministry of Health (MOH) as well as private sector. This saw the Group successfully completing the delivery of 20.4 million doses to MOH to date, while almost 2 million doses have been delivered to the private sector.

In tandem with the higher revenue, the Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) recorded RM118 million from RM21 million in the same quarter last year. Correspondingly, profit before zakat and taxation (PBT) for the quarter grew substantially from RM4 million in the previous year's corresponding quarter to RM98 million.

Period ended 30 September 2021 vs Period ended 30 September 2020

For the nine months financial period under review, the Group recorded a higher revenue of RM4.1 billion compared with RM2.1 billion in the same period last year. This was mainly attributable to strong demand from across the Group's concession, non-concession and Indonesian businesses, with sales of Sinovac COVID-19 Vaccine to MOH and private sector as a key driver. Similarly, the Group recorded a higher EBITDA of RM201 million, reflecting an increase of 99.5% against the previous year's corresponding period. This saw the Group clocking in a higher PBT and PAT of RM152 million and RM87 million, respectively.

The **Logistics and Distribution Division** recorded a lower PBT of RM33 million for the period under review, compared with RM42 million in the same period last year. There was a surge in demand for ventilators and personal protective equipment (PPE) in the previous period during the initial outbreak of the COVID-19 pandemic. However, the demand for PPE has normalised in the current period.

The Group continued to uphold the trust accorded by MOH to handle logistics and distribution services to deliver much-needed medical supplies to healthcare facilities during the pandemic. This includes but is not limited to PPE and medicines, which were delivered efficiently across the nation and East Malaysia via air freight.

The Division has also been entrusted by MOH to handle the logistics and distribution of vaccines as well as all AstraZeneca COVID-19 vaccines received via AstraZeneca, COVAX Facility and donations by foreign governments. Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly-owned subsidiary of the Company, was selected through an open tender by MOH as PLSB has the infrastructure, facilities and capabilities, with more than 26 years of proven track record of handling vaccines.

The **Manufacturing Division** turned in a PBT of RM122 million, a significant increase as compared with the corresponding period last year. This was mainly contributed by the fill and finish manufacturing of Sinovac COVID-19 Vaccine as well as an imported finished vaccine from Sinovac Life Sciences Co., Ltd. With the continued expansion of the vaccine manufacturing business and demand, the long-term prospect of the Division remains optimistic. The Division also continues to optimise operational efficiencies and build on its growing portfolio of products to broaden its global presence, as well as tapping on increased capacity utilisation via its contract manufacturing business.

The **Indonesia Division** registered a profit of RM1.3 million for the financial period which shows an improvement compared with a deficit of RM2.4 million in the corresponding period last year. These were primarily due to the ongoing stock optimisation exercise, aggressive approach and efforts via a dedicated and specific task force in collection coupled with the reduction in finance costs. This is as a result of the lower overnight rate policy by the Indonesian Government.

Consolidated Statement of Financial Position

Higher trade receivables as of 30 September 2021 were mainly due to timing differences in the collection from customers. The majority of the receivables are from the Government, with collection to be fully paid by end of the year.

Higher inventories as of 30 September 2021 was mainly due to higher inventories for COVID-19 vaccines towards the end of September 2021, circa RM480 million.

Higher payables as of 30 September 2021 were mainly due to the purchase of stock in anticipating higher demand from customers in October and November.

Higher borrowings as of 30 September 2021 were primarily due to the purchase of COVID-19 vaccines which resulted in a higher gearing ratio of 2.1. The gearing ratio will improve to 1.8 upon the sale of COVID-19 vaccines and the receipt of payment from the customers.

Consolidated Statement of Cash Flows

For the period under review, the deficit in operating cash flows was mainly due to the purchase of COVID-19 vaccines.

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

	Current Period	Immediate Preceding Period	
	2021	2021	+/(-)
	RM'000	RM'000	%
Revenue	2,132,675	1,177,123	81.2%
Earnings before interest, taxation, depreciation and amortisation	117,711	38,547	205.4%
Profit before interest, zakat and taxation	109,237	30,391	259.4%
Profit before zakat and taxation	98,219	22,244	341.6%
Profit for the financial period	50,324	13,888	262.4%
Profit attributable to owners of the parent	49,835	13,704	263.7%

In comparison with the immediate preceding quarter, the Group recorded a higher revenue of RM2.1 billion for the current quarter. This was primarily attributable to the sales of the Sinovac COVID-19 Vaccine to MOH and private sector. Correspondingly, the Group recorded a higher PBT of RM98 million compared with RM22 million in the immediate preceding quarter.

Accordingly, PAT for the quarter under review stood at RM50 million, compared with RM14 million in the immediate preceding quarter.

B19. Prospects

The successful National COVID-19 Immunisation Programme (NIP) in Malaysia has resulted in substantial reduction in number of COVID-19 positive cases since July 2021. Pharmaniaga contributed 20.4 million doses of Sinovac COVID-19 vaccine to NIP and approximately 2 million doses to the private market covering almost 40% of the Malaysian adult population.

On 17 November 2021 Drug Control Authority has approved for Sinovac booster shot, and with about 11 million Sinovac recipients in the country, the Group is prepared to supply 10 million doses of booster shot to MOH and the private market.

According to a research in China, booster shots given at an interval of six to 12 months after the second dose led to a strong boost in immune response, with higher persistence of antibody of up to 20-fold, indicating a longer duration of protection from COVID-19 and new variants.

As for the concession of logistics and distribution business, the Group will continue to carry out its duties and responsibilities as MOH’s logistic partner until 30 November 2024. A series of discussions and negotiations for the renewal of the concession has been carried out and the outcome is very positive.

The Group has an excellent track record of meeting the stringent concession service standards imposed by MOH, further strengthened by our outstanding efforts in managing and delivering the Sinovac COVID-19 vaccine 4.5 months ahead of schedule, which enabled Malaysia to achieve the 90% vaccination rate for adults much earlier. Thus, we are optimistic that MOH will continue to choose Pharmaniaga as its irreplaceable partner to manage the logistics and distribution of pharmaceutical products to its almost 2,000 facilities nationwide.

The Group remains committed to giving back to the nation and supporting *Keluarga Malaysia* throughout the COVID-19 pandemic by ensuring steady business growth over the long term. We embrace and embark on Economic Social and Corporate Governance initiatives to end poverty, zero hunger as well as good health and well-being.

To date, the Group has contributed more than RM17 million, that includes RM6 million towards supporting the frontliners in the Government’s healthcare facilities, as well as providing aid to underserved and unprivileged communities. The Group has also allocated zakat of RM11.8 million for the nine-month period ended 30 September 2021.

Supporting the Malaysian Government to be pandemic-ready in the future, the Group emphasises Research & Development efforts which are also the key pillar of growth for Pharmaniaga, enabling us to expand our product pipeline, providing health solutions to the country and *Keluarga Malaysia*. Digitalisation and digital technologies will be the backbone of these efforts.

Strengthening our role in vaccine development, Pharmaniaga is currently involved in the Sinovac Global Clinical Trial for children aged 3-11 years. Led by Sinovac Life Sciences Co Ltd., the study is carried out in collaboration with MOH and Clinical Research Malaysia on about 2,000 children at multiple clinics and hospitals in the country. The study to evaluate efficacy and safety in young children has started in November and the interim efficacy results are expected to be ready in early 2022.

In September 2021, Executive Director of the World Health Organization’s Health Emergencies Programme Dr. Mike Ryan reported to say the virus is here to stay will evolve like influenza pandemic virus. Thus, the demand for the vaccine is expected to continue and the Group’s wholly owned subsidiary Pharmaniaga LifeScience Sdn Bhd (PLS) will remain to manufacture Sinovac COVID-19 vaccine beyond 2022.

The Group is also setting up an insulin manufacturing plant to meet the needs to treat non-communicable diseases (NCDs) that currently contributes 67% of premature deaths and 70% of overall Malaysia’s health burden. This plan will complement the Group’s strong market presence in the cardiovascular and basic diabetic range. The manufacturing facility will produce pre-filled insulin cartridges in the form of self-administered ‘Pens’, and expected to be ready in 2025.

The health supplements segment continues to grow as the Group increases its portfolio of products in this area in line with Budget 2022’s aim to care for the overall wellbeing of the *Keluarga Malaysia* and addressing prevalent healthcare issues amongst Malaysians. The Group has also embarked on aggressive branding and marketing strategies such as flooding the products in the retail market, as well as advertisement and promotion activities capitalising on multiple media platforms including digital.

With the Group’s presence in Indonesia since 2005 via our public listed logistic and distribution arm, PT Millennium Pharmacon International Tbk, the country offers significant opportunities despite the tough competition. Plans are underway to remodel the business operations in Indonesia, particularly PT Millennium Pharmacon International Tbk in order to remain competitive and gain better profitability. Our manufacturing arm, PT Errita Pharma will also restrategise its product portfolio and marketing approach for greater market penetration. These strategies will be supported by stronger advertisement and promotion activities, mainly by capitalising various available digital platforms in Indonesia.

All these efforts, strategies and initiatives, as well as encouraging signs of economic recovery in Malaysia and globally, placed Pharmaniaga on the right footing and direction for better results in the coming quarters.

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

	Current Period		Cumulative Period	
	2021	2020	**2021**	2020
	RM'000	RM'000	**RM'000**	RM'000
Taxation based on profit for the period:				
- Current	**34,229**	1,300	**48,269**	9,518
- Deferred	**3,066**	397	**5,165**	6,496
	37,295	1,697	**53,434**	16,014
Over provision in prior years:				
- Current	**-**	-	**(79)**	(184)
- Deferred	**-**	(3)	**(208)**	(960)
	-	(3)	**(287)**	(1,144)
	37,295	1,694	**53,147**	14,870

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to losses of certain subsidiaries and non-allowable expenses.

B22. Corporate Proposal

On 7 May 2021, the Company announced the following proposals:

Proposed Bonus Issue

The proposed bonus issue of up to 1,056,154,928 new ordinary shares in Pharmaniaga ("Bonus Share(s)") on the basis of 4 Bonus Shares for every 1 existing ordinary share in Pharmaniaga ("Pharmaniaga Share(s)" or "Share(s)") held on an entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Bonus Issue").

The Proposed Bonus Issue is subject to the following approvals being obtained:

(i) Bursa Securities, for the listing of and quotation for up to 1,056,154,928 Bonus Shares to be issued on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue; and

(ii) the shareholders of Pharmaniaga, at the forthcoming extraordinary general meeting of the Company ("EGM") to be convened; and

(iii) approvals of any other relevant authorities and/or parties, if required.

The Proposed Bonus Issue has been completed on 7 July 2021.

Proposed By-Laws Amendment

Pharmaniaga had on 13 May 2016 ("Effective Date") implemented the Share Issuance Scheme ("Scheme") which is in force for 5 years and will be valid until 12 May 2021 ("Initial Term"). However, the Board has the sole and absolute discretion to extend the duration of the Initial Term for up to another 5 years immediately after the expiry of the Initial Term provided that the duration of the Scheme does not exceed a maximum of 10 years in its entirety from the Effective Date.

The Board has resolved to extend the duration of the Initial Term of the Scheme for a further period of 5 years from 13 May 2021 to 12 May 2026, in accordance with the terms of the By-Laws.

The proposed amendments to the by-laws governing the existing Scheme ("Proposed By-Laws Amendment") shall consist of the following amendments to the following terms under the By-Laws:

(i) amending the definition of eligible persons as specified under the By-Laws to include all employees of Pharmaniaga Group (excluding foreign and dormant subsidiaries) to enable them to participate in the Option Plan and LTIP under the Scheme;

(ii) streamlining the By-Laws to be aligned with the Companies Act, 2016 ("Act"), which had come into force on 31 January 2017, and to be in compliance with the Listing Requirements, which include amongst others, the abolition of the par value regime and the maximum allocation to the Directors and senior management;

(iii) providing that not more than 65% of the total number of Pharmaniaga Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are eligible persons under the Scheme (where "senior management" shall be subject to any criteria as may be determined at the sole discretion of the committee established to administer the Scheme ("Scheme Committee") from time to time); and

(iv) reducing the Maximum Shares Available from 15% to 8.5% of the then issued share capital (excluding treasury shares) of the Company at any point of time, from time to time, during the duration of the Scheme.

The Proposed By-Laws Amendment is in line with the rationale to attract, retain, motivate and reward valuable employees of Pharmaniaga Group through the award of ordinary shares in Pharmaniaga Berhad ("Pharmaniaga Shares") or the rights to subscribe for Pharmaniaga Shares as determined by the Scheme Committee.

The Proposed By-Laws Amendment has been approved by the shareholders of Pharmaniaga at the EGM on 16 June 2021.

B23. Borrowings and Debt Securities - Unsecured

		30 September 2021 RM'000	30 September 2020 RM'000	31 December 2020 RM'000
Non-current:				
Revolving credits		**293,699**	-	-
Hire purchase:				
- Denominated in Ringgit Malaysia		**104**	298	155
- Denominated in Indonesian Rupiah		**87**	63	182
		293,890	361	337
Current:				
Bankers' acceptances:				
- Denominated in Ringgit Malaysia		**288,256**	264,219	315,396
- Denominated in Indonesian Rupiah		**196,686**	144,628	123,441
Revolving credits		**31,300**	320,000	230,000
Hire purchase:				
- Denominated in Ringgit Malaysia		**294**	285	289
- Denominated in Indonesian Rupiah		**140**	95	146
		516,676	729,227	669,272
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**688,506,993**	518,946,237	432,758,741
Exchange rate for Indonesian Rupiah	**RM**	**0.0286**	0.0279	0.0286

Higher borrowings as of 30 September 2021 was primarily due to purchase of COVID-19 vaccines which resulted in higher gearing ratio of 2.1. The gearing ratio will improve to 1.8 upon the sale of COVID-19 vaccines and the receipt of payment from the customer.

As at 30 September 2021, the weighted average floating interest rate of borrowings was 4.0% (2020: 4.2%) per annum.

For borrowings denominated in foreign currency, there is no hedging as the amounts are due within 12 months.

B24. Additional Disclosures

The Group's profit before zakat and taxation is stated after charging/(crediting) the following:

	Current Period		**Cumulative Period**	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Depreciation and amortisation	**8,474**	7,237	**24,928**	23,281
Net impairment of and write off of receivables	**174**	13	**1,341**	779
Net provision for stock obsolescence and write off of inventories	**7,921**	3,034	**14,616**	9,805
Net foreign exchange losses/(gains)	**81**	(102)	**33**	147

Other than the items mentioned above which have been included in the consolidated statement of profit or loss and consolidated 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 period ended 30 September 2021.

B25. Profit Forecast

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

B26. Earnings Per Share ("EPS")

(a) Basic earnings per share

	Current Period		Cumulative Period	
	2021	2020	**2021**	2020
Profit attributable to owners of the Company (RM'000)	**49,835**	1,442	**86,675**	33,820
Average number of ordinary shares in issue ('000)	**1,309,126**	1,306,968	**1,309,126**	1,306,968
Basic earnings per share (sen)	**3.81**	0.11	**6.62**	2.59

(b) Diluted earnings per share

	Current Period		Cumulative Period	
	2021	2020	**2021**	2020
Profit attributable to owners of the Company (RM'000)	**49,835**	1,442	**86,675**	33,820
Average number of ordinary shares in issue ('000)	**1,309,126**	1,306,968	**1,309,126**	1,306,968
Assumed shares issued under Long Term Incentive Plan ('000)	**-**	1,730	**-**	1,730
Weighted average number of ordinary shares in issue ('000)	**1,309,126**	1,308,698	**1,309,126**	1,308,698
Diluted earnings per share (sen)	**3.81**	0.11	**6.62**	2.58

For comparative purpose, the earnings per share for the quarter and cumulative period ended 30 September 2020 had been adjusted to reflect the bonus issue of 4 for every 1 existing ordinary share which was completed on 7 July 2021.

B27. 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 19 November 2021.

By Order of the Board

WAN INTAN IDURA WAN ISMAIL (LS 0010452)
SYARUZAIMI BIN YUSOF (LS 0010451)
Company Secretaries

Kuala Lumpur
19 November 2021