

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

QUARTERLY REPORT ON CONSOLIDATION RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

THE FIGURES HAVE NOT BEEN AUDITED

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2010 RM'000	Preceding year corresponding quarter 31/3/2009 RM'000	Three months to 31/3/2010 RM'000	Three months to 31/3/2009 RM'000
1. (a) Revenue	317,560	313,716	317,560	313,716
(b) Cost of sales	(272,621)	(264,420)	(272,621)	(264,420)
(c) Gross profit	44,939	49,296	44,939	49,296
(d) Other income	1,074	204	1,074	204
(e) Expenses	(31,848)	(28,445)	(31,848)	(28,445)
(f) Finance costs	(992)	(1,181)	(992)	(1,181)
(g) Share of results of associates	(742)	310	(742)	310
(h) Profit before income tax	12,431	20,184	12,431	20,184
(i) Income tax	(3,122)	(5,491)	(3,122)	(5,491)
(j) Profit for the period	9,309	14,693	9,309	14,693
Attributable to:				
(k) Owners of the Parent	9,307	14,522	9,307	14,522
(l) Non-controlling interests	2	171	2	171
Profit for the period	9,309	14,693	9,309	14,693
2. Earnings per share				
Basic (based on 2010: 106,977,788 [2009: 106,977,788 ordinary shares])	8.70 sen	13.57 sen	8.70 sen	13.57 sen

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2010 RM'000	Preceding year corresponding quarter 31/3/2009 RM'000	Three months to 31/3/2010 RM'000	Three months to 31/3/2009 RM'000
Profit for the period	9,309	14,693	9,309	14,693
Foreign currency translation differences for foreign operations	(408)	79	(408)	79
Other comprehensive income for the period, net of tax	(408)	79	(408)	79
Total comprehensive income for the period	8,901	14,772	8,901	14,772
Attributable to:				
Owners of the Parent	9,083	14,565	9,083	14,565
Non-controlling interests	(182)	207	(182)	207
Total comprehensive income for the period	8,901	14,772	8,901	14,772

The condensed Consolidated Income Statement and Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at end of current quarter 31/3/2010 RM'000	Audited As at preceding financial year end 31/12/2009 RM'000
ASSETS		
1. Non-current assets		
Property, plant and equipment	275,703	277,515
Prepaid lease payment	3,013	3,033
Goodwill	28,820	28,820
Investment in associates	5,821	6,562
Deferred tax assets	5,207	3,904
	318,564	319,834
2. Current assets		
Inventories	212,011	228,067
Receivables	216,446	140,418
Amounts due from related companies	14,080	15,699
Amount due from associates	1,225	1,789
Cash, bank balances and deposits	63,701	104,408
Tax recoverable	7,403	8,030
	514,866	498,411
Total assets	833,430	818,245

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Unaudited As at end of current quarter 31/3/2010 RM'000	Audited As at preceding financial year end 31/12/2009 RM'000
EQUITY AND LIABILITIES		
3. Equity attributable to owners of the Parent		
Share capital	106,978	106,978
Reserves		
Share premium	22,447	22,447
Other reserves	(2,829)	(2,421)
Retained profits	312,936	303,629
	439,532	430,633
4. Non-controlling interests	15,705	15,703
Total equity	455,237	446,336
5. Non-current liabilities		
Provision for defined benefit plan	2,905	2,449
Long term borrowings	-	7,429
Deferred tax liabilities	3,131	3,131
	6,036	13,009
6. Current liabilities		
Payables	311,739	291,761
Amount due to associates	58	4,571
Amount due to immediate holding company	120	428
Amount due to related companies	45	100
Short term borrowings	43,318	39,539
Current portion of long term borrowings	14,968	18,537
Tax payable	1,909	3,964
	372,157	358,900
Total liabilities	378,193	371,909
Total equity and liabilities	833,430	818,245
7. Net assets per share attributable to owners of the Parent	RM 4.11	RM 4.03

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Three months to Note 31/3/2010 RM'000	Unaudited Three months to 31/3/2009 RM'000
Operating Activities		
Cash receipts from customers	242,112	250,224
Cash payments to suppliers	(240,672)	(228,689)
Cash payments to employees and for expenses	(25,678)	(29,804)
Cash used in operations	<u>(24,238)</u>	<u>(8,269)</u>
Interest paid	(835)	(964)
Interest received	324	3
Income taxes paid	(6,574)	(8,393)
Income taxes refund	-	840
Profit from Murabahah Commercial Paper	(203)	(278)
Net cash used in operating activities	(31,526)	(17,061)
Investing Activities		
Purchase of property, plant and equipment	(1,682)	(1,233)
Proceeds from disposal of property, plant and equipment	13	87
Partial proceeds from disposal of non-current assets held for sale	-	6,300
Net cash (used in)/ generated from investing activities	(1,669)	5,154
Financing Activities		
Drawdown/ (repayments) of short term borrowings	1,649	(12,459)
Redemption of Murabahah Commercial Papers	-	(16,000)
Repayment of term loan	(8,550)	(4,950)
Term loan interest paid	(140)	(234)
Profit on Murabahah Medium Term Notes paid	(356)	(694)
Net cash used in financing activities	(7,397)	(34,337)
Effects of exchange rate changes	(115)	403
Net change in Cash and Cash Equivalents	(40,707)	(45,841)
Cash and Cash Equivalents as at beginning of financial period	104,408	94,173
Cash and Cash Equivalents as at end of financial period	(a) 63,701	48,332

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Unaudited Three months to As at 31/3/2010 RM'000	Unaudited Three months to As at 31/3/2009 RM'000
(a) Cash and Cash Equivalents comprise the following amounts:		
Current cash, bank balances and deposits		
- Unrestricted	63,701	48,332
 Cash and cash equivalents	<u>63,701</u>	<u>48,332</u>

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	← Attributable to owners of the Parent →		Distributable		Non-controlling Interests	Total Equity
	Share capital RM' 000	Share Premium RM' 000	Non distributable Other Reserves RM' 000	Retained Profits RM' 000		
Balance as at 1 January 2010	106,978	22,447	(2,421)	303,629	15,703	446,336
Total comprehensive (expense)/ income for the period			(408)	9,307	2	8,901
Balance as at 31 March 2010	<u>106,978</u>	<u>22,447</u>	<u>(2,829)</u>	<u>312,936</u>	<u>15,705</u>	<u>455,237</u>

Three months to 31 March 2010 (unaudited)

Balance as at 1 January 2010

Total comprehensive (expense)/ income for the period

Balance as at 31 March 2010

The condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (CONT'D)

	← Attributable to owners of the Parent →					Non-controlling interests	Total Equity
	Share capital RM' 000	Non distributable		Distributable Retained Profits RM' 000	Total RM' 000		
		Share Premium RM' 000	Other Reserves RM' 000				
Balance as at 1 January 2009	106,978	22,447	(6,491)	265,101	388,035	14,167	402,202
Total comprehensive income for the period			79	14,522	14,601	171	14,772
Balance as at 31 March 2009	<u>106,978</u>	<u>22,447</u>	<u>(6,412)</u>	<u>279,623</u>	<u>402,636</u>	<u>14,338</u>	<u>416,974</u>

Three months to 31 March 2009 (unaudited)

Balance as at 1 January 2009
Total comprehensive income for the period

Balance as at 31 March 2009

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The notes to the condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

1. Accounting policies and methods of computation

The quarterly consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and are in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective 1 January 2010 as disclosed below:

FRS 7: Financial Instruments: Disclosure
FRS 8: Operating Segments
FRS 101 (Revised): Presentation of Financial Statements
FRS 123 (Revised): Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRSs 'Improvements to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment

The adoption of the above pronouncements does not have significant impact to the Group, except as described below:

(a) FRS 8: Operating Segment

With effect from 1 January 2010, the Group determines and presents operating segments based on information that is internally provided to the Managing Director, who is the Group's chief operating decision maker, which are similar to those currently disclosed externally.

(b) FRS 101 (revised): Presentation of Financial Statement

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. This standard requires changes in the format of the financial statements including the amount directly attributable to owners of the parent in the primary statements. Pursuant to the revised standard, the Group presents all non-owner changes in equity separately in the consolidated statement of comprehensive income. Comparative information has been re-presented in conformity with the revised standard.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

2. Audit report in respect of the 2009 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2009 was not qualified.

3. Seasonal or cyclical factors

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

4. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cashflows that were unusual because of their nature, size or incidence in the current period .

5. Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

6. Debt and equity securities

The Group did not undertake any 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 for the current financial period ended 31 March 2010.

7. Dividend

The Board of Directors does not recommend any dividend for the current financial period ended 31 March 2010 (2009: nil).

The Board of Directors recommends a final gross dividend of 27 sen and a special gross dividend of 10 sen per share less taxation of 25% on 106,977,788 (2008: 106,977,788) ordinary shares of RM1.00 each in respect of the financial year ended 31 December 2009 for shareholders' approval at the 12th Annual General Meeting on 27 May 2010. The book closure and payment dates for the final dividend will be on 14 June 2010 and 15 July 2010 respectively.

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467709-M
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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Operating Segments

In the prior year's audited consolidated financial statements, the basis of segmentation was on a primary format of business segments and a secondary format of geographical segment. In the current quarter ended 31 March 2010 and for the current financial year ending 31 December 2010, the basis of segmentation has been changed to operating segments based on information reported internally to the Managing Director of the Company.

a) Operating Segment information for the current financial period to 31 March 2010 is as follow:

	Pharmaceutical manufacturing and marketing RM' 000	Pharmaceutical trading and distribution RM' 000	Medical products and services RM' 000	Other operations RM' 000	Elimination RM' 000	Total RM' 000
Revenue						
External revenue	10,104	306,983	473	-	-	317,560
Inter-segment revenue	32,093	188	43	3,014	(35,338)	-
Total revenue	<u>42,197</u>	<u>307,171</u>	<u>516</u>	<u>3,014</u>	<u>(35,338)</u>	<u>317,560</u>
Results						
Segment results	(307)	14,865	(80)	895	485	15,858
Unallocated corporate expenses						(1,736)
Profit from operations						<u>14,122</u>
Interest expense						(992)
Interest income						43
Share of results of associate						(742)
Profit before income tax						<u>12,431</u>
Income tax						(3,122)
Profit for the period						<u><u>9,309</u></u>
Attributable to:						
Owners of the Parent						9,307
Non-controlling interest						<u>2</u>
						<u><u>9,309</u></u>

9. Material events subsequent to the end of the current financial period

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 31 March 2010 to the date of this announcement which would substantially affect the financial results of the Group for the three months ended 31 March 2010 that have not been reflected in the condensed financial statements.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.

11. Acquisitions and disposals of property, plant and equipment

	Current year quarter 31/3/2010 RM' 000	Three months to 31/3/2010 RM' 000
Total acquisitions of property, plant and equipment	3,376	3,376
Total disposals of property, plant and equipment	1	1
Total profit on disposal	12	12

12. Contingent liabilities

There are no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2009 except as disclosed below:

<u>Description of contingent liabilities</u>	As at 01/01/2010 RM'000	Increase	Decrease	As at 31/03/2010 RM'000
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary company	45,000	-	(45,000)	-
Bank guarantee for projects and utilities undertaken by subsidiary companies	19,360	282	(8,661)	10,981
	64,360	282	(53,661)	10,981

13. Capital commitments

There are no material capital commitments except as disclosed below:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	3,395

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467709-M
Incorporated in Malaysia

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2010 RM' 000	Preceding year corresponding quarter 31/3/2009 RM' 000	Three months to 31/3/2010 RM' 000	Three months to 31/3/2009 RM' 000
Current taxation				
- Malaysian taxation	4,850	5,378	4,850	5,378
- foreign income tax	71	329	71	329
- over provision in prior years	(496)	-	(496)	-
Deferred taxation				
- reversal of net temporary differences	(1,303)	(216)	(1,303)	(216)
	<u>3,122</u>	<u>5,491</u>	<u>3,122</u>	<u>5,491</u>

15. Disposal of unquoted investments and/or properties

There were no disposals of unquoted investments and/or properties in the current period.

16a) Acquisitions and disposals of quoted securities

There were no acquisitions and disposals of quoted securities in the current period.

16b) Investments in quoted securities

There were no investments in quoted securities other than securities in existing subsidiary as at 31 March 2010.

Pharmaniaga Berhad
467709-M
Incorporated in Malaysia

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. Related party transactions

	Transaction value		Balance outstanding	
	Three months ended			
	31/3/2010	31/3/2009	31/3/2010	31/3/2009
	RM' 000	RM' 000	RM' 000	RM' 000
Sales				
Subsidiaries of immediate holding company	495	3,715	14,080	22,933
Associates	-	-	1,225	2,700
	<u>495</u>	<u>3,715</u>	<u>15,305</u>	<u>25,633</u>
Purchases				
Immediate holding company	-	-	120	319
Subsidiaries of immediate holding company	827	710	45	520
Associates	1,068	3,228	58	3,159
	<u>1,895</u>	<u>3,938</u>	<u>223</u>	<u>3,998</u>

18 Status of corporate proposals announced but not completed as at the date of this announcement

As at to date, Pharmaniaga's public shareholding spread stands at 12.96%. Bursa Securities had through its letter dated 29 March 2010, granted a further extension of time of three months from 29 March 2010 until 29 June 2010 for Pharmaniaga to comply with the Public Spread Requirement. UEM Group Berhad, the major shareholder of Pharmaniaga is evaluating its options with regards to meeting the public shareholding spread requirement within three months from 29 March 2010.

Pharmaniaga Berhad
467709-M
Incorporated In Malaysia

V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. Borrowings and debt securities

Details of Group borrowings and debt securities as at 31 March 2010 are as follows:

	Long term borrowings			Short term borrowings		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Debt securities</u>						
Domestic	-	-	-	-	28,778	28,778
Foreign -IDR	-	-	-	-	29,508	29,508
						-
TOTAL	-	-	-	-	58,286	58,286

20. Material litigation

Since the preceding financial year ended 31 December 2009, there are no changes in material litigation as at the date of this announcement except for the following:

(a) Demand by Siemens Financial Services GmbH ("Siemens") for USD12.0 million

As at the date of this announcement, the Company confirms that no civil suit on the Company and its subsidiaries, Pharmaniaga Logistics Sdn. Bhd. ("PLSB") and Safire Pharmaceuticals (M) Sdn. Bhd. ("Safire") has been filed by Siemens.

The Board of Directors of the Company upon consultation with the solicitors, is of the opinion that the positions of both PLSB and Safire are defensible.

(b) Danaharta Urus Sdn. Bhd. vs Safri bin Nawawi ("Safri") and Hamimah Binti Idruss ("Hamimah") (by original action) Safri bin Nawawi & Anor vs Danaharta Urus Sdn. Bhd. and 6 others (action by counterclaim)

The Company announced on 18 January 2005, that Safri bin Nawawi and Hamimah binti Idruss, former directors of Safire, on 28 December 2004 had each commenced an action by way of Counterclaim against the Company in the legal suit originally filed by Danaharta Urus Sdn. Bhd. against them. The Company and Safire were named 4th Defendant and 3rd Defendant respectively in both Actions by Counterclaim and were served with the court papers on 11 January 2005. The Company had filed its Memorandum of Appearance in Court on 14 January 2005 and 18 January 2005 in respect of the Counterclaim.

The Company and Safire had both filed their respective defense to the Action by Counterclaim on 31 January 2005. The Company had further filed an application to strike out the Counterclaim on 3 March 2005.

The High Court had allowed the Company and Safire's striking out applications in relation to the counterclaim on 14 July 2009. Subsequently, Safri filed the Notice of Appeal against the decision on 15 July 2009. The court has yet to fix any date for the case management on Safri's appeal.

The Board of Directors of the Company upon consultation with the solicitors is of the opinion that the positions of both the Company and Safire are defensible.

V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. Comparison between the current quarter and the immediate preceding quarter

The Group's revenue for the quarter under review decreased by RM6.3 million or 1.9% from RM323.9 million in the immediate preceding quarter to RM317.6 million. This was principally due to the completion of medical equipping projects in December 2009 coupled with lower sales from private sector. However, this was partially mitigated by higher sales from government sector.

Profit before tax declined by RM15.1 million or 54.8% to RM12.4 million from RM27.5 million in the immediate preceding quarter, reflecting the lower gross profit margin due to product mix and loss of profit of RM0.4 million as a result of plant closure in March 2010. In addition, the Group recognised gain on disposal of two lots of land in the previous quarter.

22. Review of performance for the current quarter

For the financial period under review, the Group's revenue was 1.2% higher at RM317.6 million, compared to RM313.7 million in the preceding year corresponding quarter due to higher sales from government sector.

Profit before tax declined by 38.4% mainly due to lower gross profit margin as a result of product mix.

23. Economic profit ("EP") statement

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2010 RM' 000	Preceding year corresponding quarter 31/3/2009 RM' 000	Three months to 31/3/2010 RM' 000	Three months to 31/3/2009 RM' 000
<u>Net operating profit after tax ("NOPAT")</u>				
<u>computation:</u>				
Earnings before interest and tax ("EBIT")	13,841	20,676	13,841	20,676
Adjusted tax	(3,460)	(5,169)	(3,460)	(5,169)
NOPAT	10,381	15,507	10,381	15,507
<u>Economic charge computation:</u>				
Average invested capital	299,144	327,538	299,144	327,538
Weighted average cost of capital ("WACC") (%)	7.1%	6.3%	7.1%	6.3%
Economic charge	5,274	5,164	5,274	5,164
Economic profit	5,107	10,343	5,107	10,343

The EP statement is as prescribed under the GLC Transformation program, and is disclosed on a voluntary basis. EP measures the value created by a business during a single period reflecting how much return a business makes over its cost of capital.

The EP performance for the current period is recorded at RM5.1 million as compared to RM10.3 million in the same period of 2009. The decrease in EP was mainly due to lower gross profit margin in the current quarter ended 31 March 2010.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

24. Prospects

The outlook of pharmaceutical industry is expected to improve this year in line with the global economic recovery. However the level of competition in the marketplace is expected to remain intense. Pharmaniaga Group will continue to focus on strategies and initiatives to grow its market share in its core businesses and to also drive operational efficiencies.

25. Profit forecast

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

26. Earnings per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2010 RM' 000	Preceding year corresponding quarter 31/3/2009 RM' 000	Three months to 31/3/2010 RM' 000	Three months to 31/3/2009 RM' 000
<u>Basic earnings per share</u>				
Profit attributable to owners of the Company	9,307	14,522	9,307	14,522
Weighted average number of ordinary shares in issue ('000)	106,978	106,978	106,978	106,978
Basic earnings per share for:	<u>8.70 sen</u>	<u>13.57 sen</u>	<u>8.70 sen</u>	<u>13.57 sen</u>

By Order of the Board

Kuala Lumpur
26 May 2010

WONG LEE LOO (MAICSA 7001219)
NORHANA BINTI OTHMAN (LS0008547)
Joint Secretaries