V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Group's revenue for the current quarter increased by RM41.8 million or 12.5% from RM334.3 million in the immediate preceding quarter to RM376.1 million. This was mainly attributable to higher sales to government hospitals and higher tender sales. The Group also secured a new contract to supply medical equipment to a local health institution.

However, the Group's profit before tax declined substantially by 117.5% from RM15.4 million in the immediate preceding quarter to a loss of RM 2.7 million in the current quarter. This was mainly due to provision for the slow moving product, oseltamivir, of RM20.0 million. The oseltamivir was purchased at the height of the H1N1 pandemic worldwide, in anticipation of increased demand from the market. However, the H1N1 situation improved subsequently and demand for the product reduced significantly.

The Group's gross profit margin declined from 15.5% in the immediate preceding quarter to 13.6% in the current

23. Review of performance for the current quarter and year

In the current quarter under review, the Group's revenue was 16.1% higher at RM376.1 million from RM323.9 million registered in the same quarter last year, mainly due to higher sales to government hospitals and higher tender sales.

However, the Group's profit before tax decreased by 109.8% to a loss of RM2.7 million, from RM27.5 million in the same quarter last year. This was mainly due to provision for the slow moving product, oseltamivir, of RM20.0 million as well as higher administration, selling and distribution expenses, and personnel costs. The provision for oseltamivir is as explained in Note 22 above.

The Group's gross profit margin also had decreased from 16.2% to 13.6% in the same quarter last year. This was mainly due to the increase in the contract supplier costs for concession business.

The Group's year-to-date revenue improved by 6.0% compared to the same period last year due to higher sales to government hospitals and higher tender sales.

The Group's profit before tax for the year to date declined by 44.2% to RM45.5 million, from RM81.4 million recorded last year as a result of provision for oseltamivir as well as higher administration, selling and distribution expenses, and personnel costs.

The Group's gross profit margin for the year to date also had decreased to 14.8% from 15.7% recorded last year. This was mainly due to the increase in the contract supplier costs for concession business.

24. Economic profit ("EP") statement

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	Current year quarter **31/12/2010**	Preceding year corresponding quarter **31/12/2009**	Twelve months to **31/12/2010**	Twelve months to **31/12/2009**
	RM'000	RM'000	RM'000	RM'000
Net operating profit after tax ("NOPAT") computation:				
Earnings before interest and tax ("EBIT")	(1,475)	29,218	49,611	86,722
Adjusted tax	369	(7,305)	(12,403)	(21,681)
NOPAT	(1,106)	21,913	37,208	65,041
Economic charge computation:				
Average invested capital	285,079	309,604	285,079	309,604
Weighted average cost of capital ("WACC") (%)	6.9%	6.7%	6.9%	6.7%
Economic charge	3,927	5,479	19,654	20,656
Economic (loss)/profit	(5,033)	16,434	17,554	44,385

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

24. Economic profit ("EP") statement (continued)

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 year is recorded at RM17.6 million as compared to RM44.4 million in 2009. The decrease in EP was mainly due to provision for the slow moving product, oseltamivir, of RM20.0 million as well as higher administration, selling and distribution expenses, and personnel costs.

25. Prospects

The year 2011 will be another challenging year for the Group. The competition will remain strong particularly in the private market segment. The Pharmaniaga Group will remain focused on strategies and initiatives to grow its market share in its core businesses.

26. Profit forecast

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

27. Earnings per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter **31/12/2010** RM'000	Preceding year corresponding quarter **31/12/2009** RM'000	Twelve months to **31/12/2010** RM'000	Twelve months to **31/12/2009** RM'000
Basic earnings per share				
(Loss)/profit attributable to Owners of the Parent	(2,256)	21,914	30,384	60,191
Weighted average number of ordinary shares in issue ('000)	106,978	106,978	106,978	106,978
Basic (loss)/earnings per share for:	(2.11) sen	20.48 sen	28.40 sen	56.26 sen

By Order of the Board

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

Kuala Lumpur
25 February 2011