

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 June 2013	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2013	2012	2013	2012
Revenue	437,633	456,737	937,972	903,482
Cost of sales	(376,946)	(384,994)	(789,780)	(744,945)
Gross profit	60,687	71,743	148,192	158,537
Other income	329	979	1,205	1,569
Operating expenses	(48,327)	(41,971)	(96,001)	(83,177)
Finance cost	(3,389)	(3,315)	(7,408)	(6,671)
Interest income	305	182	541	315
Profit before taxation	9,605	27,618	46,529	70,573
Taxation	(3,434)	(11,541)	(15,205)	(25,435)
Profit for the period	6,171	16,077	31,324	45,138
Profit for the period attributable to:				
Owners of the parent	5,865	15,713	30,636	44,398
Non-controlling interest	306	364	688	740
Profit for the period	6,171	16,077	31,324	45,138
Earnings per share - sen				
Basic	2.27	6.07*	11.83	17.15*

* 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 June 2013	Current Period		Cumulative Period	
(All figures are stated in RM'000)	2013	2012	2013	2012
Profit for the period	6,171	16,077	31,324	45,138
<u>Other comprehensive income, net of tax</u>				
Foreign currency translation difference in respect of foreign operations	221	202	264	(997)
	<u>221</u>	<u>202</u>	<u>264</u>	<u>(997)</u>
Total comprehensive income for the period	6,392	16,279	31,588	44,141
Attributable to:				
Owners of the parent	5,987	15,824	30,781	45,476
Non-controlling interest	405	455	807	(1,335)
Total comprehensive income for the period	6,392	16,279	31,588	44,141

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 (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2013	As at 31 December 2012
(All figures are stated in RM'000)		
ASSETS		
Non-current assets		
Property, plant and equipment	345,846	339,660
Prepaid lease payments	1,100	1,126
Investment in an Associate	19	19
Intangible assets	143,761	149,523
Deferred tax assets	8,379	9,137
	<u>499,105</u>	<u>499,465</u>
Current assets		
Inventories	386,116	464,855
Receivables	223,254	218,289
Tax recoverable	6,500	5,664
Deposits, cash and bank balances	17,495	34,553
	<u>633,365</u>	<u>723,361</u>
TOTAL ASSETS	<u>1,132,470</u>	<u>1,222,826</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	129,441	117,674
Share premium	11,751	11,751
Foreign currency translation reserve	(913)	(1,058)
Retained earnings	341,927	343,651
Shareholders' equity	<u>482,206</u>	<u>472,018</u>
Non-controlling interest	16,642	15,835
Total equity	<u>498,848</u>	<u>487,853</u>
Non-current liabilities		
Loans and borrowings	418	72
Deferred tax liabilities	2,306	5,137
Provision for defined benefit plan	6,612	6,036
	<u>9,336</u>	<u>11,245</u>
Current liabilities		
Payables	328,699	380,111
Amount due to immediate holding company	91	179
Current tax liabilities	2,498	2,461
Loans and borrowings	292,998	340,977
	<u>624,286</u>	<u>723,728</u>
Total liabilities	<u>633,622</u>	<u>734,973</u>
TOTAL EQUITY AND LIABILITIES	<u>1,132,470</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.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company							
For the financial period ended	Share	* Share	* Foreign Currency Translation	Retained	Total	Non- controlling	Total
30 June 2013	Capital	Premium	Reserve	Earnings		Interest	Equity
(All figures are stated in RM'000)							
At 1 January 2013	117,674	11,751	(1,058)	343,651	472,018	15,835	487,853
Total comprehensive income for the year	-	-	145	30,636	30,781	807	31,588
Transaction with owners							
Bonus issue	11,767	-	-	(11,767)	-	-	-
Dividends	-	-	-	(20,593)	(20,593)	-	(20,593)
At 30 June 2013	<u>129,441</u>	<u>11,751</u>	<u>(913)</u>	<u>341,927</u>	<u>482,206</u>	<u>16,642</u>	<u>498,848</u>
At 1 January 2012 (restated)	106,978	22,447	1,897	334,710	466,032	15,645	481,677
Total comprehensive (loss)/income for the year	-	-	1,078	44,398	45,476	(1,335)	44,141
Transaction with owners							
Bonus issue	10,696	(10,696)	-	-	-	-	-
Dividends	-	-	-	(33,538)	(33,538)	-	(33,538)
At 30 June 2012	<u>117,674</u>	<u>11,751</u>	<u>2,975</u>	<u>345,570</u>	<u>477,970</u>	<u>14,310</u>	<u>492,280</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 June 2013**

(All figures are stated in RM'000)	2013	2012
Operating Activities		
Cash receipts from customers	909,574	879,833
Cash payments to suppliers and employees	(783,782)	(863,010)
Net cash generated from operations	125,792	16,823
Interest paid	(8,993)	(3,300)
Tax paid	(17,818)	(13,034)
Interest received	518	298
Net cash generated from operating activities	99,499	787
Investing Activities		
Settlement on acquisition of a subsidiary	-	(48,868)
Settlement on novation consideration (Note B22)	(21,083)	(30,000)
Purchase of property, plant and equipment	(15,922)	(7,161)
Purchase of intangible assets	(11,370)	(9,841)
Proceeds from disposal of property, plant and equipment	116	34
Net cash used in investing activities	(48,259)	(95,836)
Financing Activities		
Dividend paid	(20,593)	(40,758)
Net (repayment)/drawdown of borrowings	(47,633)	115,757
Net cash (used in)/generated from financing activities	(68,226)	74,999
Net decrease in cash and cash equivalents	(16,986)	(20,050)
Effects of exchange rate changes	(72)	195
Cash and cash equivalent at beginning of period	34,553	55,075
Cash and cash equivalent at end of period	17,495	35,220
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	17,495	35,220

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 June 2013 have been prepared in accordance with MFRS134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

A2. Significant Accounting Policies

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

A2.1 Adoption of MFRSs and Amendments to MFRSs

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

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

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

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

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

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

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

A3. Audit report in respect of the 2012 financial statements

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

A4. Seasonal or cyclical factors

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

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

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

A6. Change in Estimates

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

A7. Debt and equity securities

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).

For the second quarter, the Directors have declared a second interim single tier dividend of 3.41 sen (2012: 3.41 sen) per share based on enlarged share capital comprising 258,882,732 ordinary shares in respect of the year ending 31 December 2013. The dividend will be paid on 24 September 2013 to shareholders registered in the Register of Members at the close of business on 3 September 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	937,517	455	-	937,972
Inter-segment revenue	2,251	150,712	(152,963)	-
Total revenue	939,768	151,167	(152,963)	937,972
Results				
Segment results	19,392	22,247	11,757	53,396
Finance costs	(7,305)	(1,547)	1,444	(7,408)
Interest income	1,981	4	(1,444)	541
Profit before taxation	14,068	20,704	11,757	46,529
Taxation				(15,205)
Profit for the period				31,324
2012				
Revenue				
External revenue	868,370	35,112	-	903,482
Inter-segment revenue	1,105	137,854	(138,959)	-
Total revenue	869,475	172,966	(138,959)	903,482
Results				
Segment results	53,728	42,723	(19,522)	76,929
Finance costs	(6,093)	(2,076)	1,498	(6,671)
Interest income	1,799	14	(1,498)	315
Profit before taxation	49,434	40,661	(19,522)	70,573
Taxation				(25,435)
Profit for the period				45,138

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 16 August 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 June 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 June 2013:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	15,776	9,304	25,080
Acquisition of a subsidiary	-	63,000	63,000
	<u>15,776</u>	<u>72,304</u>	<u>88,080</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	-	-	11,370	11,370
Foreign exchange adjustments	-	43	-	43
At 30 June 2013	<u>89,825</u>	<u>4,097</u>	<u>101,146</u>	<u>195,068</u>
Accumulated amortisation				
At 1 January 2013	-	1,507	24,972	26,479
Amortisation charged	-	292	16,861	17,153
Foreign exchange adjustments	-	22	-	22
At 30 June 2013	<u>-</u>	<u>1,821</u>	<u>41,833</u>	<u>43,654</u>
Accumulated impairment				
At 1 January 2012/30 June 2013	<u>7,653</u>	-	-	<u>7,653</u>
Net carrying value				
At 30 June 2013	<u>82,172</u>	<u>2,276</u>	<u>59,313</u>	<u>143,761</u>
At 31 December 2012	<u>82,172</u>	<u>2,547</u>	<u>64,804</u>	<u>149,523</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B17. Performance Review**

For the second quarter, the Group's unaudited revenue of RM437.6 million was lower compared with RM456.7 million recorded in the corresponding period last year. The Group's profit before tax (PBT) of RM9.6 million for the quarter under review also saw a reduction compared with RM27.6 million recorded in the previous year's corresponding quarter.

Revenue for the six-month period was up to RM938.0 million for the period under review compared with RM903.5 million for the same period in 2012. The rationale for the increase in revenue was from the non-concession business which included contributions from the Indonesian operations and other factors.

Cumulatively, PBT for the period was RM46.5 million compared with RM70.6 million for the corresponding period last year. This was due to a drop in sales from the concession business. Additionally, provision for doubtful debts and a lower manufacturing profit as a result of a drop in production volume impacted the half-year profit.

For first half of the year, the **Logistics and Distribution Division** posted a lower profit before tax of RM14.1 million compared with corresponding period last year's RM49.4 million mainly due to lower off-take from the concession business with the Government and higher direct overheads.

Whereas, the **Manufacturing Division's** profit before tax of RM32.5 million for the first six months outperformed against the corresponding period last year of RM21.1 million mainly due to successful cessation of outsourced manufacturing and shift to in-house production.

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

The Group's revenue of RM437.6 million for the current quarter under review was a decrease of 13% compared with RM500.3 million in the immediate preceding quarter. The Group's PBT of RM9.6 million for the quarter under review was lower compared with RM36.9 million in the previous quarter. The drop was due to a lower off-take from the concession business with the Government and unabsorbed factory overheads.

The **Logistics & Distribution Division** recorded a lower PBT of RM1.5 million compared with RM12.6 million in the immediate preceding quarter of 2013. This was a result of a slowdown in orders from the concession business and increased provision for obsolete and soon-to-expire stocks.

The **Manufacturing Division** registered a reduced PBT of RM8.1 million compared with RM24.3 million in the immediate preceding quarter of 2013. In view of the Group's inventory control measures, production levels were lower resulting in unabsorbed factory overheads.

B19. Prospects

The Group looks forward to expand overseas in line with our long-term strategies. With our recently awarded European Union (EU) certification, the Pharmaniaga Group is confident of our appeal to multinational companies from the EU who will now be able to award us with contract manufacturing projects. The Group is conscious of the challenging economic landscape and remain cautiously optimistic of achieving a satisfactory performance for 2013.

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

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

B21. Income Tax

For the quarter ended 30 June 2013	Current Period		Cumulative Period	
RM'000	2013	2012	2013	2012
Taxation based on profit for the period:				
- Current	5,127	29,521	15,092	42,095
- Deferred	(1,693)	(17,980)	2,366	(16,660)
	3,434	11,541	17,458	25,435
Overprovision of prior years	-	-	(2,253)	-
	3,434	11,541	15,205	25,435

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B22. Corporate Proposals**a) **Proposed acquisition of a subsidiary**

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

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 June 2013	31 December 2012
	RM'000	RM'000
Current:		
Bankers' acceptances	77,478	149,518
Revolving credits	175,000	155,000
Short term foreign time loan	40,370	36,393
Hire purchase	150	66
	292,998	340,977
Non-current:		
Hire purchase	418	72

Short term foreign time loan of RM40.4 million (2012: RM36.4 million) is denominated in Indonesian Rupiah (IDR) and is equivalent to IDR126,156 million (2012: IDR114,804 million).

B24. Realised and Unrealised Profits of the Group

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

	30 June 2013	31 December 2012
	RM'000	RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	357,808	418,077
- unrealised profits	5,160	2,941
	362,968	421,018
Less: Consolidation adjustments	(21,041)	(77,367)
Total Group retained profits as per consolidated accounts	341,927	343,651

B25. Additional Disclosures

For the quarter ended 30 June 2013	Current Period		Cumulative Period	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Depreciation and amortisation	17,856	14,433	31,530	22,558
Provision for and write off of receivables	3,338	435	11,352	7,721
Provision for and write off of inventories	2,419	3,016	2,588	4,082
Foreign exchange gain	(218)	161	(223)	(225)

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 June 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B26. Economic Profit (“EP”) Statement**

For the quarter ended 30 June 2013	Cumulative Period	
	2013	2012
	RM'000	RM'000
Economic profit	5,603	25,347

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 June 2013	Current Period		Cumulative Period	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit attributable to shareholders of the Company	5,865	15,713	30,636	44,398
Weighted average number of ordinary shares in issue ('000)	258,883	258,883*	258,883	258,883*
Basic earnings per share (sen)	2.27	6.07	11.83	17.15

* 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 16 August 2013.

Kuala Lumpur
16 August 2013

By Order of the Board

SHARIFAH MALEK (LS00448)
NOR AZRINA ZAKARIA (LS0009161)