

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 September 2017	Current Period		Cumulative Period	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	574,503	515,215	1,710,764	1,606,206
Cost of sales	(488,708)	(420,896)	(1,462,838)	(1,343,088)
Gross profit	85,795	94,319	247,926	263,118
Operating expenses	(62,239)	(65,782)	(173,790)	(171,712)
Finance costs	(8,421)	(8,729)	(21,216)	(24,120)
Interest income	136	115	278	662
Profit before zakat and taxation	15,271	19,923	53,198	67,948
Zakat	(500)	(50)	(600)	(250)
Taxation	(10,881)	(7,225)	(19,699)	(20,939)
Profit for the period	3,890	12,648	32,899	46,759
Profit for the period attributable to:				
Owners of the parent	3,580	13,061	32,023	46,435
Non-controlling interests	310	(413)	876	324
Profit for the period	3,890	12,648	32,899	46,759
Earnings per share - sen				
- Basic	1.38	5.04	12.34	17.93
- Diluted	1.38	5.03	12.31	17.88

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 STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 September 2017	Current Period		Cumulative Period	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period	3,890	12,648	32,899	46,759
<u>Other comprehensive (loss)/income, net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	(4,023)	4,380	(8,631)	1,736
Recognition of actuarial losses	-	-	(344)	(4)
	<u>(4,023)</u>	<u>4,380</u>	<u>(8,975)</u>	<u>1,732</u>
Total comprehensive (loss)/income for the period	(133)	17,028	23,924	48,491
Attributable to:				
Owners of the parent	597	16,254	25,459	48,097
Non-controlling interests	(730)	774	(1,535)	394
Total comprehensive (loss)/income for the period	(133)	17,028	23,924	48,491

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	427,474	420,465
Prepaid lease payments	2,400	2,616
Intangible assets	348,311	342,796
Receivables	12,428	12,236
Deferred tax assets	19,541	28,298
	<u>810,154</u>	<u>806,411</u>
Current assets		
Inventories	428,483	532,211
Receivables	380,685	256,289
Tax recoverable	26,809	17,743
Deposits, cash and bank balances	18,387	70,456
	<u>854,364</u>	<u>876,699</u>
TOTAL ASSETS	<u>1,664,518</u>	<u>1,683,110</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	146,211	129,688
Reserves	387,209	400,943
Shareholders' equity	<u>533,420</u>	<u>530,631</u>
Non-controlling interests	27,287	28,776
Total equity	<u>560,707</u>	<u>559,407</u>
Non-current liabilities		
Loans and borrowings	511	248
Payables	457	547
Deferred tax liabilities	48,862	48,105
Provision for defined benefit plan	9,416	8,593
Deferred income	4,082	4,190
	<u>63,328</u>	<u>61,683</u>
Current liabilities		
Payables	447,190	442,757
Amount due to immediate holding company	605	472
Current tax liabilities	-	1,703
Deferred income	255	424
Loans and borrowings	592,433	616,664
	<u>1,040,483</u>	<u>1,062,020</u>
Total liabilities	<u>1,103,811</u>	<u>1,123,703</u>
TOTAL EQUITY AND LIABILITIES	<u>1,664,518</u>	<u>1,683,110</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2017	Attributable to shareholders of the Company							
	<----- Non-distributable ----->				Distributable		Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Exchange Reserve	Share Reserve	Retained Earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017	129,688	14,266	15,319	5,821	365,537	530,631	28,776	559,407
Adjustments for effects of Companies Act 2016 (Note a)	14,266	(14,266)	-	-	-	-	-	-
- Net profit for the financial period	-	-	-	-	32,023	32,023	876	32,899
- Other comprehensive loss	-	-	(6,382)	-	(182)	(6,564)	(2,411)	(8,975)
Total comprehensive (loss)/income for the financial period	-	-	(6,382)	-	31,841	25,459	(1,535)	23,924
Transactions with owners								
Issuance of shares by a subsidiary	-	-	-	-	-	-	20	20
Adjustments arising from the finalisation of purchase price allocation	-	-	-	-	-	-	282	282
Share options granted under Share Option Plan	-	-	-	3,725	-	3,725	-	3,725
Shares granted under Long Term Incentive Plan	-	-	-	2,154	-	2,154	-	2,154
Issuance of new shares	-	-	-	-	-	-	-	-
- Long Term Incentive Plan	2,257	-	-	(2,257)	-	-	-	-
Dividends	-	-	-	-	(28,549)	(28,549)	(256)	(28,805)
Total transactions with owners for the financial period	2,257	-	-	3,622	(28,549)	(22,670)	46	(22,624)
At 30 September 2017	146,211	-	8,937	9,443	368,829	533,420	27,287	560,707
At 1 January 2016	129,441	11,751	7,842	-	380,375	529,409	30,585	559,994
- Net profit for the financial period	-	-	-	-	46,435	46,435	394	46,829
- Other comprehensive income	-	-	1,662	-	-	1,662	-	1,662
Total comprehensive income for the financial period	-	-	1,662	-	46,435	48,097	394	48,491
Transactions with owners								
Accretion of interest in a subsidiary	-	-	-	-	(8,549)	(8,549)	(3,425)	(11,974)
Acquisition of a subsidiary	-	-	-	-	-	-	89	89
Share options granted under Share Option Plan	-	-	-	644	-	644	-	644
Shares granted under Long Term Incentive Plan	-	-	-	1,030	-	1,030	-	1,030
Issuance of new shares	-	-	-	-	-	-	-	-
- Share Option Plan	100	1,014	-	(106)	-	1,008	-	1,008
- Long Term Incentive Plan	147	1,501	-	-	-	1,648	-	1,648
Dividends	-	-	-	-	(41,446)	(41,446)	(338)	(41,784)
Total transactions with owners for the financial period	247	2,515	-	1,568	(49,995)	(45,665)	(3,674)	(49,339)
At 30 September 2016	129,688	14,266	9,504	1,568	376,815	531,841	27,305	559,146

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM14,266,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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

Pharmaniaga Berhad (467709-M)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the quarter ended 30 September 2017

	2017	2016
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	1,606,586	1,513,628
Cash payments to suppliers and employees	(1,531,107)	(1,607,784)
Net cash generated from/(used in) operations	75,479	(94,156)
Interest paid	(20,254)	(23,121)
Tax paid	(19,255)	(21,481)
Zakat paid	(600)	(250)
Interest received	247	597
Net cash generated from/(used in) operating activities	35,617	(138,411)
Investing Activities		
Acquisition of a subsidiary	-	(14,773)
Advance to a corporate shareholder of a subsidiary	-	(17,960)
Purchase of property, plant and equipment	(18,442)	(21,613)
Purchase of intangible assets	(23,016)	(29,632)
Proceeds from disposal of property, plant and equipment	43	72
Net cash used in investing activities	(41,415)	(83,906)
Financing Activities		
Issuance of shares	-	1,008
Dividends paid to:		
- owners of the Company	(28,549)	(41,446)
- non-controlling interests of a subsidiary	(256)	(338)
Net (repayment)/drawdown of borrowings	(16,534)	274,776
Net cash (used in)/generated from financing activities	(45,339)	234,000
Net (decrease)/increase in cash and cash equivalents	(51,137)	11,683
Effects of exchange rate changes	(932)	108
Cash and cash equivalent at beginning of period	70,456	22,518
Cash and cash equivalent at end of period	18,387	34,309
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	18,387	34,309

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the period ended 30 September 2017 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 2016. 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 2016.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following improvements and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2017.

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

On 1 January 2017, the Group applied the following improvements and amendments to published standards:-

Amendments to MFRS 107 'Statement of Cash Flows'	Disclosure Initiative
Amendments to MFRS 112 'Income Taxes'	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above improvements and amendments to published standards did not have any significant impact on the financial statements of the Group.

A2.2 Standards and amendments that have been issued but not yet effective

At the date of authorisation of these interim financial statements, the following standards and amendments have been issued and are effective for financial year beginning after 1 January 2018 and have not been applied by the Group:

a) Financial year beginning on/after 1 January 2018

- i) MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligation; and
- Recognise the revenue as each performance obligation is satisfied

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

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

A2. Significant Accounting Policies (Cont'd)

A2.2 Standards and amendments that have been issued but not yet effective (cont'd)

a) Financial year beginning on/after 1 January 2018 (cont'd)

ii) MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

iii) Amendments to MFRS 2 'Share-based Payment' deals with classification and measurement of share-based payment transactions. The amendments provides specific guidance on how to account for the following situations:

- (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

iv) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

This Interpretation applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions. This Interpretation also provides guidance how to determine "the date of transaction" when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

b) Financial year beginning on/after 1 January 2019

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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

A3. Audit report in respect of the 2016 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2016 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

Other than as disclosed in the audited financial statements for the financial year ended 31 December 2016, there were no other material changes in estimates of amounts reported in the current financial period or previous financial year.

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 the issuance of 443,900 new ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 10 August 2017.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

A8. Dividends

On 17 March 2017, the Company paid a fourth interim dividend of 3.0 sen (2015: 7.0 sen) per share in respect of the financial year ended 31 December 2016 amounting to RM7.8 million (2015: RM18.1 million).

On 7 June 2017, the Company paid a first interim dividend of 4.0 sen (2016: 4.0 sen) per share in respect of the financial year ending 31 December 2017 amounting to RM10.4 million (2016: RM10.4 million).

On 18 September 2017, the Company paid a second interim dividend of 4.0 sen (2016: 5.0 sen) per share in respect of the financial year ending 31 December 2017 amounting to RM10.4 million (2016: RM13.0 million).

For the third quarter, the Directors have declared a third interim dividend of 5.0 sen (2016: 4.0 sen) per share in respect of the financial year ending 31 December 2017. The dividend will be paid on 15 December 2017 to shareholders registered in the Register of Members at the close of business on 4 December 2017.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2017					
Revenue					
External revenue	1,163,150	2,710	544,904	-	1,710,764
Inter-segment revenue	-	172,513	-	(172,513)	-
Total revenue	<u>1,163,150</u>	<u>175,223</u>	<u>544,904</u>	<u>(172,513)</u>	<u>1,710,764</u>
Results					
Segment results	17,313	52,201	9,759	-	79,273
Finance costs	(13,113)	(2,304)	(6,453)	654	(21,216)
Interest income	335	569	28	(654)	278
	<u>4,535</u>	<u>50,466</u>	<u>3,334</u>	<u>-</u>	<u>58,335</u>
Unallocated corporate expenses					(5,137)
Profit before zakat and taxation					<u>53,198</u>
Zakat					(600)
Taxation					(19,699)
Profit for the period					<u><u>32,899</u></u>
2016					
Revenue					
External revenue	1,136,466	1,990	467,750	-	1,606,206
Inter-segment revenue	-	264,778	-	(264,778)	-
Total revenue	<u>1,136,466</u>	<u>266,768</u>	<u>467,750</u>	<u>(264,778)</u>	<u>1,606,206</u>
Results					
Segment results	15,125	73,603	6,402	-	95,130
Finance costs	(13,535)	(1,589)	(9,830)	834	(24,120)
Interest income	938	516	42	(834)	662
	<u>2,528</u>	<u>72,530</u>	<u>(3,386)</u>	<u>-</u>	<u>71,672</u>
Unallocated corporate expenses					(3,724)
Profit before zakat and taxation					<u>67,948</u>
Zakat					(250)
Taxation					(20,939)
Profit for the period					<u><u>46,759</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A9. Operating segments (Cont'd)**

Effective 1 January 2017, the Group's segmental reporting discloses Indonesia Division, comprising all Indonesian subsidiaries, as a separate segment, whose operating results are now regularly reviewed by the Group for better allocation of resources and performance assessment.

Other than the reclassification of all Indonesian subsidiaries that were previously reported under Logistics and Distribution and Manufacturing divisions respectively, the segmental information is consistent with those of the audited financial statements for the year ended 31 December 2016. Accordingly, the corresponding prior period amounts have been restated following the change in reporting segments.

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:

	Cumulative period					
	2017			2016		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,656,692,581	0.0329	544,904	1,541,698,539	0.0303	467,750
Segment results	10,136,092	0.0329	3,334	(11,160,261)	0.0303	(3,386)

A10. Carrying Amount of Revalued Assets

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

A11. Subsequent Event

Other than the above, there was no subsequent event as at 15 November 2017 that will materially affect the financial statements of the financial period under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current period ended 30 September 2017 other than the subscription of 80% equity interest in Paradigm Industry Sdn. Bhd. ("PISB") during the financial period.

On 13 January 2017, Pharmaniaga Pristine Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary, subscribed to the total issued and paid-up capital of PISB of RM2.00. Furtherance to that, on 29 March 2017, PISB increased its paid-up capital to RM100,000 through the issuance of 99,998 ordinary shares by way of capitalisation of amount owing to PPSB (80%) and Sweetleaves Health Sdn. Bhd. (20%).

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 2017:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	28,883	-	28,883
Intangible assets	500	-	500

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 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A16. Intangible Assets**

RM'000	Goodwill	Software	Capitalised development costs of work- in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2017	153,176	4,289	13,073	23,096	234,658	-	428,292
Additions	-	-	3,603	-	16,808	3,060	23,471
Adjustments arising from the finalisation of purchase price allocation	(656)	-	-	564	-	-	(92)
Transfer from property, plant and equipment	-	-	186	-	-	-	186
Foreign exchange adjustments	(3,728)	(294)	-	(1,378)	-	-	(5,400)
At 30 September 2017	148,792	3,995	16,862	22,282	251,466	3,060	446,457
Accumulated amortisation							
At 1 January 2017	-	4,065	7	6,650	62,121	-	72,843
Amortisation charged	-	191	8	1,934	10,936	136	13,205
Foreign exchange adjustments	-	(291)	-	(264)	-	-	(555)
At 30 September 2017	-	3,965	15	8,320	73,057	136	85,493
Accumulated impairment							
At 1 January/ 30 September 2017	12,653	-	-	-	-	-	12,653
Net carrying value							
At 30 September 2017	136,139	30	16,847	13,962	178,409	2,924	348,311
At 31 December 2016	140,523	224	13,066	16,446	172,537	-	342,796

During the current financial period, Pharmaniaga Pristine Sdn. Bhd., a wholly-owned subsidiary, acquired a formula to produce natural Stevia sweetener from Sweetleaves Health Sdn. Bhd. for a cash consideration of RM2.95 million payable over a period of two (2) years.

On completion of the purchase price allocation in the current financial period, the fair value of the identifiable net assets of Bio-Collagen Technologies Sdn. Bhd. attributable to the Group at acquisition date was increased from RM96,000 to RM752,000 with a corresponding decrease in goodwill of the same amount.

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

	Current Period			Cumulative Period		
	2017 RM'000	2016 RM'000	+ / (-) %	2017 RM'000	2016 RM'000	+ / (-) %
Revenue	574,503	515,215	11.5%	1,710,764	1,606,206	6.5%
Profit before interest and taxation	23,556	28,537	(17.5%)	74,136	91,406	(18.9%)
Profit before zakat and taxation	15,271	19,923	(23.3%)	53,198	67,948	(21.7%)
Profit for the period	3,890	12,648	(69.2%)	32,899	46,759	(29.6%)
Profit attributable to owners of the parent	3,580	13,061	(72.6%)	32,023	46,435	(31.0%)

Quarter 3 2017 vs Quarter 3 2016

For the quarter under review, the Group delivered a higher revenue of RM575 million, up by 12% from RM515 million in the previous year's corresponding quarter. This was achieved as a result of increased orders from Government hospitals and double-digit growth from the Group's Indonesia operations. Meanwhile, the Group recorded a lower profit before tax (PBT) of RM15 million compared with RM20 million in the same quarter last year, mainly attributable to lower off-take for in-house products.

Year-to-date 30 September 2017 vs Year-to-date 30 September 2016

For the nine-month period under review, the Group recorded a higher revenue of RM1.7 billion compared with RM1.6 billion in last year's corresponding period. However, the Group posted a lower PBT of RM53 million compared with RM68 million in the previous year's corresponding period. This was largely due to reduced production by our manufacturing facilities, arising from the temporary closure of certain production lines in the preceding second quarter for preparatory works to facilitate the commercialisation of new products that were approved ahead of schedule.

The **Logistics and Distribution Division** delivered a higher PBT of RM5 million for the nine-month period compared with RM3 million in the same period last year. This was mainly attributable to stronger contributions from the concession business.

The **Manufacturing Division** recorded a lower PBT of RM50 million compared with RM73 million in the corresponding period last year. This was primarily due to lower production by our manufacturing facilities as described above.

The **Indonesia Division** posted a PBT of RM3 million, marking a turnaround from the deficit of RM3 million in the previous year's corresponding period. This was mainly attributable to higher contributions as a result of product rationalisation exercise and lower finance costs.

Statement of Financial Position

As at 30 September 2017, the higher receivables is mainly due to balances are within the credit terms. Meanwhile, the inventories and borrowings have reduced from 31 December 2016 as a result of stock optimisation exercise. This resulted in lower trade purchase and hence, borrowings.

The deferred tax assets has decreased by RM9 million primarily due to crystallisation of unrealised profit. As a result of lower profitability of the manufacturing companies, the current tax expenses have reduced and led to a higher tax recoverable.

Statement of Cash Flows

For the period under review, lower trade purchases and borrowings have contributed to the positive operating cash flows as explained above.

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

	Current Period	Immediate Preceding Period	+ / (-) %
	2017 RM'000	2017 RM'000	
Revenue	574,503	517,967	10.9%
Profit before interest and taxation	23,556	16,509	42.7%
Profit before zakat and taxation	15,271	10,150	50.5%
Profit for the period	3,890	9,751	(60.1%)
Profit attributable to owners of the parent	3,580	9,520	(62.4%)

The Group registered a higher revenue of RM575 million compared with RM518 million in the preceding quarter. This was primarily due to double-digit growth from both the concession business and the Group's Indonesia operations. As a result of this, the Group recorded a higher PBT of RM15 million compared with RM10 million in the preceding quarter.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B19. Prospects**

For the period under review, the Group's top-line growth was bolstered by solid contributions from its businesses, particularly its overseas operations. Moving forward, driven by research and development efforts, the Group is on track to deliver new product offerings for both local and overseas markets for the coming years ahead which should further strengthen earnings potential.

Over the long-term, prospects remain positive for the Group. Towards this end, the initiatives introduced by the Government in the National Budget for 2018 are indeed laudable. From the total allocation of RM27 billion to provide quality healthcare services, RM2.5 billion has been allocated for medical suppliers and RM1.6 billion for consumable and medical support items. Along with this, funds have been allocated for the treatment of increasing cases of rare diseases and a programme to raise awareness on non-communicable diseases.

These measures bode well for Malaysia's healthcare sector. Amidst this encouraging backdrop, Pharmaniaga as a leader in the pharmaceuticals industry is well-prepared to tap these opportunities.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Taxation based on profit for the period:				
- Current	2,133	2,519	3,506	17,330
- Deferred	780	6,988	7,858	5,620
	2,913	9,507	11,364	22,950
Under/(over) provision in prior years:				
- Current	6,623	(2,282)	5,012	(3,055)
- Deferred	1,345	-	3,323	1,044
	7,968	(2,282)	8,335	(2,011)
	10,881	7,225	19,699	20,939

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to underprovision in prior years.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

	30 September 2017 RM'000	30 September 2016 RM'000	31 December 2016 RM'000
Non-current:			
Hire purchase	511	367	248
Current:			
Bank overdraft - denominated in Indonesian Rupiah	189	2,461	-
Bankers' acceptances: - Denominated in Ringgit Malaysia	173,419	204,682	269,635
- Denominated in Indonesian Rupiah	13,664	10,060	14,642
Revolving credits	295,000	345,000	230,000
Short term foreign time loan - denominated in Indonesian Rupiah	109,282	114,948	101,921
Hire purchase	879	508	466
	592,433	677,659	616,664
	30 September 2017 IDR'000	30 September 2016	31 December 2016
The amount of borrowings denominated in Indonesian Rupiah	393,402,556	402,110,410	350,039,039
Exchange rate for Indonesian Rupiah	RM 0.0313	0.0317	0.0333

As at 30 September 2017, the reduced borrowings is primarily due to repayments during the period and lower trade purchases arising from the stock optimisation exercise.

As at 30 September 2017, the weighted average interest rate of borrowings is 6.9% (30 September 2016: 7.8%) per annum. The proportion of debt based on fixed interest and floating interest rates is 82% (30 September 2016: 83%) and 18% (30 September 2016: 17%) respectively.

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

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

The retained profits as at 30 September 2017 is analysed as follows:

	30 September 2017	31 December 2016
	RM'000	RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	407,788	421,104
- unrealised losses	(30,380)	(20,341)
	377,408	400,763
Less: Consolidation adjustments	(8,579)	(35,226)
Total Group retained profits as per consolidated accounts	368,829	365,537

B25. Additional Disclosures

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

	Current Period		Cumulative Period	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	11,191	(1,972)	34,785	33,314
Net provision for and write off of receivables	1,670	315	2,127	1,160
Provision for and write off of inventories	3,604	1,903	6,805	3,225
Net foreign exchange gain	(135)	(171)	(1,681)	(486)

Other than the items mentioned above which have been included in the consolidated income statement 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 2017.

B26. Profit Forecast

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

B27. Earnings Per Share ("EPS")

(a) Basic earnings per share

	Current Period		Cumulative Period	
	2017	2016	2017	2016
Profit attributable to owners of the Company (RM'000)	3,580	13,061	32,023	46,435
Average number of ordinary shares in issue ('000)	259,460	259,016	259,460	259,016
Basic earnings per share (sen)	1.38	5.04	12.34	17.93

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	3,580	13,061	32,023	46,435
Average number of ordinary shares in issue ('000)	259,460	259,016	259,460	259,016
Assumed shares issued from the exercise of Option Plan ('000)	-	119	-	119
Assumed shares issued under Long Term Incentive Plan ('000)	606	582	606	582
Weighted average number of ordinary shares in issue ('000)	260,066	259,716	260,066	259,716
Diluted earnings per share (sen)	1.38	5.03	12.31	17.88

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 15 November 2017.

Kuala Lumpur
15 November 2017

By Order of the Board

TASNEEM MOHD DAHALAN (LS0006966)