Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 September 2018	**Current Period**		**Cumulative Period**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue	**587,660**	574,503	**1,788,312**	1,710,764
Cost of sales	**(511,636)**	(488,708)	**(1,537,985)**	(1,462,838)
Gross profit	**76,024**	85,795	**250,327**	247,926
Other income	**-**	344	**867**	2,212
Operating expenses	**(48,196)**	(62,583)	**(166,940)**	(176,002)
Finance costs	**(10,461)**	(8,421)	**(26,498)**	(21,216)
Interest income	**236**	136	**524**	278
Profit before zakat and taxation	**17,603**	15,271	**58,280**	53,198
Zakat	**(30)**	(500)	**(1,011)**	(600)
Taxation	**(2,268)**	(10,881)	**(18,609)**	(19,699)
Profit for the period	**15,305**	3,890	**38,660**	32,899
Profit for the period attributable to:				
Owners of the parent	**15,051**	3,580	**38,031**	32,023
Non-controlling interests	**254**	310	**629**	876
Profit for the period	**15,305**	3,890	**38,660**	32,899
Earnings per share - sen				
- Basic	**5.79**	1.38	**14.63**	12.34
- Diluted	**5.77**	1.38	**14.59**	12.31

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 2018	Current Period		Cumulative Period	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	**15,305**	3,890	**38,660**	32,899
Other comprehensive loss, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**(1,257)**	(4,023)	**(7,556)**	(8,631)
Recognition of actuarial gain/(loss)	**-**	-	**307**	(344)
	(1,257)	(4,023)	**(7,249)**	(8,975)
Total comprehensive income/(loss) for the period	**14,048**	(133)	**31,411**	23,924
Attributable to:				
Owners of the parent	**14,011**	597	**31,767**	25,459
Non-controlling interests	**37**	(730)	**(356)**	(1,535)
Total comprehensive income/(loss) for the period	**14,048**	(133)	**31,411**	23,924

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2018	As at 31 December 2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**405,968**	410,854
Prepaid lease payments	**2,075**	2,281
Intangible assets	**386,393**	365,394
Receivables	**17,474**	15,146
Deferred tax assets	**34,999**	35,437
	846,909	829,112
Current assets		
Inventories	**557,429**	484,993
Receivables	**509,418**	246,703
Tax recoverable	**16,596**	19,049
Deposits, cash and bank balances	**23,844**	27,893
	1,107,287	778,638
TOTAL ASSETS	**1,954,196**	1,607,750
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**149,401**	146,213
Reserves	**374,997**	381,833
Shareholders' equity	**524,398**	528,046
Non-controlling interests	**18,535**	19,081
Total equity	**542,933**	547,127
Non-current liabilities		
Loans and borrowings	**138**	401
Payables	**-**	457
Deferred tax liabilities	**58,824**	52,999
Provision for defined benefit plan	**8,648**	8,977
Contract liabilities	**4,741**	4,864
	72,351	67,698
Current liabilities		
Payables	**574,931**	546,219
Amount due to immediate holding company	**115**	725
Current tax liabilities	**2,128**	1,494
Contract liabilities	**552**	571
Loans and borrowings	**761,186**	443,916
	1,338,912	992,925
Total liabilities	**1,411,263**	1,060,623
TOTAL EQUITY AND LIABILITIES	**1,954,196**	1,607,750

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							
	<------------------- Non-distributable ------------------->				Distributable		Non-	
For the period ended 30 September 2018	**Share Capital**	**Share Premium**	**Exchange Reserve**	**Share Reserve**	**Retained Earnings**	**Total**	**controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018	**146,213**	**-**	**3,239**	**10,527**	**368,067**	**528,046**	**19,081**	**547,127**
- Net profit for the financial period	**-**	**-**	**-**	**-**	**38,031**	**38,031**	**629**	**38,660**
- Other comprehensive (loss)/income	**-**	**-**	**(6,476)**	**-**	**212**	**(6,264)**	**(985)**	**(7,249)**
Total comprehensive (loss)/ income for the financial period	**-**	**-**	**(6,476)**	**-**	**38,243**	**31,767**	**(356)**	**31,411**
Transactions with owners								
Share options granted under Share Option Plan	**-**	**-**	**-**	**1,342**	**-**	**1,342**	**-**	**1,342**
Shares granted under Long Term Incentive Plan	**-**	**-**	**-**	**2,297**	**-**	**2,297**	**-**	**2,297**
Issuance of new shares - Long Term Incentive Plan	**3,188**	**-**	**-**	**(3,188)**	**-**	**-**	**-**	**-**
Forfeiture of shares - Long Term Incentive Plan	**-**	**-**	**-**	**(79)**	**79**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**(39,054)**	**(39,054)**	**(190)**	**(39,244)**
Total transactions with owners for the financial period	**3,188**	**-**	**-**	**372**	**(38,975)**	**(35,415)**	**(190)**	**(35,605)**
At 30 September 2018	**149,401**	**-**	**(3,237)**	**10,899**	**367,335**	**524,398**	**18,535**	**542,933**
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

Note a

With the Companies Act 2016 ("New Act") came 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 Company 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 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 period ended 30 September 2018

	2018	2017
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**1,528,844**	1,606,586
Cash payments to suppliers and employees	**(1,739,966)**	(1,531,107)
Net cash (used in)/generated from operations	**(211,122)**	75,479
Interest paid	**(24,971)**	(20,254)
Tax paid	**(8,695)**	(19,255)
Zakat paid	**(1,011)**	(600)
Interest received	**491**	247
Net cash (used in)/generated from operating activities	**(245,308)**	35,617
Investing Activities		
Acquisition of a subsidiary	**(404)**	-
Purchase of property, plant and equipment	**(12,007)**	(18,442)
Purchase of intangible assets	**(31,528)**	(23,016)
Proceeds from disposal of property, plant and equipment	**162**	43
Net cash used in investing activities	**(43,777)**	(41,415)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(39,054)**	(28,549)
- non-controlling interests of a subsidiary	**(190)**	(256)
Net drawdown/(repayment) of borrowings	**325,329**	(16,534)
Net cash generated from/(used in) financing activities	**286,085**	(45,339)
Net decrease in cash and cash equivalents	**(3,000)**	(51,137)
Effects of exchange rate changes	**(1,049)**	(932)
Cash and cash equivalent at beginning of period	**27,893**	70,456
Cash and cash equivalent at end of period	**23,844**	18,387
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	**23,844**	18,387

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 2018 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 2017. 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 2017.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following new published standards, amendments and Issues Committee ('IC') Interpretation to published standards that are effective for the Group's financial year beginning on or after 1 January 2018.

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

On 1 January 2018, the Group applied the following new published standards, amendments and IC Interpretation to published standards:

Amendments to MFRS 2 'Share-based Payment'	Classification and Measurement of Share-based Payment Transaction
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
MFRS 9 'Financial Instruments'	
MFRS 15 'Revenue from Contracts with Customers'	

Except for the adoption of MFRS 9 and MFRS 15 as further explained below, the adoption of the above amendments and IC Interpretation 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.

i) MFRS 9 'Financial Instruments' replaces 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 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 ('ECL') model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group's provision matrix is based on its historical credit loss experience with trade receivables and contract assets of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus if there are any adjustments, these adjustments shall be recognised in the opening retained earnings of the current period.

ii) MFRS 15 'Revenue from Contracts with Customers'

The Group has adopted MFRS 15 in the current period. The core principle in MFRS 15 is that an entity recognised revenue to depict the transfer of promised goods and services to customers for 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, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

Based on the Group's assessment, the effects of applying the new standard on the Group's financial statements are as follows:

- Revenue relating to sales of good will be recognised when control of the products has transferred, being the point when the products are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sales of good under MFRS 15 does not have any impact on the current accounting policy.

A2. Significant Accounting Policies (Cont'd)

A2.1 Standards, amendments to published standards and IC Interpretation that are effective (cont'd)

ii) MFRS 15 'Revenue from Contracts with Customers' (cont'd)

- Revenue relating to services will be recognised in the accounting period in which the services are rendered. Revenue from contracts include multiple deliverables, such as system and equipment design, planning, installation and commissioning contracts. It is therefore accounted for as a separate performance obligation under MFRS 15. The transaction price will be allocated to each performance obligation based on the stand-alone selling price. Revenue relating to revenue from contract will be recognised over time based on the entity's progress towards complete satisfaction of that performance obligation. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the equipment is delivered, the legal title has passed and the customer has accepted the equipment. Under MFRS 15, the revenue recognition for services does not have any impact on its current practice.

- In previous reporting periods, contract liabilities in relation to the grants received from certain government agencies to fund the purchase of certain intangible assets and property, plant and equipment of the Group and RoyalePharma cash vouchers issued were previously presented as deferred revenue. Accordingly, the presentation on Consolidated Statement of Financial Position has been changed to reflect the terminology of MFRS 15 and MFRS 9. Contract assets is presented within receivables in the Consolidated Statement of Financial Position.

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the modified retrospective approach, requiring the cumulative impact of the adoption to be recognised in opening retained earnings of the current period and that comparatives will not be restated.

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

a) Financial year beginning on/after 1 January 2019

i) 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 requirement in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

ii) Annual improvements to MFRSs 2015 - 2017 Cycle (amendments to MFRS 3 'Business Combinations', MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs')

iii) Amendments to MFRS 119 'Employee Benefits' requires an entity to remeasure the net defined benefit liability (asset) when there is a plan amendment, curtailment or settlement, to determine past service cost or a gain or loss on settlement. The amendments specify that when an entity remeasures the net defined benefit liability (asset), the entity determines the current service cost and net interest for the remainder of the annual reporting period using the assumptions used for the remeasurement and net interest for the remainder of the annual reporting period on the basis of the remeasured net defined benefit liability (asset). The amendments further clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

An entity shall apply Amendments to MFRS 119 prospectively and earlier application is permitted.

b) Financial year beginning on/after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards (amendments to MFRS 2 'Share-Based Payment', MFRS 3 'Business Combinations', MFRS 101 'Presentation of Financial Statements', MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors', MFRS 134 'Interim Financial Reporting', MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets', MFRS 138 'Intangible Assets', IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' and IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration')

The Group is assessing the impact of the above new standard 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 2017 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2017 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 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 684,000 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 17 July 2018.

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

A8. Dividends

On 28 March 2018, the Company paid a fourth interim dividend of 6.0 sen (2016: 3.0 sen) per share in respect of the financial year ended 31 December 2017 amounting to RM15.6 million (2016: RM7.8 million).

On 20 June 2018, the Company paid a first interim dividend of 5.0 sen (2017: 4.0 sen) per share in respect of the financial year ending 31 December 2018 amounting to RM13.0 million (2017: RM10.4 million).

On 18 September 2018, the Company paid a second interim dividend of 4.0 sen (2017: 4.0 sen) per share in respect of the financial year ending 31 December 2018 amounting to RM10.4 million (2017: RM10.4 million).

For the third quarter, the Directors have declared a third interim dividend of 5.0 sen (2017: 5.0 sen) per share in respect of the financial year ending 31 December 2018. The dividend will be paid on 3 January 2019 to shareholders registered in the Register of Members at the close of business on 5 December 2018.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2018					
Revenue					
External revenue	1,275,586	1,896	510,830	-	1,788,312
Inter-segment revenue	-	244,231	-	(244,231)	-
Total revenue	1,275,586	246,127	510,830	(244,231)	1,788,312
Results					
Segment results	25,502	51,643	10,974	-	88,119
Finance costs	(13,867)	(2,360)	(11,096)	825	(26,498)
Interest income	718	352	279	(825)	524
	12,353	49,635	157	-	62,145
Unallocated corporate expenses					(3,865)
Profit before zakat and taxation					58,280
Zakat					(1,011)
Taxation	(6,025)	(9,075)	(1,765)	(1,744)	(18,609)
Profit for the period					38,660
Timing of revenue recognition					
Goods or services transferred:					
- At a point in time	1,237,412	246,127	510,830	(244,231)	1,750,138
- Over time	38,174	-	-	-	38,174
	1,275,586	246,127	510,830	(244,231)	1,788,312
2017					
Revenue					
External revenue	1,163,150	2,710	544,904	-	1,710,764
Inter-segment revenue	-	172,513	-	(172,513)	-
Total revenue	1,163,150	175,223	544,904	(172,513)	1,710,764
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
	4,535	50,466	3,334	-	58,335
Unallocated corporate expenses					(5,137)
Profit before zakat and taxation					53,198
Zakat					(600)
Taxation	(2,825)	(6,564)	(2,339)	(7,971)	(19,699)
Profit for the period					32,899
Timing of revenue recognition					
Goods or services transferred:					
- At a point in time	1,143,238	175,223	544,904	(172,513)	1,690,852
- Over time	19,912	-	-	-	19,912
	1,163,150	175,223	544,904	(172,513)	1,710,764

A9. Operating segments (cont'd)

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					
	2018			2017		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,784,892,912	0.0286	510,830	1,656,692,581	0.0329	544,904
Segment results	548,574	0.0286	157	10,136,092	0.0329	3,334

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 2018 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 financial period ended 30 September 2018.

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 2018:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	6,059	49,770	55,829
Intangible assets	42	-	42

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 2017.

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 2018	145,995	17,731	20,595	21,248	258,980	3,063	467,612
Additions	-	2,371	3,620	-	34,661	8	40,660
Transfer from property, plant and equipment	-	-	295	-	-	-	295
Foreign exchange adjustments	(3,728)	(294)	-	(1,378)	-	-	(5,400)
At 30 September 2018	142,267	19,808	24,510	19,870	293,641	3,071	503,167
Accumulated amortisation							
At 1 January 2018	-	3,873	18	8,497	76,990	187	89,565
Amortisation charged	-	896	11	1,629	13,732	154	16,422
Foreign exchange adjustments	-	(293)	-	(1,573)	-	-	(1,866)
At 30 September 2018	-	4,476	29	8,553	90,722	341	104,121
Accumulated impairment							
At 1 January/ 30 September 2018	12,653	-	-	-	-	-	12,653

A16. Intangible Assets (Cont'd)

RM'000	Goodwill	Software	Capitalised development costs of work-in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Net carrying value							
At 30 September 2018	129,614	15,332	24,481	11,317	202,919	2,730	386,393
At 31 December 2017	133,342	13,858	20,577	12,751	181,990	2,876	365,394

B17. Performance Review

	Current Period			Cumulative Period		
	2018 RM'000	**2017 RM'000**	**+/(-) %**	**2018 RM'000**	**2017 RM'000**	**+/(-) %**
Revenue	587,660	574,503	2.3%	1,788,312	1,710,764	4.5%
Profit before interest and taxation	27,828	23,556	18.1%	84,254	74,136	13.6%
Profit before zakat and taxation	17,603	15,271	15.3%	58,280	53,198	9.6%
Profit for the period	15,305	3,890	>100%	38,660	32,899	17.5%
Profit attributable to owners of the parent	15,051	3,580	>100%	38,031	32,023	18.8%

Quarter 3 2018 vs Quarter 3 2017

For the quarter under review, the Group recorded a higher revenue of RM588 million, up by 2.3% compared with RM575 million in the previous year’s corresponding quarter. This was mainly attributable to increased demand from Government hospitals. The improved revenue, coupled with lower operating expenses, resulted in an increase in the Group’s profit before tax (PBT) to RM18 million, from RM15 million in the same quarter last year.

Profit after tax (PAT) for the quarter under review grew to RM15 million compared with RM4 million in previous year’s corresponding quarter. The lower PAT recorded in last year's corresponding quarter was mainly due to recognition of prior year's corporate tax.

Year-to-date 30 September 2018 vs Year-to-date 30 September 2017

For the nine-month period ended 30 September 2018, the Group recorded revenue of RM1.8 billion, a 4.5% increase from RM1.7 billion in the same period last year. As a result, the Group posted a higher PBT of RM58 million compared with RM53 million in last year’s corresponding period; on the back of higher demand from Government hospitals and lower operating expenses. Consequently, the Group achieved a PAT of RM39 million compared with RM33 million in corresponding period last year.

The **Logistics and Distribution Division** turned in an improved PBT of RM12 million for the first nine months, compared with RM5 million in the same period last year. This was mainly attributable to stronger contributions from the concession business coupled with reduced operating expenses.

The **Manufacturing Division** recorded a PBT of RM50 million for the nine-month period, which was consistent with the previous year’s corresponding period.

The **Indonesia Division** posted a lower PBT of RM0.1 million compared with RM3 million in the same period last year. This was primarily due to weakening of the Indonesian Rupiah against Malaysian Ringgit as well as higher finance costs.

Consolidated Statement of Financial Position

As at 30 September 2018, the higher receivables was a result of slow collections from customers which has led to an increase in borrowings.

Consolidated Statement of Cash Flows

For the period under review, reduced collections have contributed to the negative operating cash flows.

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

	Current Period	Immediate Preceding Period	
	2018 RM'000	**2018 RM'000**	**+/(-) %**
Revenue	587,660	582,729	0.8%
Profit before interest and taxation	27,828	20,248	37.4%
Profit before zakat and taxation	17,603	11,970	47.1%
Profit for the period	15,305	5,766	>100%
Profit attributable to owners of the parent	15,051	5,394	>100%

In comparison with immediate preceding quarter, the Group recorded a higher revenue of RM588 million for the third quarter. This was mainly attributable from higher contribution from the Indonesian operations. Meanwhile, the Group registered an improved PBT of RM18 million as compared with RM12 million in preceding quarter, primarily due to lower operating expenses.

Accordingly, PAT for quarter under review increased to RM15 million from RM6 million in the immediate preceding quarter.

B19. Prospects

Pharmaniaga delivered an improved performance, achieved on the back of higher demand from Government hospitals coupled with lower operating expenses. The Group is confident on a positive outlook ahead, particularly in light of the Government's recent Budget 2019 announcement, which reflects a strong commitment towards scaling up the healthcare sector.

This includes an increased allocation of approximately RM29 billion for the Ministry of Health with RM10.8 billion slated for the provision of medicine and upgrading efforts for health services at clinics and hospitals. This certainly bodes well for Pharmaniaga's prospects, as the Group is well-positioned to tap these opportunities.

Moving forward, the Group remains committed to expanding its market presence in the private sector via strategic marketing initiatives alongside concurrent focus on strengthening business synergies between its subsidiaries, PT Millennium Pharmacon International and PT Errita Pharma, to tap into opportunities in this growing market.

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	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Taxation based on profit for the period:				
- Current	**3,709**	2,133	**11,568**	3,506
- Deferred	**(1,494)**	780	**7,031**	7,858
	2,215	2,913	**18,599**	11,364
Under/(over) provision in prior years:				
- Current	**53**	6,623	**(26)**	5,012
- Deferred	**-**	1,345	**36**	3,323
	53	7,968	**10**	8,335
	2,268	10,881	**18,609**	19,699

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to higher corporate tax arising from non-allowable expenses.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

		30 September 2018 RM'000	30 September 2017 RM'000	31 December 2017 RM'000
Non-current:				
Hire purchase:				
- Denominated in Ringgit Malaysia		**48**	511	373
- Denominated in Indonesian Rupiah		**90**	36	28
		138	547	401
Current:				
Bank overdraft - denominated in Indonesian Rupiah		**1,671**	189	-
Bankers' acceptances:				
- Denominated in Ringgit Malaysia		**247,532**	173,419	166,506
- Denominated in Indonesian Rupiah		**10,160**	13,664	14,993
Revolving credits		**375,000**	295,000	159,000
Short term foreign time loan - denominated in Indonesian Rupiah		**126,177**	109,282	102,651
Hire purchase				
- Denominated in Ringgit Malaysia		**563**	790	738
- Denominated in Indonesian Rupiah		**83**	53	28
		761,186	592,397	443,916
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**497,053,957**	393,686,901	394,966,443
Exchange rate for Indonesian Rupiah	**RM**	**0.0278**	0.0313	0.0298

As at 30 September 2018, the increased borrowings is primarily due to reduced collections from customers.

As at 30 September 2018, the weighted average floating interest rate of borrowings is 7.2% (2017: 6.9%) 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 taxation is stated after charging/(crediting) the following:

	Current Period		Cumulative Period	
	2018 **RM'000**	2017 RM'000	**2018** **RM'000**	2017 RM'000
Depreciation and amortisation	**12,518**	11,191	**34,909**	34,785
Net provision for and write off of receivables	**1,425**	1,670	**4,013**	2,127
Net provision for and write off of inventories	**2,150**	3,604	**10,476**	6,805
Net foreign exchange loss/(gain)	**333**	(135)	**(63)**	(1,681)

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 2018.

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	
	2018	2017	**2018**	2017
Profit attributable to owners of the Company (RM'000)	**15,051**	3,580	**38,031**	32,023
Average number of ordinary shares in issue ('000)	**260,009**	259,460	**260,009**	259,460
Basic earnings per share (sen)	**5.79**	1.38	**14.63**	12.34

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	**15,051**	3,580	**38,031**	32,023
Average number of ordinary shares in issue ('000)	**260,009**	259,460	**260,009**	259,460
Assumed shares issued from the exercise of Option Plan ('000)	-	-	-	-
Assumed shares issued under Long Term Incentive Plan ('000)	**641**	606	**641**	606
Weighted average number of ordinary shares in issue ('000)	**260,650**	260,066	**260,650**	260,066
Diluted earnings per share (sen)	**5.77**	1.38	**14.59**	12.31

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 2018.

By Order of the Board

Kuala Lumpur
19 November 2018

TASNEEM MOHD DAHALAN (LS0006966)