Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 31 March 2023	Current Period		Cumulative Period	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Revenue	**880,454**	962,174	**880,454**	962,174
Cost of sales	**(786,288)**	(846,361)	**(786,288)**	(846,361)
Gross profit	**94,166**	115,813	**94,166**	115,813
Other income	**605**	191	**605**	191
Operating expenses	**(72,259)**	(70,698)	**(72,259)**	(70,698)
Finance costs	**(13,982)**	(8,193)	**(13,982)**	(8,193)
Interest income	**663**	326	**663**	326
Profit before zakat and taxation	**9,193**	37,439	**9,193**	37,439
Zakat	**-**	(600)	**-**	(600)
Taxation	**(6,427)**	(7,983)	**(6,427)**	(7,983)
Profit for the financial period	**2,766**	28,856	**2,766**	28,856
Profit for the financial period attributable to:				
Owners of the parent	**2,648**	27,734	**2,648**	27,734
Non-controlling interests	**118**	1,122	**118**	1,122
Profit for the financial period	**2,766**	28,856	**2,766**	28,856
Earnings per share - sen				
- Basic	**0.20**	2.12	**0.20**	2.12
- Diluted	**0.20**	2.12	**0.20**	2.12

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

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2023	Current Period		Cumulative Period	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the financial period	**2,766**	28,856	**2,766**	28,856
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gain of foreign operations	**3,411**	512	**3,411**	512
Recognition of actuarial gain	**119**	-	**119**	-
Items that will not be reclassified to profit or loss				
Gain on revaluation of land and buildings	**101,870**	-	**101,870**	-
	105,400	512	**105,400**	512
Total comprehensive income for the financial period	**108,166**	29,368	**108,166**	29,368
Attributable to:				
Owners of the parent	**105,974**	28,178	**105,974**	28,178
Non-controlling interests	**2,192**	1,190	**2,192**	1,190
Total comprehensive income for the financial period	**108,166**	29,368	**108,166**	29,368

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 (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2023	As at 31 December 2022
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**495,494**	404,188
Intangible assets	**161,787**	160,561
Rights-of-use assets	**80,745**	38,846
Deferred tax assets	**26,583**	27,047
	764,609	630,642
Current assets		
Inventories	**732,513**	767,263
Receivables	**552,362**	351,664
Tax recoverable	**15,404**	16,343
Deposits, cash and bank balances	**56,621**	52,849
	1,356,900	1,188,119
TOTAL ASSETS	**2,121,509**	1,818,761
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**154,189**	154,189
Reserves	**(296,957)**	(402,931)
Shareholders' equity	**(142,768)**	(248,742)
Non-controlling interests	**23,578**	21,386
Capital deficiency	**(119,190)**	(227,356)
Non-current liabilities		
Borrowings	**222,782**	190,627
Lease liabilities	**2,880**	4,038
Deferred tax liabilities	**48,081**	18,815
Provision for defined benefit plan	**10,238**	9,051
Government grants	**3,293**	3,358
	287,274	225,889
Current liabilities		
Payables	**881,095**	802,704
Amount due to immediate holding company	**2,166**	688
Current tax liabilities	**3,286**	4,273
Contract liabilities	**30,882**	31,017
Government grants	**260**	260
Borrowings	**1,030,439**	968,272
Lease liabilities	**5,297**	5,155
Dividend payable	**-**	7,859
	1,953,425	1,820,228
Total liabilities	**2,240,699**	2,046,117
TOTAL EQUITY AND LIABILITIES	**2,121,509**	1,818,761

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 (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							
	<------------------- Non-distributable ------------------->				Distributable			
For the quarter ended 31 March 2023	**Share Capital**	**Exchange Reserve**	**Revaluation Reserve**	**Share Reserve**	**(Accumulated losses) / Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2023	**154,189**	**(2,281)**	**-**	**3,624**	**(404,274)**	**(248,742)**	**21,386**	**(227,356)**
- Net profit for the financial period	**-**	**-**	**-**	**-**	**2,648**	**2,648**	**118**	**2,766**
- Other comprehensive income	**-**	**2,516**	**100,722**	**-**	**88**	**103,326**	**2,074**	**105,400**
Total comprehensive income for the financial period	**-**	**2,516**	**100,722**	**-**	**2,736**	**105,974**	**2,192**	**108,166**
At 31 March 2023	**154,189**	**235**	**100,722**	**3,624**	**(401,538)**	**(142,768)**	**23,578**	**(119,190)**
At 1 January 2022	154,051	1,016	-	1,670	293,725	450,462	19,979	470,441
- Net profit for the financial period	-	-	-	-	27,734	27,734	1,122	28,856
- Other comprehensive income	-	444	-	-	-	444	68	512
Total comprehensive income for the financial period	-	444	-	-	27,734	28,178	1,190	29,368
Transactions with owners								
Share options granted under - Share Option Plan	-	-	-	1,002	-	1,002	-	1,002
Dividends	-	-	-	-	(65,498)	(65,498)	-	(65,498)
Total transactions with owners for the financial period	-	-	-	1,002	(65,498)	(64,496)	-	(64,496)
At 31 March 2022	154,051	1,460	-	2,672	255,961	414,144	21,169	435,313

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 (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 31 March 2023

	2023	2022
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**692,590**	821,407
Cash payments to suppliers and employees	**(740,088)**	(789,603)
Net cash (used in)/generated from operations	**(47,498)**	31,804
Interest paid	**(13,733)**	(10,081)
Tax paid	**(5,071)**	(12,323)
Interest received	**663**	326
Net cash (used in)/generated from operating activities	**(65,639)**	9,726
Investing Activities		
Purchase of property, plant and equipment	**(2,867)**	(19,542)
Purchase of intangible assets	**(2,076)**	(3,024)
Proceeds from disposal of property, plant and equipment	**284**	6
Increase in investment in deposits maturing more than three (3) months	**-**	(56)
Net cash used in investing activities	**(4,659)**	(22,616)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(7,859)**	-
Net drawdown of borrowings	**84,138**	97,503
Payment of lease liabilities	**(2,423)**	(488)
Net cash generated from financing activities	**73,856**	97,015
Net increase in cash and cash equivalents	**3,558**	84,125
Effects of exchange rate changes	**214**	2
Cash and cash equivalent at beginning of period	**52,849**	47,112
Cash and cash equivalent at end of period	**56,621**	131,239
Analysis of cash and cash equivalents:		
Cash and bank balances	**34,316**	36,640
Deposits with licensed banks	**22,305**	99,902
	56,621	136,542
Less: Deposits maturing more than three (3) months	**-**	(5,303)
	56,621	131,239

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 year ended 31 March 2023 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 2022. 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 2022.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022, except for:

i) On 1 January 2023, the Group applied revaluation model to land and buildings within property, plant and equipment and right-of-use assets from cost model as further explained in note A10 below; and

ii) The adoption of the following new published standard and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2023.

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

On 1 January 2023, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 101 "Presentation of Financial Statements" on 'Classification of liabilities as current or non-current'.
- Amendments to MFRS 112 "Income Taxes" on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS Practice Statement 2.
- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors".

The adoption of the above amendments to published standards did not have any significant impact on the amounts recognised in the current period as well as any prior period and is not expected to significantly affect future periods.

A2.2 Amendments that have been issued but not yet effective

i) Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

ii) There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 'Financial Instruments: Presentation' does not impact the current or non-current classification of the convertible instrument.

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

iii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" on 'Sale or Contribution of Assets between Investor and its Associate or Joint Venture' (the effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board).

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

A3. Audit report in respect of the 2022 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2022 was unqualified with material uncertainty related to going concern.

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 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.

A8. Dividends

On 6 January 2023, the Company paid a third interim dividend of 0.6 sen per share in respect of the financial year ended 31 December 2022 amounting to RM7.9 million.

No interim dividend was proposed or declared in respect of the financial period ended 31 March 2023.

A9. Operating segments

Operating segments information for the year is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2023						
Revenue						
External revenue	655,180	1,165	224,109	-	-	880,454
Inter-segment revenue	-	89,982	-	-	(89,982)	-
Total revenue	655,180	91,147	224,109	-	(89,982)	880,454
Results						
Earnings before interest, taxation, depreciation and amortisation	17,013	10,401	7,734	(2,654)	-	32,494
Depreciation and amortisation	(3,964)	(4,135)	(1,883)	-	-	(9,982)
Finance costs	(16,820)	(5,164)	(4,468)	-	12,470	(13,982)
Interest income	12,587	35	511	-	(12,470)	663
Profit before zakat and taxation	8,816	1,137	1,894	(2,654)	-	9,193
Zakat	-	-	-	-	-	-
Taxation	(3,650)	(904)	(1,873)	-	-	(6,427)
Net profit for the financial year	5,166	233	21	(2,654)	-	2,766
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	655,180	91,147	224,109	-	(89,982)	880,454
- Over time	-	-	-	-	-	-
	655,180	91,147	224,109	-	(89,982)	880,454
2022						
Revenue						
External revenue	707,377	7,294	247,503	-	-	962,174
Inter-segment revenue	-	60,583	-	-	(60,583)	-
Total revenue	707,377	67,877	247,503	-	(60,583)	962,174
Results						
Earnings before interest, taxation, depreciation and amortisation	30,693	14,200	8,929	(38)	-	53,784
Depreciation and amortisation	(1,863)	(4,694)	(1,921)	-	-	(8,478)
Finance costs	(4,753)	(129)	(3,549)	-	238	(8,193)
Interest income	365	192	7	-	(238)	326
Profit before zakat and taxation	24,442	9,569	3,466	(38)	-	37,439
Zakat	(600)	-	-	-	-	(600)
Taxation	(6,623)	(1,737)	377	-	-	(7,983)
Net profit for the financial year	17,219	7,832	3,843	(38)	-	28,856
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	707,377	67,877	247,503	-	(60,583)	962,174
- Over time	-	-	-	-	-	-
	707,377	67,877	247,503	-	(60,583)	962,174

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 31 March					
	2023			2022		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	779,315,960	0.0288	224,109	850,740,399	0.0291	247,503
Earnings before interest, taxation, depreciation and amortisation	26,894,188	0.0288	7,734	30,691,592	0.0291	8,929

A10. Carrying Amount of Revalued Assets

Property, plant and equipment and right-of-use assets are initially stated at cost. On 1 January 2023, the Group has changed its accounting policy for land and buildings within property, plant and equipment and right-of-use assets, transitioned from cost model to revaluation model, less subsequent depreciation and impairment losses. The revaluation model provides users of the financial statements with more relevant and reliable information by reflecting the market value of the land and buildings. Valuations are performed by independent valuer with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment and right-of-use assets are stated at historical cost less accumulated depreciation and impairment losses.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

A11. Material Events

There was no subsequent event as at 18 May 2023 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 31 March 2023.

A13. Contingent Liabilities

There is no other contingent liability that has arisen since the financial period end.

A14. Commitments

The Group has the following commitments as at 31 March 2023:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	25,479	214,608	240,087

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 2022.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost and work-in-progress	Manufacturing licence and trade name	Intellectual property	Total
Cost						
At 1 January 2023	143,016	25,183	64,394	20,146	3,071	255,810
Additions	-	-	2,080	-	-	2,080
Foreign exchange adjustments	106	113	217	896	-	1,332
At 31 March 2023	143,122	25,296	66,691	21,042	3,071	259,222
Accumulated amortisation						
At 1 January 2023	-	6,523	2,988	16,992	975	27,478
Amortisation charged	-	476	698	210	-	1,384
Foreign exchange adjustments	-	-	-	802	-	802
At 31 March 2023	-	6,999	3,686	18,004	975	29,664
Accumulated impairment						
At 1 January 2023/ 31 March 2023	65,675	-	-	-	2,096	67,771
Net carrying value						
At 31 March 2023	77,447	18,297	63,005	3,038	-	161,787
At 31 December 2022	77,341	18,660	61,406	3,154	-	160,561

B17. Performance Review

	Current Period			Cumulative Period		
	2023 RM'000	**2022 RM'000**	**+/(-) %**	**2023 RM'000**	**2022 RM'000**	**+/(-) %**
Revenue	880,454	962,174	-8.5%	880,454	962,174	-8.5%
Earnings before interest, taxation, depreciation and amortisation	32,494	53,784	-39.6%	32,494	53,784	-39.6%
Profit before interest, zakat and taxation	22,512	45,306	-50.3%	22,512	45,306	-50.3%
Profit before zakat and taxation	9,193	37,439	-75.4%	9,193	37,439	-75.4%
Profit for the financial period	2,766	28,856	-90.4%	2,766	28,856	-90.4%
Profit attributable to owners of the parent	2,648	27,734	-90.5%	2,648	27,734	-90.5%

Quarter 1 2023 vs Quarter 1 2022

For the first quarter ended 31 March 2023, the Group recorded RM880.5 million in revenue, representing a decrease of 8.5% from the previous year's corresponding quarter. This was mainly due to lower customer demand in both the concession and Indonesia segments. The higher revenue in the previous year's corresponding quarter was primarily due to a surge in demand following the resumption of normal business operations post pandemic. However, the demand has levelled off in 2023 and the Group was able to generate substantial revenue despite the challenging market conditions.

In line with the decrease in revenue, the Group reported lower earnings before interest, taxation, depreciation, and amortisation (EBITDA) of RM32.5 million, a 40% reduction from RM53.8 million in the same quarter last year. The Group's profit before zakat and taxation (PBT) further impacted by the higher interest expense as a result of the increase in Overnight Policy Rate (OPR) by 1.0% from Q2 2022 to Q1 2023 and stood at RM9.2 million, compared with RM37.4 million in the previous year's corresponding quarter.

The **Logistics and Distribution Division** recorded lower PBT of RM8.8 million for the period under review, compared with RM24.4 million in the previous year's corresponding quarter. This was mainly attributable to lower concession sales. The increased sales in the previous year's corresponding quarter were primarily driven by the surge in demand following the resumption of normal business activities post-COVID-19 pandemic, while demand has since normalised in 2023.

The Group continued to uphold the trust accorded by the Ministry of Health Malaysia by efficiently managing logistics and distribution services to ensure the timely delivery of critical medical supplies to healthcare facilities.

The **Manufacturing Division** reported a lower PBT of RM1.1 million. However, the long-term outlook for the Group's Manufacturing Division remains positive, primarily as a result of the ongoing expansion of the vaccine manufacturing business coupled with sustained demand.

The **Indonesia Division** registered a PBT of RM1.9 million for the financial period under review, a drop compared with RM3.5 million in the corresponding period last year as a result of lower revenue. The Group's operational efficiency was further improved through ongoing stock optimisation and aggressive payment collection.

Consolidated Statement of Financial Position

On 1 January 2023, the Company has change its accounting policy for land and buildings transitioned from cost model to revaluation model. Increases in the carrying amounts arising on revaluation of land and buildings are recognised in property, plant and equipment and rights-of-use-assets, net of tax, in other comprehensive income and accumulated in reserves in shareholders’ equity.

The majority of the receivables are from the Government, which collection will be fully paid by end of the year, hence lower receivables as at 31 December 2022 against the first quarter of 2023.

Higher payables as of 31 March 2023 were mainly due to a delay in payment to suppliers, caused by cash flow constraints after triggering the prescribed criteria outlined in Paragraph 2.1(a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Group is actively resolving this issue and exploring additional facilities.

Consolidated Statement of Cash Flows

For the period under review, the deficit in cash from operations was mainly due to lower demand from government during the period under review.

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

	Current Period	Immediate Preceding Period	
	2023	**2022**	**+/(-)**
	RM'000	**RM'000**	**%**
Revenue	880,454	862,720	2.1%
Earnings/(Loss) before interest, taxation, depreciation and amortisation	32,494	(616,734)	> 100.0%
Profit/(Loss) before interest, zakat and taxation	22,512	(626,112)	> 100.0%
Profit/(Loss) before zakat and taxation	9,193	(638,395)	> 100.0%
Profit/(Loss) for the financial period	2,766	(644,197)	> 100.0%
Profit/(Loss) attributable to owners of the parent	2,648	(644,390)	> 100.0%

The Group's revenue for the quarter under review increased by 2.1% to RM880.5 million compared with the previous quarter (Q4 2022), as there were no orders from the government in the month of December 2022 due to the early closing of Government accounts by the end of November 2022. The Group reported a PBT of RM9.2 million, marking a significant improvement compared with the preceding quarter, which had a substantial loss before zakat and taxation of RM638.4 million. This positive turnaround can be attributed to the absence of the RM552.3 million provision for slow-moving Covid-19 vaccine inventories and the RM50.3 million write-down of goodwill for the Indonesia manufacturing cash-generating unit, both of which were factors in the previous quarter.

Correspondingly, the Group recorded a profit after tax (PAT) of RM2.8 million for the quarter under review, compared with the loss after tax (LAT) of RM644.2 million in the immediate preceding quarter.

B19. Prospects

As the global economy continues to recover from the pandemic's impact, Malaysia is experiencing robust growth, creating a conducive environment for businesses, including Pharmaniaga. Indeed, Southeast Asia's pharmaceutical industry is expected to grow 5 to 13% annually until 2025, with Malaysia projected to have the highest growth rate at 13%.

Pharmaniaga remains steadfast in its commitment to meeting its obligations to the Ministry of Health (MoH). We continue to negotiate with the MoH on our Logistics & Distribution concession agreement, which is expected to be concluded by the end of interim period 30 June 2023.

Our biopharmaceutical facilities are set to produce commercial batches of halal vaccines and insulin by 2025. These facilities will further solidify Pharmaniaga's global standing as a reputable vaccine and insulin manufacturer, creating fresh sales prospects both locally and internationally. To this end, we are on track to become a leading halal vaccine manufacturing plant.

Meanwhile, the Group registered an encouraging 15% year-on-year growth in the private market as a result of aggressive sales efforts as well as new products launched. At the same time, we are proactively working to enhance the Manufacturing Division's operational efficiency, expand its product portfolio, and increase its global presence.

Indonesia remains as our key growth driver with sales of medicines were valued at roughly USD7.6 billion in 2020 and is forecasted to expand to USD12.12 billion by 2025, according to US-based Fitch Ratings. This encourages the Group to further penetrate the Indonesian market and improve its position as a reliable healthcare provider in the region.

The reclassification to Practice Note 17 (PN17) status as well as the recent 25 basis points increase in the Overnight Policy Rate (OPR) posed a challenge to us. However, we are undeterred and confident that the upcoming Regularisation Plan will improve our shareholders’ equity and liquidity through prudent debt management and strategic capital allocation. The Group's regularisation efforts will be transformative and we believe in our ability to strengthen our financials. Therefore we foresee that the Group will complete the implementation of the Regularisation Plan by the first quarter of 2024.

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	
	2023	2022	**2023**	2022
	RM’000	RM’000	**RM’000**	RM’000
Taxation based on profit for the period/ year:				
- Current	**6,017**	5,022	**6,017**	5,022
- Deferred	**(622)**	4,102	**(622)**	4,102
	5,395	9,124	**5,395**	9,124
Under/ (Over) provision in prior periods:				
- Current	**1,032**	(1,141)	**1,032**	(1,141)
- Deferred	**-**	-	**-**	-
	1,032	(1,141)	**1,032**	(1,141)
	6,427	7,983	**6,427**	7,983

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to losses of certain subsidiaries.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities

		31 March 2023 RM'000	31 March 2022 RM'000	31 December 2022 RM'000
Non-current:				
Term loan		**40,070**	19,745	-
Revolving credits		**181,332**	279,399	189,666
Hire purchase:				
- Denominated in Ringgit Malaysia		**1,238**	139	815
- Denominated in Indonesian Rupiah		**142**	142	146
		222,782	299,425	190,627
Current:				
Term loan		**-**	-	38,820
Bankers' acceptances:				
- Denominated in Ringgit Malaysia		**543,719**	370,325	508,189
- Denominated in Indonesian Rupiah		**213,071**	154,723	173,111
Revolving credits		**273,067**	128,600	247,633
Hire purchase:				
- Denominated in Ringgit Malaysia		**498**	182	420
- Denominated in Indonesian Rupiah		**84**	120	99
		1,030,439	653,950	968,272
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**723,040,678**	528,959,044	614,737,589
Exchange rate for Indonesian Rupiah	**RM**	**0.0295**	0.0293	0.0282

As at 31 March 2023, the weighted average floating interest rate of borrowings was 5.3% (2022: 3.6%) per annum.

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

The Group did not meet certain financial covenants for some borrowings as at 31 March 2023.

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM244.4 million due to the breach of financial covenants, presented as current liabilities as at 31 March 2023. Details of the breaches of the financial covenants are as follows:

(i) Bankers' acceptances

The Group breached certain financial covenants in the facilities agreements are as follows:

- The consolidated ratio of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times; and
- The value of the assets of any Group member must not be less than its liabilities, taking into account contingent and prospective liabilities.

The outstanding balance of RM106.0 million is presented as current liabilities as at 31 March 2023. On 4 April 2023, the Group was allowed to continue utilising the RM81.1 million facility. However, the utilisation of the facility beyond 30 June 2023 is subject to the:

- Renewal of the concession by MOH;
- The Company not declaring dividends without the prior consent of the bank; and
- Adherence to the ratio of EBITDA to finance expenses and Net Debt to EBITDA

The remaining borrowings balance without indulgence is RM24.9 million.

(ii) Revolving credits

The Group breached certain financial covenants in the facilities agreements are as follows:

- The consolidated ratio of EBITDA to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times;
- The consolidated Debt Service Coverage Ratio ("DSCR"), calculated as ratio of EBITDA to interest expense, must not be less than 1.5; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million

The outstanding balance of RM138.4 million is presented as current liabilities as at 31 March 2023. On 4 April 2023, the Group was allowed to continue utilising the RM50.0 million facility. However, the utilisation of the facility beyond 30 June 2023 is subject to the:

- Renewal of the concession by MOH;
- The Company not declaring dividends without the prior consent of the bank; and
- Adherence to the ratio of EBITDA to finance expenses and Net Debt to EBITDA

The remaining borrowings balance without indulgence is RM88.4 million.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these interim financial statements were approved by the Board of Directors.

B24. Additional Disclosures

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

	Current Period		**Cumulative Period**	
	2023 RM'000	2022 RM'000	**2023 RM'000**	2022 RM'000
Depreciation and amortisation	**9,982**	8,478	**9,982**	8,478
Net impairment of write off/(reversal) of receivables	**285**	(91)	**285**	(91)
Net provision for stock obsolescence and write off of inventories	**3,093**	2,179	**3,093**	2,179
Write off of intangible assets	**-**	372	**-**	372
Net foreign exchange (gains)/ losses	**(580)**	800	**(580)**	800

Other than the items mentioned above which have been included in the consolidated statement of profit or loss 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 31 March 2023.

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**	
	2023	2022	**2023**	2022
Profit attributable to owners of the Company (RM'000)	**2,648**	27,734	**2,648**	27,734
Average number of ordinary shares in issue ('000)	**1,310,209**	1,309,959	**1,310,209**	1,309,959
Basic earnings per share (sen)	**0.20**	2.12	**0.20**	2.12

(b) Diluted earnings per share

	2023	2022	**2023**	2022
Profit attributable to owners of the Company (RM'000)	**2,648**	27,734	**2,648**	27,734
Average number of ordinary shares in issue ('000)	**1,310,209**	1,309,959	**1,310,209**	1,309,959
Assumed shares issued under Long Term Incentive Plan ('000)	**-**	-	**-**	-
Weighted average number of ordinary shares in issue ('000)	**1,310,209**	1,309,959	**1,310,209**	1,309,959
Diluted earnings per share (sen)	**0.20**	2.12	**0.20**	2.12

The options granted under the Group's Option Plan are anti-dilutive as they are out-of-the-money and have not been considered in the calculation of diluted earnings per share.

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 18 May 2023.

By Order of the Board

WAN INTAN IDURA WAN ISMAIL (LS 0010452)
SYARUZAIMI BIN YUSOF (LS 0010451)
Company Secretaries

Kuala Lumpur
18 May 2023