Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2023	Current Period		Cumulative Period	
	2023 RM'000	**2022 RM'000 Restated**	**2023 RM'000**	**2022 RM'000 Restated**
Revenue	**885,486**	894,939	**2,614,674**	2,618,215
Cost of sales	**(775,219)**	(825,594)	**(2,313,271)**	(2,348,222)
Gross profit	**110,267**	69,345	**301,403**	269,993
Other income	**338**	130	**1,493**	388
Operating expenses	**(151,014)**	(74,016)	**(299,217)**	(215,729)
Finance costs	**(16,208)**	(9,738)	**(45,570)**	(27,517)
Interest income	**358**	126	**1,167**	672
(Loss)/ Profit before zakat and taxation	**(56,259)**	(14,153)	**(40,724)**	27,807
Zakat	**-**	(600)	**-**	(1,800)
Taxation	**7,212**	1,526	**(3,233)**	(9,464)
(Loss)/ Profit for the financial period	**(49,047)**	(13,227)	**(43,957)**	16,543
(Loss)/ Profit for the financial period attributable to:				
Owners of the parent	**(49,339)**	(13,987)	**(44,731)**	14,469
Non-controlling interests	**292**	760	**774**	2,074
(Loss)/ Profit for the financial period	**(49,047)**	(13,227)	**(43,957)**	16,543
(Loss)/ Earnings per share - sen				
- Basic	**(3.67)**	(1.07)	**(3.33)**	1.10
- Diluted	**(3.67)**	(1.07)	**(3.33)**	1.10

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 period ended 30 September 2023	**Current Period**		**Cumulative Period**	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000 Restated**	**RM'000**	**RM'000 Restated**
(Loss)/ Profit for the financial period	**(49,047)**	(13,227)	**(43,957)**	16,543
<u>Other comprehensive income, net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation (loss)/ gain of foreign operations	**(1,703)**	3,055	**5,856**	4,873
Recognition of actuarial (loss)/ gain	**-**	(402)	**119**	(402)
Items that will not be reclassified to profit or loss				
Gain on revaluation of land and buildings	**-**	-	**101,870**	-
	(1,703)	2,653	**107,845**	4,471
Total comprehensive (loss)/ income for the financial period	**(50,750)**	(10,574)	**63,888**	21,014
Attributable to:				
Owners of the parent	**(49,240)**	10,872	**60,166**	18,284
Non-controlling interests	**(1,510)**	1,158	**3,722**	2,730
Total comprehensive (loss)/ income for the financial period	**(50,750)**	12,030	**63,888**	21,014

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 30 September 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
	RM'000	**RM'000**	**RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	**498,909**	404,188	364,617
Intangible assets	**153,714**	160,561	208,013
Rights-of-use assets	**78,578**	38,846	30,973
Deferred tax assets	**68,405**	65,242	64,123
	799,606	668,837	667,726
Current assets			
Inventories	**566,315**	767,263	1,264,369
Receivables	**546,593**	341,999	297,248
Tax recoverable	**18,337**	16,343	6,713
Deposits, cash and bank balances	**30,726**	52,849	52,359
	1,161,971	1,178,454	1,620,689
TOTAL ASSETS	**1,961,577**	1,847,291	2,288,415
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	**200,046**	154,189	154,051
Reserves	**(463,717)**	(523,883)	198,063
Shareholders' equity	**(263,671)**	(369,694)	352,114
Non-controlling interests	**24,897**	21,386	19,979
(Capital deficiency)/ Total equity	**(238,774)**	(348,308)	372,093
Non-current liabilities			
Borrowings	**217,948**	190,627	285,170
Lease liabilities	**405**	4,038	441
Deferred tax liabilities	**43,998**	18,815	21,352
Provision for defined benefit plan	**11,253**	9,051	9,079
Government grants	**3,162**	3,358	3,617
	276,766	225,889	319,659
Current liabilities			
Payables	**970,092**	952,186	987,308
Amount due to immediate holding company	**843**	688	1,208
Current tax liabilities	**4,929**	4,273	14,438
Contract liabilities	**25,053**	31,017	22,128
Government grants	**260**	260	332
Borrowings	**917,234**	968,272	570,056
Lease liabilities	**5,174**	5,155	1,193
Dividend payable	**-**	7,859	-
	1,923,585	1,969,710	1,596,663
TOTAL LIABILITIES	**2,200,351**	2,195,599	1,916,322
TOTAL EQUITY AND LIABILITIES	**1,961,577**	1,847,291	2,288,415

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 period ended 30 September 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 (as previously stated)	**154,189**	**(2,281)**	**-**	**3,624**	**(404,274)**	**(248,742)**	**21,386**	**(227,356)**
- Effect of prior year adjustments	**-**	**-**	**-**	**-**	**(120,952)**	**(120,952)**	**-**	**(120,952)**
At 1 January 2023 (restated)	**154,189**	**(2,281)**	**-**	**3,624**	**(525,226)**	**(369,694)**	**21,386**	**(348,308)**
- Net (loss)/ profit for the financial period	**-**	**-**	**-**	**-**	**(44,731)**	**(44,731)**	**774**	**(43,957)**
- Other comprehensive income	**-**	**4,306**	**98,812**	**-**	**1,779**	**104,897**	**2,948**	**107,845**
Total comprehensive income/ (loss) for the financial period	**-**	**4,306**	**98,812**	**-**	**(42,952)**	**60,166**	**3,722**	**63,888**
<u>Transactions with owners</u>								
Issuance of Ordinary Shares pursuant to Private Placement	**45,857**	**-**	**-**	**-**	**-**	**45,857**	**-**	**45,857**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(211)**	**(211)**
Total transactions with owners for the financial period	**45,857**	**-**	**-**	**-**	**-**	**45,857**	**(211)**	**45,646**
At 30 September 2023	**200,046**	**2,025**	**98,812**	**3,624**	**(568,178)**	**(263,671)**	**24,897**	**(238,774)**
At 1 January 2022 (as previously stated)	154,051	1,016	-	1,670	293,725	450,462	19,979	470,441
- Effect of prior year adjustments	-	-	-	-	(98,348)	(98,348)	-	(98,348)
At 1 January 2022 (restated)	154,051	1,016	-	1,670	195,377	352,114	19,979	372,093
- Net profit for the financial period	-	-	-	-	14,469	14,469	2,074	16,543
- Other comprehensive income/ (loss)	-	4,110	-	-	(295)	3,815	656	4,471
Total comprehensive income for the financial period	-	4,110	-	-	14,174	18,284	2,730	21,014
<u>Transactions with owners</u>								
Share options granted under Share Option Plan	-	-	-	2,338	-	2,338	-	2,338
Dividends	-	-	-	-	(82,527)	(82,527)	(99)	(82,626)
Total transactions with owners for the financial period	-	-	-	2,338	(82,527)	(80,189)	(99)	(80,288)
At 30 September 2022	154,051	5,126	-	4,008	127,024	290,209	22,610	312,819

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 period ended 30 September 2023

	2023 RM'000	2022 RM'000
Operating Activities		
Cash receipts from customers	**2,508,729**	2,486,854
Cash payments to suppliers and employees	**(2,438,577)**	(2,526,428)
Net cash generated from/(used in) operations	**70,152**	(39,574)
Interest paid	**(44,955)**	(36,182)
Tax paid	**(10,788)**	(37,166)
Interest received	**1,167**	672
Net cash generated from/(used in) operating activities	**15,576**	(112,250)
Investing Activities		
Purchase of property, plant and equipment	**(27,915)**	(42,302)
Purchase of intangible assets	**(7,469)**	(9,589)
Proceeds from disposal of property, plant and equipment	**5,036**	20
Increase in investment in deposits maturing more than three (3) months	**-**	521
Net cash used in investing activities	**(30,348)**	(51,350)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(7,859)**	(75,977)
- non-controlling interests of a subsidiary	**(211)**	(99)
Net (repayment)/drawdown of borrowings	**(38,286)**	223,936
Proceeds from issuance of share capital	**45,857**	-
Payment of lease liabilities	**(7,287)**	(3,530)
Net cash (used in)/generated from financing activities	**(7,786)**	144,330
Net decrease in cash and cash equivalents	**(22,558)**	(19,270)
Effects of exchange rate changes	**435**	227
Cash and cash equivalent at beginning of period	**52,849**	47,112
Cash and cash equivalent at end of period	**30,726**	28,069
Analysis of cash and cash equivalents:		
Cash and bank balances	**28,409**	24,869
Deposits with licensed banks	**2,317**	7,926
	30,726	32,795
Less: Deposits maturing more than three (3) months	**-**	(4,726)
	30,726	28,069

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 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 period.

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 except for the issuance of 131,020,866 new ordinary shares representing 10% of the total issued shares of the Company pursuant to the completion of the Private Placement I on 24 July 2024.

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 30 September 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	1,860,945	5,457	748,272	-	-	2,614,674
Inter-segment revenue	-	218,476	-	-	(218,476)	-
Total revenue	1,860,945	223,933	748,272	-	(218,476)	2,614,674
Results						
(Loss)/ Earnings before interest, taxation, depreciation and amortisation	(7,163)	21,475	26,170	(7,439)	-	33,043
Depreciation and amortisation	(11,577)	(12,252)	(5,535)	-	-	(29,364)
Finance costs	(53,017)	(15,646)	(13,946)	-	37,039	(45,570)
Interest income	37,566	104	536	-	(37,039)	1,167
(Loss)/ Profit before zakat and taxation	(34,191)	(6,319)	7,225	(7,439)	-	(40,724)
Zakat	-	-	-	-	-	-
Taxation	3,234	(1,316)	(5,151)	-	-	(3,233)
Net (loss)/ profit for the financial period	(30,957)	(7,635)	2,074	(7,439)	-	(43,957)
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,860,945	223,933	748,272	-	(218,476)	2,614,674
- Over time	-	-	-	-	-	-
	1,860,945	223,933	748,272	-	(218,476)	2,614,674
2022 (Restated)						
Revenue						
External revenue	1,875,218	11,025	731,972	-	-	2,618,215
Inter-segment revenue	-	212,706	-	-	(212,706)	-
Total revenue	1,875,218	223,731	731,972	-	(212,706)	2,618,215
Results						
Earnings before interest, taxation, depreciation and amortisation	27,407	41,914	22,716	(10,328)	-	81,709
Depreciation and amortisation	(6,818)	(14,248)	(5,991)	-	-	(27,057)
Finance costs	(14,693)	(3,783)	(9,675)	-	634	(27,517)
Interest income	856	412	38	-	(634)	672
Profit before zakat and taxation	6,752	24,295	7,088	(10,328)	-	27,807
Zakat	(1,800)	-	-	-	-	(1,800)
Taxation	(1,580)	(6,329)	(1,555)	-	-	(9,464)
Net profit for the financial period	3,372	17,966	5,533	(10,328)	-	16,543
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,875,218	223,731	731,972	-	(212,706)	2,618,215
- Over time	-	-	-	-	-	-
	1,875,218	223,731	731,972	-	(212,706)	2,618,215

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					
	2023			2022		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,535,856,243	0.0295	748,272	2,489,581,680	0.0294	731,972
Earnings before interest, taxation, depreciation and amortisation	88,688,816	0.0295	26,170	77,261,613	0.0294	22,716

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

On 21 July 2023, the Company proposes to undertake a proposed private placement of up to 144,122,952 new ordinary shares in Pharmaniaga ("Pharmaniaga Share(s)" or "Share(s)") representing approximately 10% of the total number of issued shares of Pharmaniaga to Lembaga Tabung Angkatan Tentera ("LTAT"), a substantial shareholder of the Company, at an issue price to be determined later ("Proposed Private Placement II"). However, Bursa Securities has vide its letter dated 13 September 2023, informed that after taking into consideration the relevant facts and circumstances, Bursa Securities has dismissed the appeal submitted by Pharmaniaga on 1 August 2023 to undertake the Proposed Private Placement II.

On 29 November 2023, MIDF Amanah Investment Bank Berhad ("MIDF") has on behalf of the Board of Directors of the Company ("Board") announced that the Company is proposing to undertake the Proposed Regularisation Plan to regularise its financial condition in accordance with Paragraph 8.04(3) of the Main Market Listing Requirements ("MMLR"). The Proposed Regularisation Plan is subject to the approval by Bursa Malaysia Securities Berhad.

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 2023.

A13. Contingent Liabilities

Save as disclosed below, there is no other contingent liability that has arisen since the financial period end.

On 13 September 2023, the Ministry of Health of Malaysia ("MOH") issued a demand letter to Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly-owned subsidiary of the Company, seeking reimbursement of RM15.34 million for alleged shortcomings in procuring of faulty ventilators during the 2020 Covid-19 peak. In response on 22 September 2023, PLSB presented feedback to the Parliament's Public Accounts Committee (PAC), asserting fulfilment of its obligations as an agent and contending that it should not be held liable for the defective ventilators as it was not the supplier mentioned in the contract.

A14. Commitments

The Group has the following commitments as at 30 September 2023:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	26,678	105,134	131,812

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	-	327	6,301	-	-	6,628
Transfer from property, plant and equipment	-	-	841	-	-	841
Written off	-	-	(11,237)	-	-	(11,237)
Foreign exchange adjustments	176	(74)	367	1,516	-	1,985
At 30 September 2023	143,192	25,436	60,666	21,662	3,071	254,027
Accumulated amortisation						
At 1 January 2023	-	6,523	2,988	16,992	975	27,478
Amortisation charged	-	1,182	2,182	342	-	3,706
Foreign exchange adjustments	-	-	-	1,358	-	1,358
At 30 September 2023	-	7,705	5,170	18,692	975	32,542
Accumulated impairment						
At 1 January 2023/ 30 September 2023	65,675	-	-	-	2,096	67,771
Net carrying value						
At 30 September 2023	77,517	17,731	55,496	2,970	-	153,714
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 Restated	+/(-) %	2023 RM'000	2022 RM'000 Restated	+/(-) %
Revenue	885,486	894,939	-1.1%	2,614,674	2,618,215	-0.1%
(Loss)/ Earnings before interest, taxation, depreciation and amortisation	(30,684)	5,028	> -100%	33,043	81,709	-59.6%
(Loss)/ Profit before interest, zakat and taxation	(40,409)	(4,541)	> -100%	3,679	54,652	-93.3%
(Loss)/ Profit before zakat and taxation	(56,259)	(14,153)	> -100%	(40,724)	27,807	> -100%
(Loss)/ Profit for the financial period	(49,047)	(13,227)	> -100%	(43,957)	16,543	> -100%
(Loss)/ Profit attributable to owners of the parent	(49,339)	(13,987)	> -100%	(44,731)	14,469	> -100%

Quarter 3 2023 vs Quarter 3 2022

In the third quarter of 2023, the Group reported a total revenue of RM885.5 million, reflecting a 1.1% decrease from RM894.9 million in the corresponding quarter of the previous financial year. This was driven by a noteworthy 33.4% decrease in the sales within the non-concession business, stemming from the loss of a tender exercise for a blood cancer product. Nevertheless, the impact was moderated by improved performances in the Private Market and Indonesia Operations segments.

The Group recorded a loss before interest, taxation, depreciation, and amortisation (LBITDA) amounting to RM30.7 million. This was primarily due to a one-off provision for stock obsolescence (RM65.2 million) from the expiring pandemic-related consumables inventory such as personal protective equipment and needles and write-off of new product development costs (RM7.6 million) due to the non-commercial viability of the products. Additionally, the cessation of non-core businesses also resulted in a write-down of machinery equipment (RM3.1 million).

Consequently, the Group closed the quarter with a loss before zakat and taxation (LBT) of RM56.3 million, representing a significant increase from the LBT of RM14.2 million reported in the same period last year.

Period ended 30 September 2023 vs Period ended 30 September 2022

During the first nine months of 2023, the Group reported a slight decrease in revenue amounting to RM2.61 billion, compared with RM2.62 billion in the same period in the previous year, representing a 0.1% decrease. The reduction in revenue from our non-concession business was offset by the positive contributions by the Private Market and Indonesia Operation segments countering the decline in the concession business.

For the nine-month period, the Group recorded an earnings before interest, taxation, depreciation, and amortisation (EBITDA) of RM33.0 million, a notable decrease from last year of RM81.7 million. This was primarily due to a one-off provision for stock obsolescence (RM65.2 million) from the expiring pandemic-related consumables inventory such as personal protective equipment and needles and write-off of new product development costs (RM7.6 million) due to the non-commercial viability of the products. Additionally, the cessation of non-core businesses also resulted in a write-down of machinery equipment (RM3.1 million).

Consequently, the Group closed the quarter with an LBT of RM40.7 million, compared with a PBT of RM27.8 million in the same period last year.

The **Logistics and Distribution Division** reported an LBITDA of RM34.2 million for the nine-month period ended 30 September 2023, a significant shift from the EBITDA of RM6.7 million in the corresponding period of the previous year. This LBITDA was primarily attributed to a one-off provision for stock obsolescence (RM61.2 million) from the expiring pandemic-related consumables inventory such as personal protective equipment and needles.

Despite challenges, the Group upheld its commitment to the Ministry of Health ensuring efficient and timely delivery of critical medical supplies nationwide.

The **Manufacturing Division** reported an LBT of RM6.3 million as a result of a one-off provision for stock obsolescence (RM4.0 million), a write-off of new product development costs (RM7.6 million) due to the non-commercial viability of the products, and a write-down of plant and equipment resulting from the cessation of non-core businesses (RM3.1 million).

Nonetheless, long-term prospects for the Group's Manufacturing Division remain optimistic, driven continuous expansion of the vaccine manufacturing business alongside sustained demand in the market.

The **Indonesia Division** reported an increased EBITDA of RM26.2 million in the period under review, up from RM22.7 million in the corresponding period of the previous year. This improvement was attributed to higher revenue, coupled with enhanced operational efficiency through stock optimised management and assertive collection of payments.

Consolidated Statement of Financial Position

Effective 1 January 2023, the Company transitioned its accounting policy for land and buildings from the cost model to revaluation model. Carrying amounts increase resulting from the revaluation of land and buildings are recognised in property, plant and equipment and rights-of-use-assets. These adjustments, net of tax, are reflected in other comprehensive income and accumulated in reserves within shareholders' equity.

The decrease in receivables as of 31 December 2022 as compared with third quarter of 2023 is primarily attributed to the majority of the receivables being from the Government, with full collection by end of the year.

As of 30 September 2023, higher payables are noted, primarily due to delayed payment to suppliers. This delay is a consequent of cash flow constraints triggered by 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 addressing this issue and exploring additional facilities to resolve the cash flow constraints.

Consolidated Statement of Cash Flows

In the period under review, the surplus cash generated from our operations, combined with the funds acquired via private placements was strategically utilised to reduce our outstanding borrowings with financial institutions and facilitate payment to the suppliers.

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

	Current Quarter	Immediate Preceding Quarter	
	2023	**2023**	**+/(-)**
	RM'000	**RM'000**	**%**
Revenue	885,486	848,734	4.3%
(Loss)/ Earnings before interest, taxation, depreciation and amortisation	(30,684)	31,233	> -100%
(Loss)/ Profit before interest, zakat and taxation	(40,409)	21,576	> -100%
(Loss)/ Profit before zakat and taxation	(56,259)	6,342	> -100%
(Loss)/ Profit for the financial period	(49,047)	2,324	> -100%
(Loss)/ Profit attributable to owners of the parent	(49,339)	1,961	> -100%

Compared to the immediately preceding quarter, the Group experienced a marked 4.3% increase in revenue during the period under review. This growth was mainly driven by the elevated non-concession sales to the MOH and increased sales to the private sector. However, the strategic decision in streamlining business activities as well as cessation of non-core businesses led to significant provision including one-off provision for stock obsolescence (RM65.2 million) from the expiring pandemic-related consumables inventory such as personal protective equipment and needles, write-off of new product development costs (RM7.6 million) due to the non-commercial viability of the products, and write-down of plant and equipment (RM3.1 million). Hence, the Group recorded an LBT and LAT of RM56.3 million and RM49.0 million respectively.

B19. Prospects

Recognising current hurdles, the Group is actively engaged in re-evaluating its business operations with a strong focus on fiscal discipline, restructuring of non-performing businesses, strategic optimisation of business activities, resources and assets, and implementing prudent cost management strategies.

While undoubtedly challenging, it is an imperative process aimed at fortifying our position and swiftly resolving our Practice Note 17 (PN17) classification. In line with this commitment, the Group will be submitting its Requisite Announcement (RA) to Bursa Malaysia on 29 November 2023. The RA highlights the Group’s plan to raise sufficient funding to bolster its financial position and revitalise financial health, marking a crucial step toward exiting its PN17 status.

As announced in the previous quarter, Pharmaniaga has undertaken a review of its position in all business segments, making sure that every challenge is being met head-on and addressed holistically. Thus, the Group has decided to take a prudent step to incur total impairment of approximately RM167 million (net of tax) during Q3 FY2023 of which RM121 million involves prior year adjustments. This calculated move is a pivotal element in Pharmaniaga’s commitment to reset its business through optimisation of its portfolio, fortifying core business operations, and restoring profitability for the Group.

The Group has also put in place a clear roadmap to chart the way forward. Underpinned by five strategic pillars, this is aimed at strengthening the public sector business, building up biopharmaceutical capabilities, optimising cost, growing the private market and repositioning the Indonesia business to drive sustainable growth and unlock value creation opportunities.

Looking ahead, the outlook is encouraging for the global healthcare sector, propelled by growing healthcare awareness, rising prevalence of non-communicable diseases and an increasing aging population, amongst other factors. In Malaysia, the compounded annual growth rate of the pharmaceutical industry is projected to outpace global growth, with the private market as a key driver. Along with robust prospects for the biopharmaceutical market as well as significant potential in the Indonesian market, Pharmaniaga will be in a position to tap into long term opportunities in the industries.

Furthermore, the Government’s increased healthcare allocation under the 2024 National Budget, with RM5.5 billion allocated for medicine supplies, consumables, reagents and vaccines, bodes well for the Group’s prospects. With the signing of the concession agreement with the Ministry of Health targeted by the end of 2023, Pharmaniaga will continue to uphold its commitment to serving the nation’s evolving healthcare needs.

The Group remains optimistic that these ongoing efforts will yield positive outcomes in due course, allowing Pharmaniaga to emerge as a stronger and more resilient organisation.

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
		Restated		Restated
Taxation based on profit for the period/ year:				
- Current	**3,281**	7,229	**11,874**	12,774
- Deferred	**(12,562)**	(8,218)	**(13,089)**	(2,802)
	(9,281)	(989)	**(1,215)**	9,972
Under/ (Over) provision in prior periods:				
- Current	**-**	(537)	**2,379**	(508)
- Deferred	**2,069**	-	**2,069**	-
	2,069	(537)	**4,448**	(508)
	(7,212)	(1,526)	**3,233**	9,464

The Group's effective tax rate is lower than the statutory tax rate of 24% principally due to the write off of product development cost and write down of plant and equipment.

B22. Corporate Proposal

Save as disclosed below, the Company has not undertaken any equity fund-raising exercises in the past 12 months.

On 13 June 2023, on behalf of the Board, MIDF Investment had announced that the Company proposed to undertake a private placement of up to 131,020,866 new Pharmaniaga Shares to third-party investor(s) to be identified at an issue price to be determined later ("Private Placement"). On 21 July 2023, the Company announced that the entire 131,020,866 Shares have been issued and subscribed at the issue price of RM0.35 per Share, raising approximately RM45.9 million. On 24 July 2023, the Private Placement has been completed following the listing and quotation of 131,020,866 Shares on the Main Market of Bursa Securities.

As at 30 September 2023, the proceeds of RM45.9 million raised pursuant to the Private Placement have been utilised for the following purposes:

Utilisation of Proceeds	**Expected timeframe for utilisation from the completion of the Private Placement**	**Proposed utilisation**	**Actual utilisation**	**Balance to be utilised**
Working capital for payment to suppliers/ trade creditors of the Group	Within 12 months	45,521	45,521	-
Estimated expenses in relation to the Private Placement	Within 1 month	336	336	-
Total		**45,857**	**45,857**	-

B23. Borrowings and Debt Securities

		30 September 2023 RM'000	30 September 2022 RM'000	31 December 2022 RM'000
Non-current:				
Term loan		**52,727**	31,960	-
Revolving credits		**163,998**	275,990	189,666
Hire purchase:				
- Denominated in Ringgit Malaysia		**1,101**	482	815
- Denominated in Indonesian Rupiah		**122**	167	146
		217,948	308,599	190,627
Current:				
Term loan		**-**	-	38,820
Bankers' acceptances:				
- Denominated in Ringgit Malaysia		**444,325**	426,214	508,189
- Denominated in Indonesian Rupiah		**230,036**	182,580	173,111
Revolving credits		**242,267**	167,708	247,633
Hire purchase:				
- Denominated in Ringgit Malaysia		**562**	367	420
- Denominated in Indonesian Rupiah		**44**	126	99
		917,234	776,995	968,272
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**780,345,763**	601,555,921	614,737,589
Exchange rate for Indonesian Rupiah	**RM**	**0.0295**	0.0304	0.0282

As at 30 September 2023, the weighted average floating interest rate of borrowings was 5.5% (2022: 4.1%) 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 30 September 2023.

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM186.9 million due to the breach of financial covenants, presented as current liabilities as at 30 September 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 RM82.2 million is presented as current liabilities as at 30 September 2023. On 4 April 2023, the Group was allowed to continue utilising the RM82.2 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

B23. Borrowings and Debt Securities (cont'd)

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM186.9 million due to the breach of financial covenants, presented as current liabilities as at 30 September 2023. Details of the breaches of the financial covenants are as follows (continued):

(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 RM104.7 million is presented as current liabilities as at 30 September 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 RM54.7 million.

On 12 July 2023, Ministry of Health of Malaysia (“MOH”) has issued a letter dated 12 July 2023 to Pharmaniaga Logistics Sdn Bhd (“PLSB”), a wholly-owned subsidiary of the Company, for a new medical supply logistics services for a period of seven (7) years, commencing from 1 July 2023 to 30 June 2030.

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 (loss)/ 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	**9,725**	9,569	**29,364**	27,057
Net impairment of write off of receivables	**863**	462	**1,744**	634
Net provision for stock obsolescence and write off of inventories	**70,001**	2,285	**76,460**	10,576
Write off of intangible assets	**11,237**	-	**11,237**	498
Net foreign exchange losses	**804**	327	**46**	1,462

The significant increase in the provision for stock obselence and write off of intangibles assets is mainly attributed to a one-off provision for stock obsolescence (RM65.2 million) from the expiring pandemic-related consumables inventory such as personal protective equipment and needles and write-off of new product development costs (RM7.6 million) due to the non-commercial viability of the products respectively.

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 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 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. (Loss)/ Earnings Per Share ("EPS")

(a) Basic (loss)/ earnings per share

	Current Period		Cumulative Period	
	2023	2022 Restated	**2023**	2022 Restated
(Loss)/ Profit attributable to owners of the Company (RM'000)	**(49,339)**	(13,987)	**(44,731)**	14,469
Average number of ordinary shares in issue ('000)	**1,342,844**	1,309,959	**1,342,844**	1,309,959
Basic (loss)/ earnings per share (sen)	**(3.67)**	(1.07)	**(3.33)**	1.10

(b) Diluted (loss)/ earnings per share

	Current Period		Cumulative Period	
	2023	2022 Restated	**2023**	2022 Restated
(Loss)/ Profit attributable to owners of the Company (RM'000)	**(49,339)**	(13,987)	**(44,731)**	14,469
Average number of ordinary shares in issue ('000)	**1,342,844**	1,309,959	**1,342,844**	1,309,959
Assumed shares issued under Long Term Incentive Plan ('000)	**-**	-	**-**	-
Weighted average number of ordinary shares in issue ('000)	**1,342,844**	1,309,959	**1,342,844**	1,309,959
Diluted (loss)/ earnings per share (sen)	**(3.67)**	(1.07)	**(3.33)**	1.10

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. Prior year adjustments

The prior year adjustment pertains to the under-provision of penalties from the Ministry of Health ("MOH") in relation to the supply of drugs and non-drugs to MOH health facilities. This provision for potential penalties by the MOH mainly occurred during the height of the COVID-19 pandemic, that has caused unprecedented disruptions in supply chain and unexpected surge in demand. These have severely impacted on the delivery of products from the Group's vendors which fell short and subsequently affecting the Group's ability to distribute the supplies to the MOH's health facilities. The situation was further exacerbated by the imposition of strict movement control orders, reduced workforce resulting from quarantine and other health protocols, shortage of shipping containers, as well as warehouses functioning below their usual operational capacity.

For 30 September 2022	**As previously reported RM'000**	**Effect of the prior year adjustments RM'000**	**Restated RM'000**
Statement of Profit or Loss			
Revenue	2,647,957	(29,742)	2,618,215
Taxation	(16,602)	7,138	(9,464)
Profit before zakat and taxation	57,549	(29,742)	27,807
Profit for the financial period	39,147	(22,604)	16,543
For 1 January 2022			
Statements of Financial Position			
Reserves	296,411	(98,348)	198,063
Deferred tax assets	33,066	31,057	64,123
Receivables	297,753	(505)	297,248
Payables	858,408	128,900	987,308
For 31 December 2022			
Statements of Financial Position			
Reserves	(402,931)	(120,952)	(523,883)
Deferred tax assets	27,047	38,195	65,242
Receivables	351,664	(9,665)	341,999
Payables	802,704	149,482	952,186

B28. 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 29 November 2023.

By Order of the Board

WAN INTAN IDURA WAN ISMAIL (LS 0010668)
SYARUZAIMI BIN YUSOF (LS 0010665)
Company Secretaries

Kuala Lumpur
29 November 2023