

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 30 June 2024	Current Period		Cumulative Period	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	838,256	848,734	1,803,215	1,729,188
Cost of sales	(754,691)	(751,764)	(1,596,341)	(1,538,052)
Gross profit	83,565	96,970	206,874	191,136
Other income	1,422	550	1,933	1,155
Operating expenses	(63,979)	(75,944)	(131,822)	(148,203)
Finance costs	(18,194)	(15,380)	(35,577)	(29,362)
Interest income	520	146	970	809
Profit before zakat and taxation	3,334	6,342	42,378	15,535
Zakat	-	-	-	-
Taxation	512	(4,018)	(12,353)	(10,445)
Profit for the financial period	3,846	2,324	30,025	5,090
Profit for the financial period attributable to:				
Owners of the parent	2,797	1,961	28,443	4,608
Non-controlling interests	1,049	363	1,582	482
Profit for the financial period	3,846	2,324	30,025	5,090
Earnings per share - sen				
- Basic	0.19	0.15	1.97	0.35
- Diluted	0.19	0.15	1.97	0.35

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 30 June 2024	Current Period		Cumulative Period	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	3,846	2,324	30,025	5,090
<u>Other comprehensive income, net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation (losses)/ gains for foreign operations	(4,960)	4,148	(3,389)	7,559
Recognition of actuarial gains	88	-	88	119
Items that will not be reclassified to profit or loss				
Gain on revaluation of land and buildings	-	-	176	101,870
	(4,872)	4,148	(3,125)	109,548
Total comprehensive (loss)/ income for the financial period	(1,026)	6,472	26,900	114,638
Attributable to:				
Owners of the parent	(889)	5,015	26,068	110,771
Non-controlling interests	(137)	1,457	832	3,867
Total comprehensive (loss)/ income for the financial period	(1,026)	6,472	26,900	114,638

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	517,708	515,319
Intangible assets	151,102	149,558
Rights-of-use assets	85,520	90,429
Deferred tax assets	52,319	52,082
	<u>806,649</u>	<u>807,388</u>
Current assets		
Inventories	595,950	580,643
Receivables	578,927	369,187
Tax recoverable	31,304	30,195
Deposits, cash and bank balances	66,765	127,441
	<u>1,272,946</u>	<u>1,107,466</u>
TOTAL ASSETS	<u>2,079,595</u>	<u>1,914,854</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	200,046	200,046
Reserves	(473,044)	(499,112)
Shareholders' equity	<u>(272,998)</u>	<u>(299,066)</u>
Non-controlling interests	25,613	24,976
Capital deficiency	<u>(247,385)</u>	<u>(274,090)</u>
Non-current liabilities		
Borrowings	127,515	139,372
Lease liabilities	172	341
Deferred tax liabilities	30,156	32,846
Provision for defined benefit plan	11,212	10,841
Government grants	2,966	3,097
	<u>172,021</u>	<u>186,497</u>
Current liabilities		
Payables	1,001,194	881,308
Amount due to immediate holding company	50,999	50,515
Current tax liabilities	14,780	9,795
Contract liabilities	6,635	8,899
Government grants	260	260
Borrowings	1,079,527	1,047,727
Lease liabilities	1,564	3,943
	<u>2,154,959</u>	<u>2,002,447</u>
Total liabilities	<u>2,326,980</u>	<u>2,188,944</u>
TOTAL EQUITY AND LIABILITIES	<u>2,079,595</u>	<u>1,914,854</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2024	Attributable to shareholders of the Company						Non-controlling Interests	Total Equity
	Share Capital	Exchange Reserve	Revaluation Reserve	Share Reserves	Accumulated Losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	200,046	149	100,534	3,624	(603,419)	(299,066)	24,976	(274,090)
- Net profit for the financial period	-	-	-	-	28,443	28,443	1,582	30,025
- Other comprehensive (loss)/ income	-	(2,616)	176	-	65	(2,375)	(750)	(3,125)
Total comprehensive income for the financial period	-	(2,616)	176	-	28,508	26,068	832	26,900
Transactions with owners								
Dividends	-	-	-	-	-	-	(195)	(195)
Total transactions with owners for the financial period	-	-	-	-	-	-	(195)	(195)
At 30 June 2024	200,046	(2,467)	100,710	3,624	(574,911)	(272,998)	25,613	(247,385)
At 1 January 2023 (as previously stated)	154,189	(2,281)	-	3,624	(404,274)	(248,742)	21,386	(227,356)
Restatement of comparatives	-	-	-	-	(120,952)	(120,952)	-	(120,952)
At 1 January 2023 (as restated)	154,189	(2,281)	-	3,624	(525,226)	(369,694)	21,386	(348,308)
- Net profit for the financial period	-	-	-	-	4,608	4,608	482	5,090
- Other comprehensive income	-	5,572	98,812	-	1,779	106,163	3,385	109,548
Total comprehensive income for the financial period	-	5,572	98,812	-	6,387	110,771	3,867	114,638
Transactions with owners								
Dividends	-	-	-	-	-	-	(211)	(211)
Total transactions with owners for the financial period	-	-	-	-	-	-	(211)	(211)
At 30 June 2023	154,189	3,291	98,812	3,624	(518,839)	(258,923)	25,042	(233,881)

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2024

	2024	2023
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	1,723,270	1,566,726
Cash payments to suppliers and employees	(1,739,197)	(1,488,329)
Net cash (used in)/generated from operations	(15,927)	78,397
Interest paid	(39,720)	(28,788)
Tax paid	(9,050)	(7,285)
Interest received	970	809
Net cash (used in)/generated from operating activities	(63,727)	43,133
Investing Activities		
Purchase of property, plant and equipment	(13,206)	(12,978)
Purchase of intangible assets	(4,766)	(4,758)
Proceeds from disposal of property, plant and equipment	9	4,819
Increase in investment in deposits maturing more than three (3) months	(6,496)	-
Net cash used in investing activities	(24,459)	(12,917)
Financing Activities		
Dividends paid to:		
- owners of the Company	-	(7,829)
- non-controlling interests of a subsidiary	(195)	(211)
Net drawdown/(repayment) of borrowings	24,698	(43,087)
Payment of lease liabilities	(3,141)	(4,957)
Net cash generated from/ (used in) financing activities	21,362	(56,084)
Net decrease in cash and cash equivalents	(66,824)	(25,868)
Effects of exchange rate changes	(348)	793
Cash and cash equivalent at beginning of period	127,441	52,849
Cash and cash equivalent at end of period	60,269	27,774
Analysis of cash and cash equivalents:		
Cash and bank balances	52,903	15,069
Deposits with licensed banks	13,862	12,705
	66,765	27,774
Less: Deposits maturing more than three (3) months	(6,496)	-
	60,269	27,774

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

A1. Basis of preparation

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2024 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 2023. 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 2023.

A2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2023, except for 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 2024.

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

On 1 January 2024, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' 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.
- Amendments to MFRS 101 "Presentation of Financial Statements" on '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.
- Amendments to MFRS 101 "Presentation of Financial Statements" on '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.
- Amendments to MFRS 107 and MFRS 7 'Supplier Finance Arrangements'.

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 121 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability (effective 1 January 2025).
- ii) 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).
- iii) Amendments to MFRS 7 "Financial Instruments: Disclosures" and MFRS 9 "Financial Instruments" on the Classification and Measurement of Financial Instruments (effective 1 January 2026).
- iv) MFRS 18 "Presentation and Disclosure in Financial Statements" (effective 1 January 2027).
- v) MFRS 19 "Subsidiaries without Public Accountability: Disclosures" (effective 1 January 2027).

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 2023 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2023 was unqualified with emphasis of matter on 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.

A8. Dividends

No interim dividend was proposed or declared in respect of the financial period ended 30 June 2024 (2023: Nil).

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

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	----- Malaysia -----		--- Indonesia ---		Unallocated corporate expenses	Eliminations	Total
	Logistics and distribution	Manufacturing	Manufacturing & distribution				
2024							
Revenue							
External revenue	1,213,250	2,936	587,029	-	-	-	1,803,215
Inter-segment revenue	-	135,835	-	-	-	(135,835)	-
Total revenue	1,213,250	138,771	587,029	-	-	(135,835)	1,803,215
Results							
Earnings before interest, taxation, depreciation and amortisation							
Depreciation and amortisation	46,393	31,603	19,795	-	-	-	97,791
Finance costs	(7,413)	(8,963)	(4,430)	-	-	-	(20,806)
Interest income	(41,299)	(11,340)	(10,591)	-	27,653	-	(35,577)
Profit before zakat and taxation	28,534	81	8	-	(27,653)	-	970
Zakat	26,215	11,381	4,782	-	-	-	42,378
Taxation	-	-	-	-	-	-	-
Net profit for the financial period	(7,442)	(4,556)	(355)	-	-	-	(12,353)
Net profit for the financial period	18,773	6,825	4,427	-	-	-	30,025
Timing of revenue recognition							
Goods or services transferred:							
- At a point in time	1,213,250	138,771	587,029	-	-	(135,835)	1,803,215
- Over time	-	-	-	-	-	-	-
	1,213,250	138,771	587,029	-	-	(135,835)	1,803,215
2023							
Revenue							
External revenue	1,250,932	3,938	474,318	-	-	-	1,729,188
Inter-segment revenue	-	164,286	-	-	-	(164,286)	-
Total revenue	1,250,932	168,224	474,318	-	-	(164,286)	1,729,188
Results							
Earnings before interest, taxation, depreciation and amortisation							
Depreciation and amortisation	29,004	21,655	17,660	(4,592)	-	-	63,727
Finance costs	(7,769)	(8,209)	(3,661)	-	-	-	(19,639)
Interest income	(35,253)	(10,216)	(9,229)	-	25,336	-	(29,362)
Profit before zakat and taxation	25,559	58	528	-	(25,336)	-	809
Zakat	11,541	3,288	5,298	(4,592)	-	-	15,535
Taxation	-	-	-	-	-	-	-
Net profit for the financial period	(5,761)	(540)	(4,144)	-	-	-	(10,445)
Net profit for the financial period	5,780	2,748	1,154	(4,592)	-	-	5,090
Timing of revenue recognition							
Goods or services transferred:							
- At a point in time	1,250,932	168,224	474,318	-	-	(164,286)	1,729,188
- Over time	-	-	-	-	-	-	-
	1,250,932	168,224	474,318	-	-	(164,286)	1,729,188

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 June					
	2024			2023		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,967,629,478	0.0298	587,029	1,622,813,421	0.0292	474,318
Earnings before interest, taxation, depreciation and amortisation	66,349,747	0.0298	19,795	60,421,247	0.0292	17,660

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A10. Carrying Amount of Revalued Assets**

Land and buildings within the property, plant and equipment and leasehold land within right-of-use assets are measured initially at cost, including transaction costs and borrowing costs if the land and buildings meet the definition of qualifying assets. After initial recognition, land and buildings are carried at revaluation, less subsequent depreciation (except freehold land) and impairment losses. All other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses except for capital work-in-progress which are not depreciated.

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. Subsequent Events

There was no subsequent event as at 21 August 2024 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 June 2024.

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 30 June 2024:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	4,730	88,772	93,502

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 2023.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost and work-in- progress	Manufacturing licences and trade name	Intellectual property	Total
Cost						
At 1 January 2024	143,143	20,148	60,679	21,246	3,071	248,287
Additions	-	-	4,766	-	-	4,766
Written off	-	-	(305)	-	-	(305)
Foreign exchange adjustments	(81)	(84)	-	(688)	-	(853)
At 30 June 2024	143,062	20,064	65,140	20,558	3,071	251,895
Accumulated amortisation						
At 1 January 2024	-	4,307	5,952	19,724	975	30,958
Amortisation charged	-	938	1,510	132	-	2,580
Foreign exchange adjustments	-	-	-	(516)	-	(516)
At 30 June 2024	-	5,245	7,462	19,340	975	33,022
Accumulated impairment						
At 1 January 2024/ 30 June 2024	65,675	-	-	-	2,096	67,771
Net carrying value						
At 30 June 2024	77,387	14,819	57,678	1,218	-	151,102
At 31 December 2023	77,468	15,841	54,727	1,522	-	149,558

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

	Current Period			Cumulative Period		
	2024 RM'000	2023 RM'000	+/(-) %	2024 RM'000	2023 RM'000	+/(-) %
Revenue	838,256	848,734	-1.2%	1,803,215	1,729,188	4.3%
Earnings before interest, taxation, depreciation and amortisation	31,296	31,233	0.2%	97,791	63,727	53.5%
Profit before interest, zakat and taxation	21,008	21,576	-2.6%	76,985	44,088	74.6%
Profit before zakat and taxation	3,334	6,342	-47.4%	42,378	15,535	> 100.0%
Profit for the financial period	3,846	2,324	65.5%	30,025	5,090	> 100.0%
Profit attributable to owners of the parent	2,797	1,961	42.6%	28,443	4,608	> 100.0%

Quarter 2 2024 vs Quarter 2 2023

For the second quarter ended 30 June 2024, the Group recorded RM838.3 million in revenue, reflecting a 1.2% decrease from RM848.7 million in the corresponding quarter of the previous financial year. This was driven by a decrease in revenue in the non-concession segment, which was affected by the completion of the supply of a blood product. However, the revenue decline was offset by increased customer demand in the Indonesia segment, driven by a surge in demand for products from existing principals and additional sales generated from the opening of two new branches in February 2024.

In the concession segment, despite an increase in revenue due to price revisions under the new concession cycle, there was a decline in the volume of demand, which affected gross profits. However, the Group has implemented cost optimisation measures, resulting in 15.8% decrease in operating expenses compared with the same period last year, leading to higher earnings before interest, taxation, depreciation, and amortisation (EBITDA) of RM31.3 million, a 0.2% increase from RM31.2 million in the same quarter last year. These cost optimisation measures included the cessation of non-core and non-performing businesses and reduced advertising and promotional expenses.

The Group's profit before zakat and taxation (PBT) decrease to RM3.3 million, compared with RM6.3 million in the corresponding quarter of the previous year mainly due to higher finance cost resulting from increased borrowings.

Period ended 30 June 2024 vs Period ended 30 June 2023

For the first 6 months period ended 30 June 2024, the Group recorded RM1.8 billion in revenue, representing a 4.3% increase from the corresponding period of the previous year. This growth was primarily driven by heightened customer demand in both the concession and Indonesia segments.

The increase in revenue for the concession segment was mainly attributed to the addition of new products to the Approved Products Purchase List and price adjustments under the new concession cycle due to increased supplier costs. In the Indonesia segment, the revenue growth was due to the surge in demand for products of existing principals and additional sales generated from the opening of two new branches in February 2024.

Furthermore, as a result of cost optimisation measures, the Group registered a 11.1% decrease in operating expenses compared to the same period last year. These measures included the cessation of non-core and non-performing businesses as well as lower advertising and promotional expenses.

In line with the increase in revenue and lower operating expenditures, the Group recorded higher EBITDA of RM97.8 million, marking a significant increase from RM63.7 million in the same period last year. Consequently, the Group's PBT stood at RM42.4 million, compared with RM15.5 million in the corresponding period of the previous year.

The **Logistics and Distribution Division** recorded a higher PBT of RM26.2 million for the period under review, compared with RM11.5 million in the corresponding period of the previous year. This increase was mainly attributable to higher concession sales. The growth in revenue for the concession segment was primarily due to the addition of new products to the Approved Product Price List and price revisions under the new concession cycle resulting from increased supplier costs. Additionally, cost optimisation measures including the cessation of non-core and non-performing businesses as well as lower advertising and promotional expenses, contributed to the improved profitability of the Division.

The Group maintained its commitment to 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 PBT of RM11.4 million, a significant improvement compared with RM3.3 million in the same period last year. 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 EBITDA of RM19.8 million for the financial period under review, an improvement compared with RM17.7 million in the corresponding period last year. This was driven by higher revenue from products of existing principals and additional sales generated from the opening of two new branches in February 2024. However, the Division recorded a lower PBT of RM4.8 million as impacted by higher amortisation, depreciation and finance costs.

Consolidated Statement of Financial Position

The majority of the receivables are from the Government, with collection expected to be fully paid by end of the year. This explains why receivables as at 31 December 2023 were lower compared to the second quarter of 2024.

Higher payables as of 30 June 2024 were primarily due to increased purchases resulting from the addition of new products to the Approved Product Price List in the new concession period, as well as price revisions under the new concession cycle due to increased supplier costs.

Consolidated Statement of Cash Flows

For the period under review, the deficit in cash from operations was mainly due to the payment of the overdue suppliers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B18. Material Changes in Quarterly Results Compared to The Results of the Immediate Preceding Quarter**

	Current Period	Immediate Preceding Period	+ / (-) %
	2024 RM'000	2024 RM'000	
Revenue	838,256	964,959	-13.1%
Earnings before interest, taxation, depreciation and amortisation	31,296	66,495	-52.9%
Profit before interest, zakat and taxation	21,008	55,977	-62.5%
Profit before zakat and taxation	3,334	39,044	-91.5%
Profit for the financial period	3,846	26,179	-85.3%
Profit attributable to owners of the parent	2,797	25,646	-89.1%

The Group's revenue for the second quarter under review decreased by 13.1% to RM838.3 million compared with the previous quarter (Q1 2024), largely due to lower contributions from concession and non-concession businesses as a result of the festive season. As a result, the Group recorded a lower PBT of RM3.3 million as compared with the preceding quarter of RM39.0 million.

Correspondingly, the Group recorded a profit after tax (PAT) of RM3.8 million for the quarter under review, compared with the RM26.2 million in the immediate preceding quarter.

B19. Prospects

As we move into the latter half of 2024, Pharmaniaga Berhad is poised for substantial growth across multiple fronts. The Group is set to continue its encouraging performance through the end of the year, primarily driven by its two key initiatives namely expansion of Indonesia business and operational efficiency improvements on core businesses.

The Group's Indonesia business demonstrated robust growth, recording over 23.8% revenue growth in the first half of 2024, driven by the opening of two new branches in February. Currently, the Group is in the process of obtaining business licenses to operate another branch in Permatang Siantar, expected to be completed by the fourth quarter of 2024. With the anticipated opening of its 36th branch, aimed at covering a larger geographical area, coupled with ongoing efforts to acquire more high-margin principals, the Group is expected to maintain its positive growth trajectory for the year.

The Group's logistics and distribution operations have remained resilient and uninterrupted, despite the PN17 status. Pharmaniaga continues to deliver essential medical supplies to government hospitals on schedule, consistently maintaining its high service level and reinforcing the strong relationships and trust with the Ministry of Health Malaysia.

The Group continued to enhance its operational efficiencies throughout 2024. Based on the first half of 2024, cost optimisation measures resulted in a 11.1% decrease in operating expenses compared to the same period last year. These improvements are part of ongoing efforts as the Group continues to refine inventory and sourcing strategies, devise automation opportunities & explore efficiency improvement initiatives to ensure continued cost improvements across operations.

On the Biopharmaceutical front, the Group achieved an important milestone with the completion of the Pre-Filled Syringe (PFS) and Cartridge Line at its Vaccine & Insulin Production facility. This includes the successful procurement, installation, and qualification of critical machinery and equipment. The production line is currently undergoing Process Simulation, known as Media Fill, which validates and verifies the sterility of the production environment—a crucial step before the manufacturing of Process Validation (PV) batches which are scheduled between September and December 2024.

The Group achieved another significant milestone on the Biopharmaceutical front with the encouraging progress made on product registration & readiness. The Group had on 13 May 2024, submitted to the National Pharmaceutical Regulatory Authority (NPRA) the dossiers for three types of human insulin.

In the area of vaccines product readiness, significant progress is being made. Agreements for technology transfer and antigen procurement for both the PCV13 and Hexavalent vaccines are progressing well. These projects are on track to receive registration approvals by the second quarter of 2026 and the fourth quarter of 2027, respectively.

These strategic initiatives—spanning on Indonesia business expansion, operational efficiency improvements on core businesses and advancements in Biopharmaceuticals—are expected to significantly uplift Pharmaniaga's financial performance. The Group's proactive approach guided by its strategic framework under Vision 525 underscores its commitment in steering the company towards long-term value creation and solidify its market leadership in the healthcare industry.

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	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Taxation based on profit for the period:				
- Current	1,510	2,576	11,940	8,593
- Deferred	4	95	2,302	(527)
	1,514	2,671	14,242	8,066
Under provision in prior periods:				
- Current	(137)	1,347	-	2,379
- Deferred	(1,889)	-	(1,889)	-
	(2,026)	1,347	(1,889)	2,379
	(512)	4,018	12,353	10,445

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B22. Corporate Proposal**

The Group had submitted its regularisation plan to Bursa Malaysia ("Proposed Regularisation Plan") on 23 February 2024 with the following proposals:

- proposed capital reduction of the issued share capital of the Company by the cancellation of RM180.0 million issued share capital which is lost and/or unrepresented by available assets;
- proposed renounceable rights issue to its shareholders to raise gross proceeds of up to RM354.6 million; and
- proposed private placement to third party investor(s) to be identified at a later date to raise gross proceeds of up to RM300.0 million.

The Proposed Regularisation Plan is subject to procuring the following approvals:

- Bursa Malaysia;
- the shareholders of the Company at the Extraordinary General Meeting to be convened; and
- the order of the High Court of Malaya pursuant to Section 116 of the Companies Act for the Proposed Capital Reduction.

B23. Borrowings and Debt Securities

	30 June 2024 RM'000	30 June 2023 RM'000	31 December 2023 RM'000
Non-current:			
Term loans			
- Denominated in Ringgit Malaysia	48,409	47,789	50,512
- Denominated in Indonesian Rupiah	11,968	-	13,112
Revolving credits	66,664	172,332	74,998
Hire purchase:			
- Denominated in Ringgit Malaysia	393	1,031	641
- Denominated in Indonesian Rupiah	81	138	109
	127,515	221,290	139,372
Current:			
Term loans			
- Denominated in Ringgit Malaysia	17,082	-	16,500
- Denominated in Indonesian Rupiah	704	-	-
Bankers' acceptances:			
- Denominated in Ringgit Malaysia	444,094	450,156	480,804
- Denominated in Indonesian Rupiah	237,440	218,736	213,300
Revolving credits	304,567	245,167	319,367
Bridging loan	75,000	-	17,079
Hire purchase:			
- Denominated in Ringgit Malaysia	592	479	632
- Denominated in Indonesian Rupiah	48	67	45
	1,079,527	914,605	1,047,727
The amount of borrowings denominated in Indonesian Rupiah	IDR'000 868,892,361	742,172,881	760,288,591
Exchange rate for Indonesian Rupiah	RM 0.0288	0.0295	0.0298

As at 30 June 2024, the weighted average floating interest rate of borrowings was 5.8% (2023: 5.5%) 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 June 2024.

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM327.4 million due to the breach of financial covenants, presented as current liabilities as at 30 June 2024. 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 net worth of the Group must not be less than RM336.0 million;
- The consolidated ratio of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to finance expenses shall not be less than 4 times; and
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times.

The total borrowings related to the breach in covenants is RM163.0 million. These borrowings are presented as current liabilities as at 30 June 2024.

On 21 December 2023, the Group was granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM86.7 million. Subsequently, on 11 March 2024, the Group was granted indulgence from the same financial institution for the same financial covenant for the period up to 30 April 2025.

On 16 February 2024, the Group was granted indulgence from another financial institution for non-compliance with the financial covenant relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM76.3 million.

The remaining borrowings balance without indulgence is nil.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B23. Borrowings and Debt Securities (cont'd)**

(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 times; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million.

The total borrowings related to the breach in covenants is RM98.9 million. These borrowings are presented as current liabilities as at 30 June 2024.

On 16 February 2024, the Group was granted indulgence from a financial institution for non-compliance with the financial covenants relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM50.0 million.

The remaining borrowings balance without indulgence is RM48.9 million.

(iii) Term loans

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

- The consolidated net worth of the Group must not be less than RM336.0 million; and
- The consolidated Finance Service Cover Ratio, calculated as ratio of cumulative available cash flows to interest expense and current portion of long-term borrowings, must not be less than 1.25 times.

The total borrowings related to the breach in covenants is RM65.5 million.

On 21 December 2023, the Group was granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM65.5 million. Subsequently, on 11 March 2024, the Group was granted indulgence from the same financial institution for the same financial covenant for the period up to 30 April 2025.

As the indulgence was granted and the lender does not have the rights to demand for immediate repayment as at the reporting date, the borrowings of RM48.4 million remain as a non-current liability for the Group. The remaining RM17.1 million is presented as current liability in accordance with the contractual repayment terms.

All of the Group's lenders, including the lenders mentioned above, have not requested early repayment of the borrowings and the Group did not default on any repayment obligations as of the date when these interim financial statements were approved by the Board of Directors.

(iv) Facilities with cross-default clauses

As at 30 June 2024, other than the borrowings disclosed in above, certain facilities within the Group of RM387.7 million contain cross-default clauses that may be breached due to the Group failing to meet certain financial covenants of other borrowings. These borrowings are presented as current liabilities as at 30 June 2024.

The banks had not requested early repayment of these borrowings and the Group 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	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Depreciation and amortisation	10,288	9,657	20,806	19,639
Net (reversal of impairment)/ impairment of write-off of receivables	(17)	596	481	881
Net provision for stock obsolescence and write-off of inventories	573	3,366	285	6,459
Write-off of intangible assets	-	-	305	-
Net foreign exchange losses/ (gains)	478	(178)	691	(758)

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 30 June 2024.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**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	
	2024	2023	2024	2023
Profit attributable to owners of the Company (RM'000)	2,797	1,961	28,443	4,608
Average number of ordinary shares in issue ('000)	1,441,229	1,310,209	1,441,229	1,310,209
Basic earnings per share (sen)	0.19	0.15	1.97	0.35

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	2,797	1,961	28,443	4,608
Average number of ordinary shares in issue ('000)	1,441,229	1,310,209	1,441,229	1,310,209
Assumed shares issued under Long Term Incentive Plan ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	1,441,229	1,310,209	1,441,229	1,310,209
Diluted earnings per share (sen)	0.19	0.15	1.97	0.35

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 21 August 2024.

By Order of the Board

Selangor
21 August 2024

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