

**Pharmaniaga Berhad**  
**467709-M**  
**Incorporated In Malaysia**

**QUARTERLY REPORT ON CONSOLIDATION RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

**THE FIGURES HAVE NOT BEEN AUDITED**

**I(A). CONDENSED CONSOLIDATED INCOME STATEMENT**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current year quarter	Preceding year corresponding quarter	Twelve months to	Twelve months to
	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
	RM'000	RM'000	RM'000	RM'000
1. (a) <b>Revenue</b>	376,116	323,906	1,378,348	1,300,796
(b) Cost of sales	(324,920)	(271,341)	(1,174,102)	(1,096,962)
(c) Gross profit	51,196	52,565	204,246	203,834
(d) Other income	1,570	8,585	4,179	13,292
(e) Expenses	(54,065)	(31,928)	(157,785)	(130,403)
(f) Finance costs	(1,208)	(1,146)	(4,043)	(4,467)
(g) Share of results of associate	(194)	(586)	(1,135)	(820)
(h) <b>(Loss)/profit before income tax</b>	(2,701)	27,490	45,462	81,436
(i) Income tax	1,511	(5,372)	(13,190)	(19,709)
(j) Zakat	(762)	-	(1,962)	-
(k) <b>(Loss)/profit for the year</b>	(1,952)	22,118	30,310	61,727
<b>Attributable to:</b>				
(l) Owners of the Parent	(2,256)	21,914	30,384	60,191
(m) Minority interests	304	204	(74)	1,536
<b>(Loss)/profit for the year</b>	(1,952)	22,118	30,310	61,727
2. <b>(Loss)/earnings per share</b>				
Basic (based on 2010: 106,977,788 [2009: 106,977,788] ordinary shares)	(2.11) sen	20.48 sen	28.40 sen	56.26 sen

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**I(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current year quarter <b>31/12/2010</b> RM'000	Preceding year corresponding quarter <b>31/12/2009</b> RM'000	Twelve months to <b>31/12/2010</b> RM'000	Twelve months to <b>31/12/2009</b> RM'000
(Loss)/profit for the year	(1,952)	22,118	30,310	61,727
Foreign currency translation differences for foreign operations	(232)	1,054	(1,464)	4,070
<b>Other comprehensive (expense)/ income for the year, net of tax</b>	<u>(232)</u>	<u>1,054</u>	<u>(1,464)</u>	<u>4,070</u>
<b>Total comprehensive (expense)/ income for the year</b>	<u>(2,184)</u>	<u>23,172</u>	<u>28,846</u>	<u>65,797</u>
<b>Attributable to:</b>				
Owners of the Parent	(2,488)	22,968	28,920	64,261
Minority interests	304	204	(74)	1,536
<b>Total comprehensive (expense)/ income for the year</b>	<u>(2,184)</u>	<u>23,172</u>	<u>28,846</u>	<u>65,797</u>

The condensed Consolidated Income Statement and Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

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**II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at end of</b>	<b>As at preceding</b>
	<b>current quarter</b>	<b>financial year end</b>
	<b>31/12/2010</b>	<b>31/12/2009</b>
	RM'000	RM'000
<b>ASSETS</b>		
1. Non-current assets		
Property, plant and equipment	276,976	277,515
Prepaid lease payment	2,950	3,033
Goodwill	28,820	28,820
Investment in associates	5,427	6,562
Deferred tax assets	10,945	3,904
	<b>325,118</b>	<b>319,834</b>
2. Current assets		
Inventories	230,013	228,067
Receivables	127,295	140,418
Amounts due from related companies	9,614	15,699
Amounts due from associates	559	1,789
Cash, bank balances and deposits	102,977	104,408
Tax recoverable	6,304	8,030
	<b>476,762</b>	<b>498,411</b>
 Total assets	 <b>801,880</b>	 <b>818,245</b>

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**II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**

	<b>Unaudited As at end of current quarter 31/12/2010 RM'000</b>	<b>Audited As at preceding financial year end 31/12/2009 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
3. Equity attributable to Owners of the Parent		
Share capital	106,978	106,978
Reserves		
Share premium	22,447	22,447
Other reserves	(3,885)	(2,421)
Retained profits	296,304	303,629
	421,844	430,633
4. Minority interests	15,629	15,703
Total equity	437,473	446,336
5. Non-current liabilities		
Provision for defined benefit plan	3,175	2,449
Long term borrowings	59	7,429
Deferred tax liabilities	1,530	3,131
	4,764	13,009
6. Current liabilities		
Payables	325,020	291,761
Amounts due to associates	31	4,571
Amount due to immediate holding company	97	428
Amounts due to related companies	-	100
Short term borrowings	33,067	39,539
Current portion of long term borrowings	-	18,537
Tax payable	1,428	3,964
	359,643	358,900
Total liabilities	364,407	371,909
Total equity and liabilities	801,880	818,245
7. <b>Net assets per share attributable to Owners of the Parent</b>	<b>RM 3.94</b>	<b>RM 4.03</b>

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

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**III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited</b>	<b>Audited</b>
	Twelve months to	Twelve months to
<b>Note</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
	RM'000	RM'000
<b>Operating Activities</b>		
Cash receipts from customers	1,375,599	1,365,439
Cash payments to suppliers	(1,148,937)	(1,151,237)
Cash payments to employees and for expenses	(123,187)	(108,243)
Cash generated from operations	<u>103,475</u>	<u>105,959</u>
Interest paid	(3,834)	(3,398)
Profit from Murabahah Commercial Paper	(203)	(486)
Income taxes paid	(24,121)	(28,170)
Income taxes refund	-	840
Interest received	<u>1,027</u>	<u>871</u>
<b>Net cash generated from operating activities</b>	<b>76,344</b>	<b>75,616</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(9,832)	(32,008)
Proceeds from disposal of property, plant and equipment	180	159
Proceeds from disposal of non-current assets held for sale	1,000	55,541
<b>Net cash (used in)/ generated from investing activities</b>	<b>(8,652)</b>	<b>23,692</b>
<b>Financing Activities</b>		
Drawdown/ (repayments) of short term borrowings	6,665	(12,566)
Dividend paid	(37,709)	(21,663)
Redemption of Murabahah Commercial Papers	(14,000)	(16,000)
Redemption of Murabahah Medium Term Notes	(15,000)	(15,000)
Repayment of term loan	(8,550)	(19,800)
Term loan interest paid	(140)	(918)
Profit on Murabahah Medium Term Notes paid	(713)	(1,388)
<b>Net cash used in financing activities</b>	<b>(69,447)</b>	<b>(87,335)</b>
<b>Effects of exchange rate changes</b>	<b>324</b>	<b>(1,738)</b>
<b>Net change in Cash and Cash Equivalents</b>	<u>(1,431)</u>	<u>10,235</u>
Cash and Cash Equivalents as at beginning of financial year	<u>104,408</u>	<u>94,173</u>
<b>Cash and Cash Equivalents as at end of financial year</b>	<b>(a) <u>102,977</u></b>	<b><u>104,408</u></b>

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**III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**

	<b>Unaudited</b>	<b>Audited</b>
	Twelve months to	Twelve months to
	<b>31/12/2010</b>	<b>31/12/2009</b>
	RM'000	RM'000
 (a) <b>Cash and Cash Equivalents comprise the following amounts:</b>		
Current cash, bank balances and deposits		
- Unrestricted	102,977	104,408
 Cash and cash equivalents	102,977	104,408

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

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**IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

	← Attributable to Owners of the Parent →			Distributable Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
	← Non distributable →		Other Reserves RM'000				
	Share Capital RM'000	Share Premium RM'000					
<b>Twelve months to 31 December 2010 (Unaudited)</b>							
Balance as at 1 January 2010	106,978	22,447	(2,421)	303,629	430,633	15,703	446,336
Total comprehensive (expense)/ income for the year	-	-	(1,464)	30,384	28,920	(74)	28,846
2009 final 27 sen gross dividend paid less taxation of 25%	-	-	-	(21,663)	(21,663)	-	(21,663)
2009 special 10 sen gross dividend paid less taxation of 25%	-	-	-	(8,023)	(8,023)	-	(8,023)
2010 interim 10 sen gross dividend paid less taxation of 25%	-	-	-	(8,023)	(8,023)	-	(8,023)
Balance as at 31 December 2010	<u>106,978</u>	<u>22,447</u>	<u>(3,885)</u>	<u>296,304</u>	<u>421,844</u>	<u>15,629</u>	<u>437,473</u>

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**IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (CONT'D)**

	← Attributable to Owners of the Parent →			Distributable Retained Profits RM'000	Total RM'000	Minority interests RM'000	Total Equity RM'000
	← Non distributable →		Other Reserves RM'000				
	Share Capital RM'000	Share Premium RM'000					
<b>Twelve months to 31 December 2009 (Audited)</b>							
Balance as at 1 January 2009	106,978	22,447	(6,491)	265,101	388,035	14,167	402,202
Total comprehensive income for the year	-	-	4,070	60,191	64,261	1,536	65,797
2008 final 27 sen gross dividend paid less taxation of 25%	-	-	-	(21,663)	(21,663)	-	(21,663)
Balance as at 31 December 2009	<u>106,978</u>	<u>22,447</u>	<u>(2,421)</u>	<u>303,629</u>	<u>430,633</u>	<u>15,703</u>	<u>446,336</u>

The condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

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**V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The notes to the condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2009.

**1. Accounting policies and methods of computation**

The quarterly consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and are in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective 1 January 2010 as disclosed below:

FRS 7: Financial Instruments: Disclosure  
FRS 8: Operating Segments  
FRS 101 (Revised): Presentation of Financial Statements  
FRS 123 (Revised): Borrowing Costs  
FRS 139: Financial Instruments: Recognition and Measurement  
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate  
Amendments to FRS 132: Financial Instruments: Presentation  
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives  
Amendments to FRSS 'Improvements to FRSS (2009)  
IC Interpretation 9: Reassessment of Embedded Derivatives  
IC Interpretation 10: Interim Financial Reporting and Impairment

The adoption of the above pronouncements does not have significant impact to the Group, except as described below:

**(a) FRS 8: Operating Segment**

With effect from 1 January 2010, the Group determines and presents operating segments based on information that is internally provided to the Exco/Managing Director of the Company, who is the Group's chief operating decision maker, which are similar to those currently disclosed externally.

**(b) FRS 101 (revised): Presentation of Financial Statements**

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. This standard requires changes in the format of the financial statements including the amount directly attributable to owners of the parent in the primary statements. Pursuant to the revised standard, the Group presents all non-owner changes in equity separately in the consolidated statement of comprehensive income. Comparative information has been re-presented in conformity with the revised standard.

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**V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

**2. Audit report in respect of the 2009 financial statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2009 was not qualified.

**3. Seasonal or cyclical factors**

The Group's operations are not subject to any significant seasonal or cyclical factors.

**4. Unusual items due to their nature, size or incidence**

There were no items affecting assets, liabilities, equity, net income, or cashflows that were unusual because of their nature, size or incidence in the current year, except for provision for slow moving product, oseltamivir, of RM20 million.

**5. Material changes in estimates used**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current year.

**6. 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 for the current financial year ended 31 December 2010 except for the redemption of RM14.0 million Murabahah Commercial Papers in August 2010 and RM15.0 million Murabahah Medium Term Notes in September 2010.

**7. Dividend**

An interim gross dividend of 10 sen per share, less taxation of 25% on 106,977,788 ordinary shares of RM1.00 each in respect of the financial year ended 31 December 2010 amounting to RM8,023,334 was approved by the Board on 28 June 2010 and paid on 19 August 2010.

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**V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**8. Operating segments**

In the prior year's audited consolidated financial statements, the basis of segmentation was on a primary format of business segments and a secondary format of geographical segment. For the current financial year ended 31 December 2010, the basis of segmentation was changed to operating segments based on information reported internally to the Exco/Managing Director of the Company.

Operating Segment information for the current financial year is as follow:

	<b>Pharmaceutical manufacturing</b> RM'000	<b>Pharmaceutical trading, marketing and distribution</b> RM'000	<b>Medical products and services</b> RM'000	<b>Other operations</b> RM'000	<b>Elimination</b> RM'000	<b>Total</b> RM'000
<b>Revenue</b>						
External revenue	394	1,371,956	5,998	-	-	1,378,348
Inter-segment revenue	137,547	7,705	215	44,925	(190,392)	-
Total revenue	<u>137,941</u>	<u>1,379,661</u>	<u>6,213</u>	<u>44,925</u>	<u>(190,392)</u>	<u>1,378,348</u>
<b>Results</b>						
Segment results	22,656	29,584	18	35,978	(31,030)	57,206
Unallocated corporate expenses						(7,594)
Profit from operations						<u>49,612</u>
Interest expense	-	(3,903)	-	(946)	806	(4,043)
Interest income	-	1,028	-	806	(806)	1,028
Share of results of associate						(1,135)
Profit before income tax						<u>45,462</u>
Income tax						(13,190)
Zakat						(1,962)
<b>Profit for the year</b>						<u><u>30,310</u></u>
Attributable to:						
Owners of the Parent						30,384
Minority interest						(74)
<b>Profit for the year</b>						<u><u>30,310</u></u>

**9. Material events subsequent to the end of the current financial year**

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 31 December 2010 to the date of this announcement which would substantially affect the financial results of the Group for the twelve months ended 31 December 2010 that have not been reflected in the condensed financial statements.

**V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**10. Changes in the composition of the Group**

There were no significant changes in the composition of the Group for the current year including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations except the following:

A settlement agreement dated 14 December 2009 was entered into between the Company and Amcare Labs International Inc. ("ALI") for the disposal of the Company's entire 40% equity interest in Amcare Labs (M) Sdn Bhd ("ALM") to ALI for a consideration of RM1.00 ("Disposal"). Disposal was completed on 24 November 2010.

**11. Acquisitions and disposals of property, plant and equipment**

	Current year quarter <b>31/12/2010</b> RM'000	Twelve months to <b>31/12/2010</b> RM'000
Total acquisitions of property, plant and equipment	4,152	16,176
Total disposals of property, plant and equipment	107	108
Total (loss)/profit on disposal	(1)	72

The proceeds of RM1.0 million was received from the sale of non current assets transacted in previous year.

**12. Contingent liabilities**

There are no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2009 except as disclosed below:

<u>Description of contingent liabilities</u>	As at <b>01/01/2010</b> RM'000	Increase	Decrease	As at <b>31/12/2010</b> RM'000
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary company	45,000	-	-	45,000
Bank guarantee for projects and utilities undertaken by subsidiary companies	19,360	4,765	(1,597)	22,528
	64,360	4,765	(1,597)	67,528

**13. Capital commitments**

There are no material capital commitments except as disclosed below:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	9,411
Authorised but not contracted for:	
Property, plant and equipment	2,237

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**V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**14. Income tax**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current year quarter <b>31/12/2010</b>	Preceding year corresponding quarter <b>31/12/2009</b>	Twelve months to <b>31/12/2010</b>	Twelve months to <b>31/12/2009</b>
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	4,346	3,152	20,625	18,867
- foreign income tax	1,040	120	1,396	1,833
- over provision in prior years	(93)	(228)	(189)	(228)
Deferred tax				
- reversal of net temporary differences	(5,060)	2,328	(6,898)	(763)
- over provision in prior years	(1,744)	-	(1,744)	-
	<u>(1,511)</u>	<u>5,372</u>	<u>13,190</u>	<u>19,709</u>

The Group's effective tax rate for the year is 29%, which is higher than the statutory tax rate of 25% as a result of losses in subsidiaries and non-allowable expenses.

**15. Disposal of unquoted investments and/or properties**

	Current year quarter <b>31/12/2010</b>	Twelve months to <b>31/12/2010</b>
	RM'000	RM'000
Total acquisitions of unquoted investment in associate	-	2,610
Less: Provision for impairment losses	-	(2,610)
	<u>-</u>	<u>-</u>
Total disposals of unquoted investment in associate	-	-
(Gain)/loss on disposal of unquoted investment in associate	-	-

**16a) Acquisitions and disposals of quoted securities**

There were no acquisitions and disposals of quoted securities in the current year.

**16b) Investments in quoted securities**

There were no investments in quoted securities other than securities in existing subsidiary as at 31 December 2010.

**17. Related party transactions**

	<b>Transaction value</b>		<b>Balance outstanding</b>	
	<b>Twelve months ended</b>		<b>As at</b>	
	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
	RM'000	RM'000	RM'000	RM'000
<b>Sales</b>				
Subsidiaries of immediate holding company	3,149	6,154	9,614	15,699
Associate	-	-	559	1,789
	<u>3,149</u>	<u>6,154</u>	<u>10,173</u>	<u>17,488</u>
<b>Purchases</b>				
Immediate holding company	1,316	591	97	428
Subsidiaries of immediate holding company	2,660	2,797	-	100
Associate	11,661	18,321	31	4,571
	<u>15,637</u>	<u>21,709</u>	<u>128</u>	<u>5,099</u>

**V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**18. Status of corporate proposals announced but not completed as at the date of this announcement**

On 19 January 2011, Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 18 January 2011, granted a futher extension of time of six (6) months from 29 December 2010 until 28 June 2011 for Pharmaniaga Berhad to comply with the Public Spread Requirement.

**19. Borrowings and debt securities**

Details of Group borrowings and debt securities as at 31 December 2010 are as follows:

	Long term borrowings			Short term borrowings		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
<b><u>Debt securities</u></b>						
Foreign						
-IDR	59	-	59	33,067	-	33,067
<b>TOTAL</b>	<b>59</b>	<b>-</b>	<b>59</b>	<b>33,067</b>	<b>-</b>	<b>33,067</b>

**20. Realised and Unrealised Profits of the Group**

	As at <b>31/12/2010</b>	As at <b>30/09/2010</b>
	RM'000	RM'000
Realised profits	297,444	299,509
Unrealised loss	(1,140)	(949)
<b>Total retained profits</b>	<b>296,304</b>	<b>298,560</b>

The unrealised portion within unappropriated profit (retained earnings) as at 31 December 2010 mainly relate to foreign currency translation losses of cash balances, receivables and payables as at 31 December 2010 (RM1.1 million).

**21. Material litigation**

Since the preceding financial year ended 31 December 2009, there are no changes in material litigation as at the date of this announcement except for the following:

**Danaharta Urus Sdn. Bhd. vs Safri bin Nawawi ("Safri") and Hamimah Binti Idruss ("Hamimah") (by original action) Safri bin Nawawi & Anor vs Danaharta Urus Sdn. Bhd. and 6 others (action by counterclaim)**

On 28 December 2004, Safri bin Nawawi and Hamimah binti Idruss, former directors of Safire, had each commenced an action by way of Counterclaim against the Company and its wholly-owned subsidiary, Safire Pharmaceuticals (M) Sdn Bhd ("Safire"), respectively in the legal suit originally filed by Danaharta Urus Sdn. Bhd. against them. The Company and Safire were named 4th Defendant and 3rd Defendant respectively and were served with the court papers on 11 January 2005. The Company and Safire had filed the Memorandum of Appearance in Court on 14 January 2005 and 18 January 2005 in respect of the Counterclaim.

The Company and Safire had both filed their respective defense to the Action by Counterclaim on 31 January 2005. The Company and Safire had further filed applications to strike out the Counterclaim on 3 March 2005.

The High Court had allowed the Company and Safire's applications to strike out the counterclaim on 14 July 2009. Subsequently, Safri filed the Notice of Appeal against the decision on 15 July 2009. The court has yet to fix any date for the case management on Safri's appeal.

The Board of Directors of the Company upon consultation with the solicitors is of the opinion that the positions of both the Company and Safire are defendable.

## V. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22. Comparison between the current quarter and the immediate preceding quarter

The Group's revenue for the current quarter increased by RM41.8 million or 12.5% from RM334.3 million in the immediate preceding quarter to RM376.1 million. This was mainly attributable to higher sales to government hospitals and higher tender sales. The Group also secured a new contract to supply medical equipment to a local health institution.

However, the Group's profit before tax declined substantially by 117.5% from RM15.4 million in the immediate preceding quarter to a loss of RM 2.7 million in the current quarter. This was mainly due to provision for the slow moving product, oseltamivir, of RM20.0 million. The oseltamivir was purchased at the height of the H1N1 pandemic worldwide, in anticipation of increased demand from the market. However, the H1N1 situation improved subsequently and demand for the product reduced significantly.

The Group's gross profit margin declined from 15.5% in the immediate preceding quarter to 13.6% in the current

### 23. Review of performance for the current quarter and year

In the current quarter under review, the Group's revenue was 16.1% higher at RM376.1 million from RM323.9 million registered in the same quarter last year, mainly due to higher sales to government hospitals and higher tender sales.

However, the Group's profit before tax decreased by 109.8% to a loss of RM2.7 million, from RM27.5 million in the same quarter last year. This was mainly due to provision for the slow moving product, oseltamivir, of RM20.0 million as well as higher administration, selling and distribution expenses, and personnel costs. The provision for oseltamivir is as explained in Note 22 above.

The Group's gross profit margin also had decreased from 16.2% to 13.6% in the same quarter last year. This was mainly due to the increase in the contract supplier costs for concession business.

The Group's year-to-date revenue improved by 6.0% compared to the same period last year due to higher sales to government hospitals and higher tender sales.

The Group's profit before tax for the year to date declined by 44.2% to RM45.5 million, from RM81.4 million recorded last year as a result of provision for oseltamivir as well as higher administration, selling and distribution expenses, and personnel costs.

The Group's gross profit margin for the year to date also had decreased to 14.8% from 15.7% recorded last year. This was mainly due to the increase in the contract supplier costs for concession business.

### 24. Economic profit ("EP") statement

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current year quarter <b>31/12/2010</b> RM'000	Preceding year corresponding quarter <b>31/12/2009</b> RM'000	Twelve months to <b>31/12/2010</b> RM'000	Twelve months to <b>31/12/2009</b> RM'000
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	(1,475)	29,218	49,611	86,722
Adjusted tax	369	(7,305)	(12,403)	(21,681)
<b>NOPAT</b>	<u>(1,106)</u>	<u>21,913</u>	<u>37,208</u>	<u>65,041</u>
<u>Economic charge computation:</u>				
Average invested capital	285,079	309,604	285,079	309,604
Weighted average cost of capital ("WACC") (%)	6.9%	6.7%	6.9%	6.7%
<b>Economic charge</b>	<u>3,927</u>	<u>5,479</u>	<u>19,654</u>	<u>20,656</u>
<b>Economic (loss)/profit</b>	(5,033)	16,434	17,554	44,385

**V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**24. Economic profit (“EP”) statement (continued)**

The EP statement is as prescribed under the GLC Transformation program, and is disclosed on a voluntary basis. EP measures the value created by a business during a single period reflecting how much return a business makes over its cost of capital.

The EP performance for the year is recorded at RM17.6 million as compared to RM44.4 million in 2009. The decrease in EP was mainly due to provision for the slow moving product, oseltamivir, of RM20.0 million as well as higher administration, selling and distribution expenses, and personnel costs.

**25. Prospects**

The year 2011 will be another challenging year for the Group. The competition will remain strong particularly in the private market segment. The Pharmaniaga Group will remain focused on strategies and initiatives to grow its market share in its core businesses.

**26. Profit forecast**

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

**27. Earnings per share (“EPS”)**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current year quarter <b>31/12/2010</b> RM'000	Preceding year corresponding quarter <b>31/12/2009</b> RM'000	Twelve months to <b>31/12/2010</b> RM'000	Twelve months to <b>31/12/2009</b> RM'000
<u>Basic earnings per share</u>				
(Loss)/profit attributable to Owners of the Parent	(2,256)	21,914	30,384	60,191
Weighted average number of ordinary shares in issue ('000)	106,978	106,978	106,978	106,978
Basic (loss)/earnings per share for:	<u>(2.11) sen</u>	<u>20.48 sen</u>	<u>28.40 sen</u>	<u>56.26 sen</u>

**By Order of the Board**

**Kuala Lumpur**  
**25 February 2011**

**WONG LEE LOO (MAICSA 7001219)**  
**NORHANA BINTI OTHMAN (LS0008547)**  
**Joint Secretaries**