

pharmacia

# DRIVEN BY RESILIENCE

ANNUAL REPORT 2015



## DERIVING VALUE FROM STRENGTH

Our commitment to excellence is unwavering. With a foundation of strength built over the years, we are dedicated to deriving value from our core businesses, allowing us to grow stronger with time.

# INSIDE THIS REPORT



## DRIVEN BY RESILIENCE

Pharmaniaga Berhad has strongly established itself as one of the nation’s leading healthcare groups in a highly competitive business landscape. Having a passion for patients, we advocate doing the right things, the right way and with the right intentions. As such, we work towards improving public health by setting high standards in generic pharmaceutical, pooling resources of medical professionals, scientists and regulators across the globe. Driven by resilience, we are scaling new heights in the industry to create a positive impact on the lives of the communities that we touch.

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# KEY DEVELOPMENTS 2015

Halal certification obtained for Bangi manufacturing plant

Iqnyde, generic sildenafil citrate launched

Eight new products registered

Five new health supplements introduced under the Citrex product range

Two products granted bioequivalence status

Two new RoyalePharma pharmacy outlets established





# ABOUT US

As Malaysia's largest listed integrated pharmaceutical group, Pharmaniaga Berhad has blazed a trail within the healthcare industry as a provider of quality products and services. Listed on the Main Board of Bursa Malaysia and having established itself as a leader in the local market, Pharmaniaga also has a growing global presence.

As part of our drive to become a total integrated healthcare solutions provider, our core businesses span across a wide spectrum of the industry. This includes logistics and distribution, manufacturing of generic pharmaceuticals, sales and marketing, as well as distribution of medical products and hospital equipment. Drawing upon the synergies of these activities, Pharmaniaga has expanded its reach to Malaysians through the establishment of community pharmacy.

The heart of our corporate philosophy is driven by our motto, Passion for Patients. Above all, we emphasise on delivering our promises to our clients with the highest standards of excellence, as we seek to create a lasting legacy of doing business with a conscience.





# VISION MISSION OUR CORE VALUES

RESPECT • INTEGRITY • TEAMWORK • EXCELLENCE

## OUR VISION

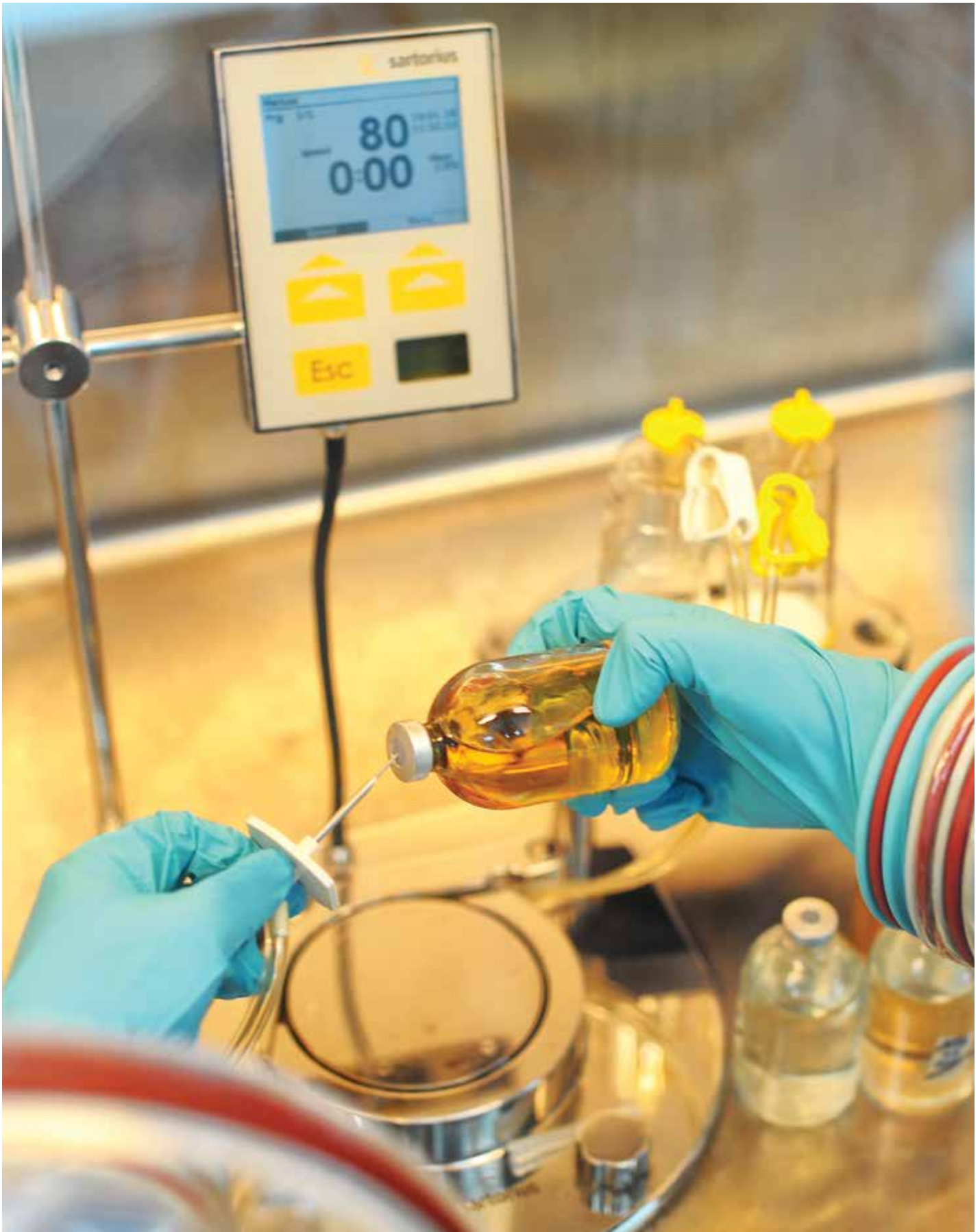
The preferred  
pharmaceutical brand in  
regional markets

## OUR MISSION

Provide quality products  
and superior services by  
professional, committed  
and caring employees







# AT A GLANCE

REVENUE

**RM2.2**  
BILLION

EBITDA

**RM184**  
MILLION

PROFIT  
BEFORE TAX

**RM113**  
MILLION

PROFIT  
AFTER TAX

**RM85**  
MILLION

DIVIDEND

**30**  
SEN

TOTAL ASSETS

**RM1.5**  
BILLION

CAPEX

**RM61**  
MILLION

EMPLOYEES

**3,163**

# FIVE-YEAR FINANCIAL HIGHLIGHTS

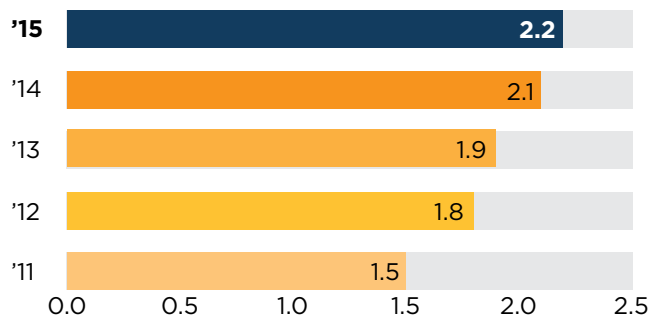
All figures are in RM Million unless  
otherwise stated

		2015	2014	2013	2012	2011
<b>FINANCIAL PERFORMANCE</b>						
Revenue		<b>2,189.3</b>	2,122.9	1,946.6	1,812.3	1,521.0
Profit before taxation		<b>112.7</b>	125.6	93.0	103.3	73.2
Profit after taxation		<b>84.6</b>	94.2	56.8	63.2	52.8
Net attributable profit		<b>84.0</b>	93.8	55.2	61.7	52.2
Earnings per share	sen	<b>32.5</b>	36.2	21.3	23.8	20.2
Return on equity	%	<b>15.9</b>	18.5	11.5	13.2	11.8
Return on assets	%	<b>9.3</b>	12.0	9.2	10.0	8.0
Return on revenue	%	<b>5.8</b>	6.6	5.5	6.5	5.1
<b>DIVIDENDS</b>						
Dividend payout	%	<b>92.4</b>	77.2	75.1	66.8	61.1
Dividend payment		<b>77.7</b>	72.5	41.5	41.2	31.9
Net dividend per share	sen	<b>30.0</b>	28.0	16.0	15.9	12.3
Dividend yield	%	<b>4.7</b>	6.1	3.6	4.3	4.7
Dividend cover	times	<b>1.1</b>	1.3	1.3	1.5	1.6
<b>GEARING</b>						
Borrowings		<b>400.2</b>	201.1	199.9	341.0	188.3
Gearing	times	<b>0.8</b>	0.4	0.4	0.7	0.4
Interest cover	times	<b>5.9</b>	8.4	7.3	7.9	18.6
<b>OTHER FINANCIAL STATISTICS</b>						
Net assets per share	sen	<b>204</b>	203	188	182	180
Price earning ratio	times	<b>19.6</b>	12.6	20.9	15.4	13.3
Paid up share capital		<b>129.4</b>	129.4	129.4	117.7	117.7
Shareholders' equity		<b>529.4</b>	526.5	487.6	472.0	466.0
Total equity		<b>560.0</b>	552.0	503.3	487.9	481.7
Total assets		<b>1,495.6</b>	1,242.7	1,111.1	1,222.8	1,133.5



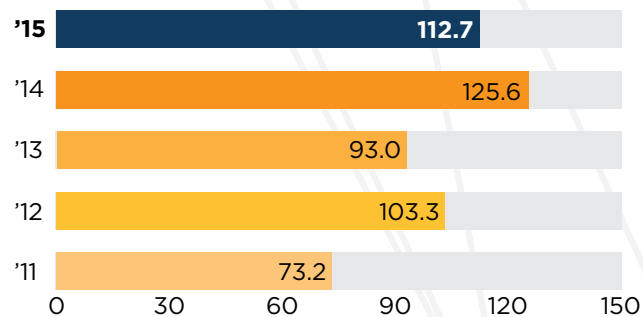
## Revenue

(RM billion)



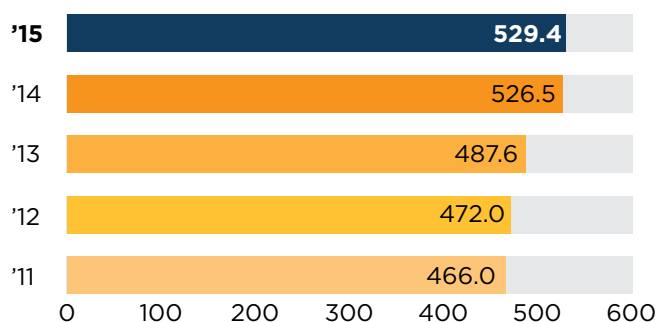
## Profit Before Taxation

(RM million)



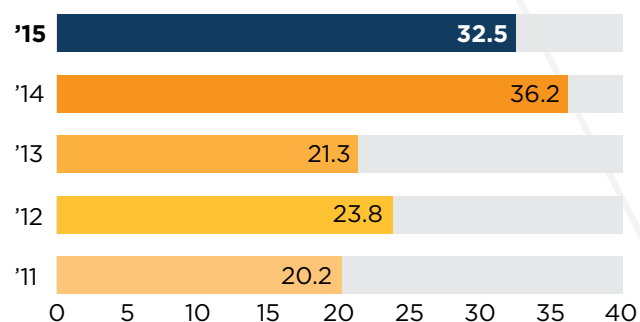
## Shareholders' Equity

(RM million)



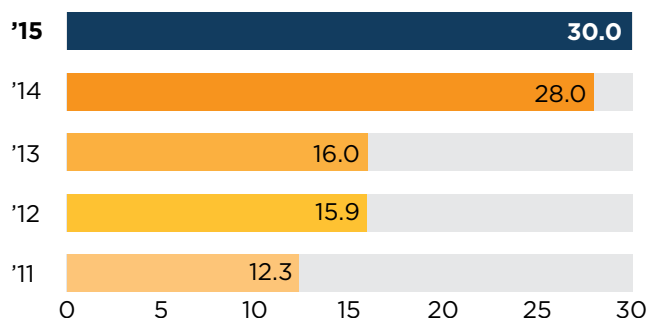
## Earnings Per Share

(sen)



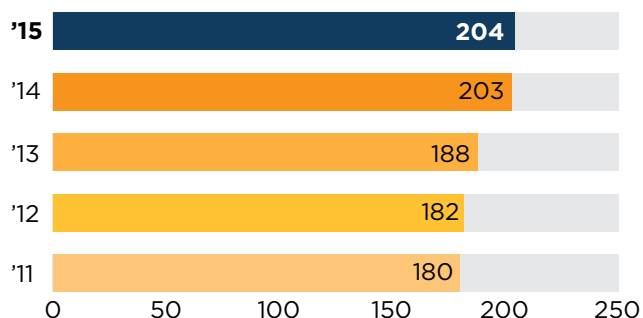
## Net Dividend Per Share

(sen)



## Net Assets Per Share

(sen)



# CORPORATE INFORMATION

## DIRECTORS

**Tan Sri Dato' Seri Lodin Wok Kamaruddin**  
Non-Independent Non-Executive Chairman

**Dato' Farshila Emran**  
Managing Director

**Daniel Ebinesan**  
Non-Independent Non-Executive Director

**Mohd Suffian Haji Haron**  
Senior Independent Non-Executive Director

**Izzat Othman**  
Independent Non-Executive Director

**Lieutenant General Dato' Seri Panglima  
Dr Sulaiman Abdullah (Retired)**  
Independent Non-Executive Director

## COMPANY SECRETARY

Tasneem Mohd Dahalan  
(LS 0006966)

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Sector : Trading/Services  
Stock Code : 7081

## REGISTERED ADDRESS

28th Floor, Menara Boustead  
No. 69 Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel : +603-2141 9044  
Fax : +603-2141 9750

## BUSINESS ADDRESS

No. 7, Lorong Keluli 1B  
Kawasan Perindustrian  
Bukit Raja Selatan  
Seksyen 7, 40000 Shah Alam  
Selangor Darul Ehsan  
Tel : +603-3342 9999  
Fax : +603-3341 7777  
Website: [www.pharmaniaga.com](http://www.pharmaniaga.com)  
Emails:  
(i) [info@pharmaniaga.com](mailto:info@pharmaniaga.com)  
(ii) [customercare@pharmaniaga.com](mailto:customercare@pharmaniaga.com)

## PRINCIPAL BANKERS

Affin Islamic Bank Berhad  
Bank Islam Malaysia Berhad  
CIMB Bank Berhad  
Hong Leong Islamic Bank Berhad  
Standard Chartered Bank Malaysia Berhad  
The Bank of Nova Scotia Berhad

## AUDITORS

Messrs. PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur

## SHARE REGISTRAR

Tricor Investor & Issuing House Service  
Sdn Bhd (11324-H)  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South,  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel : +603-2783 9299  
Fax : +603-2783 9222

## AUDIT COMMITTEE

**Chairman**  
Mohd Suffian Haji Haron

**Members**  
Izzat Othman  
Lieutenant General Dato' Seri  
Panglima Dr Sulaiman Abdullah  
(Retired)  
Daniel Ebinesan

## NOMINATION COMMITTEE

**Chairman**  
Mohd Suffian Haji Haron

**Members**  
Tan Sri Dato' Seri Lodin  
Wok Kamaruddin  
Izzat Othman

## REMUNERATION COMMITTEE

**Chairman**  
Mohd Suffian Haji Haron

**Members**  
Tan Sri Dato' Seri Lodin  
Wok Kamaruddin  
Izzat Othman

# FINANCIAL CALENDAR

## FINANCIAL YEAR

1 January to  
31 December 2015

## RESULTS

### **First quarter**

Announced  
18 May 2015

### **Second quarter**

Announced  
17 August 2015

### **Third quarter**

Announced  
26 November 2015

### **Fourth quarter**

Announced  
15 February 2016

## ANNUAL REPORT

Issued  
7 March 2016

## ANNUAL GENERAL MEETING

To be held  
29 March 2016

## DIVIDENDS

### **First interim**

Announced  
18 May 2015

Entitlement Date  
3 June 2015

Payment  
25 June 2015

### **Second interim**

Announced  
17 August 2015

Entitlement Date  
3 September 2015

Payment  
15 September 2015

### **Third interim**

Announced  
26 November 2015

Entitlement Date  
11 December 2015

Payment  
21 December 2015

### **Fourth interim**

Announced  
15 February 2016

Entitlement Date  
3 March 2016

Payment  
25 March 2016



# BOARD OF DIRECTORS



TAN SRI DATO' SERI  
**LODIN WOK  
KAMARUDDIN**  
Chairman



DATO'  
**FARSHILA  
EMRAN**  
Managing Director

**DANIEL  
EBINESAN**

NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**MOHD SUFFIAN  
HAJI HARON**

SENIOR INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**IZZAT  
OTHMAN**

INDEPENDENT NON-EXECUTIVE  
DIRECTOR

LIEUTENANT GENERAL  
DATO' SERI PANGlima DR

**SULAIMAN  
ABDULLAH**

(Retired)  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR



# PROFILE OF DIRECTORS

Nationality/Age : Malaysian/66

Date of 1<sup>st</sup> appointment : 29 April 2011

Date of last re-appointment : 3 April 2013

Board Committee:

- Member of Nomination Committee
- Member of Remuneration Committee

Board meeting attended  
in the financial year : 4/4

Qualification(s):

- Bachelor of Business Administration and Master of Business Administration, The University of Toledo, Ohio, United States of America

Directorship in public listed companies:

- Boustead Holdings Berhad
- Boustead Heavy Industries Corporation Berhad
- Affin Holdings Berhad
- Boustead Plantations Berhad

Directorship in other than public listed companies/Occupations:

- Lembaga Tabung Angkatan Tentera
- UAC Berhad
- MHS Aviation Berhad
- FIDE Forum
- Badan Pengawas Pemegang Saham Minoriti Berhad
- Affin Bank Berhad
- Affin Islamic Bank Berhad
- Affin Hwang Investment Bank Berhad
- Axa Affin Life Insurance Berhad
- Boustead Properties Berhad

**TAN SRI DATO' SERI  
LODIN WOK  
KAMARUDDIN**

**CHAIRMAN**



Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries:

None

List of convictions for offences within the past 10 years other than traffic offences, if any:

Nil

Working experience:

Tan Sri Dato' Seri Lodin is Chief Executive of Lembaga Tabung Angkatan Tentera and Deputy Chairman/Group Managing Director of Boustead Holdings Berhad. He is also Chairman of Boustead Heavy Industries Corporation Berhad. In addition, he is Deputy Chairman of Affin Holdings Berhad and Vice Chairman of Boustead Plantations Berhad.

He has extensive experience in not only managing a provident fund but also in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development to oil and gas, pharmaceuticals and shipbuilding. Tan Sri Dato' Seri Lodin is also a Chartered Banker, having been awarded with the professional qualification by the Asian Institute of Chartered Bankers (AICB) in November 2015.



Nationality/Age : Malaysian/49

Date of 1<sup>st</sup> appointment : 25 March 2011

Date of last re-appointment : 31 March 2015

Board Committee: None

Board meeting attended  
in the financial year : 4/4

Qualification(s):

- Diploma in Office Management, MARA University of Technology
- Masters in Business Administration (C), Universiti Utara Malaysia

Directorship in public listed companies :  
None

Directorship in other than public listed  
companies/Occupations:

- Idaman Pharma Manufacturing Sdn Bhd
- Pharmaniaga Biomedical Sdn Bhd
- Pharmaniaga Logistics Sdn Bhd
- Pharmaniaga Marketing Sdn Bhd
- Pharmaniaga Pristine Sdn Bhd
- Pharmaniaga Research Centre Sdn Bhd
- Pharmaniaga International Corporation Sdn Bhd
- PT Errita Pharma, Indonesia

**DATO' FARSHILA  
EMRAN**

**MANAGING DIRECTOR**



Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries:

None

List of convictions for offences within the past 10 years other than traffic offences, if any:

Nil

Working experience:

Dato' Farshila was an Assistant Representative of SEVES Sediver France from 1990 to 1995, a public listed high voltage transmission line equipment company in France. She was later made the Malaysian Representative of that company until 2001.

She was a founder of Idaman Pharma Sdn Bhd prior to becoming the Managing Director of Pharmaniaga Berhad.

On a personal level, Dato' Farshila has won many awards including the "MBA Industry Excellence Award - Health Services" by The ASEAN Business Advisory Council Malaysia which she won in 2013 and the Anugerah Kesatria Puteri Korporat award, which she received in 2012 for her active role in Women Directors' Programme, an initiative of the Ministry of Women, Family and Community Development, Malaysia. Her latest award conferment is the "Masterclass Excellence Award for Woman CEO of the Year" in the Utusan Business Awards 2015.

## PROFILE OF DIRECTORS

Nationality/Age : Malaysian/70

Date of 1<sup>st</sup> appointment : 25 March 2011

Date of last re-appointment : 31 March 2015

Board Committee:  
• Member of Audit Committee

Board meeting attended  
in the financial year : 4/4

Qualification(s):  
• Fellow of the Chartered Institute of Management Accountants (CIMA)  
• Member of the Malaysian Institute of Certified Public Accountants (MICPA)  
• Member of Malaysian Institute of Accountants (MIA)

Directorship in public listed companies:  
None

Directorship in other than public listed companies/Occupations:

- Boustead Building Materials Sdn Bhd
- Boustead Construction Sdn Bhd
- Boustead Credit Sdn Bhd
- Boustead Electronic Commerce Sdn Bhd
- Boustead Engineering Sdn Bhd
- Boustead Petroleum Sdn Bhd
- Boustead Realty Sdn Bhd
- Boustead Reit Managers Sdn Bhd
- Boustead Weld Court Sdn Bhd
- Cadbury Confectionery Malaysia Sdn Bhd
- MHS Aviation Berhad

**DANIEL EBINESAN**

**NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR**



Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries:  
None

List of convictions for offences within the past 10 years other than traffic offences, if any:  
Nil

Working experience:  
He joined Boustead Holdings Berhad in April 1974 as the Group Accountant. In January 1982, he was promoted to Group Chief Accountant and subsequently in January 1993, he was promoted as the General Manager, Finance & Administration. In July 1996, he assumed the role of Chief Financial Officer and currently holds the position of Group Finance Director. He is responsible for all financial matters including acquisition of strategic businesses, treasury, risk management strategies and formulation of the Boustead Group's financial policies and tax planning.

He has been a member of the Board of Trustees of Kumpulan Wang Simpanan Kakitangan Estet Malaysia since 1996 and has served as Chairman of the Board of Malaysian Care from November 1988 to March 2011.

Nationality/Age : Malaysian/70

Date of 1<sup>st</sup> appointment : 29 April 2011

Date of last re-appointment : 2 April 2014

Board Committee:

- Chairman of Audit Committee
- Chairman of Nomination Committee
- Chairman of Remuneration Committee

Board meeting attended  
in the financial year : 4/4

Qualification(s):

- Bachelor of Economics, University Malaya
- Master of Business Administration, University of Oregon, United States of America

Directorship in public listed companies:  
None

Directorship in other than public listed  
companies/Occupations:

- Affin Bank Berhad
- Affin Islamic Bank Berhad
- LK & Associates Sdn Bhd

Any family relationship with Director and/or  
major shareholder of Pharmaniaga Berhad  
or any companies that have entered into  
any transactions with Pharmaniaga Berhad  
or its subsidiaries:

None

List of convictions for offences within the  
past 10 years other than traffic offences,  
if any:

Nil

**MOHD SUFFIAN  
HAJI HARON**

**SENIOR INDEPENDENT  
NON-EXECUTIVE DIRECTOR**



Working experience:

Encik Suffian has had a distinguished career in the Malaysian Civil Service, starting as a Diplomatic and Administrative Officer, attached to the Implementation and Coordination Unit of the Prime Minister's (PM) Department and subsequently to the Ministry of Public Enterprises. Whilst at the PM Department, he has also been assigned as the special assistant to the Special Economic Adviser to the Government. He served the Board of Directors of Fraser's Hill Development Corporation, the State Development Corporations of Perak, Pahang and Terengganu as well as the Board of Directors of Bank Pembangunan Malaysia, Kompleks Kewangan Malaysia, HICOM and the Council of MARA.

After thirteen years of service, he left the Government Service to serve a GLC involved in international business, after which he ventured on his own to be the Managing Director of an insurance broking company. Amongst his other involvements after that were in the securities industry and asset management sectors. He has also served as a Director of Hitachi Sales Malaysia, Meiden Electric Engineering Malaysia (Japan), Far East Computer (India) and Affin Discount Berhad. He also brings with him vast experience in general trading, power generation and transmission, aircraft maintenance as well as the oil and gas services industries.



## PROFILE OF DIRECTORS

Nationality/Age : Malaysian/54

Date of 1<sup>st</sup> appointment : 25 March 2011

Date of last re-appointment : 3 April 2013

Board Committee:

- Member of Audit Committee
- Member of Nomination Committee
- Member of Remuneration Committee

Board meeting attended  
in the financial year : 4/4

Qualification(s):

LLB (Hons), Universiti Malaya

Directorship in public listed companies:  
None

Directorship in other than public listed  
companies/Occupations:

- A partner of Messrs. Azzat & Izzat
- Pharmaniaga Logistics Sdn Bhd
- Pharmaniaga Biomedical Sdn Bhd
- Pharmaniaga International Corporation Sdn Bhd
- PT Millennium Pharmacon International Tbk
- PT Errita Pharma, Indonesia

**IZZAT OTHMAN**

**INDEPENDENT  
NON-EXECUTIVE DIRECTOR**



Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries:  
None

List of convictions for offences within the past 10 years other than traffic offences, if any:  
Nil

Working experience:

Encik Izzat is a lawyer by profession. He was formerly a director of AFFIN Securities Sdn Bhd and BH Insurance Berhad and has vast experience relating to litigation, conveyancing and corporate matters.

Nationality/Age : Malaysian/60

Date of 1<sup>st</sup> appointment : 29 December 2011

Date of last re-appointment : 2 April 2014

Board Committee :

- Member of Audit Committee

Board meeting attended  
in the financial year : 4/4

Qualification(s):

- Masters of Health Planning, University of New South Wales, Sydney, Australia
- Diploma in Tropical Medicine and Hygiene, Mahidol University, Thailand
- Masters of Public Health, University of Philippines System, Manila, Philippines
- Diploma in Principle of Military Medicine, Academy of Health Sciences, Fort Sam Houston, Texas, United States of America
- Doctor of Medicine (M.D), Universiti Kebangsaan Malaysia.

Directorship in public listed companies :  
None

Directorship in other than public  
listed companies/Occupations:

- Elite Guard Sdn Bhd
- Perdana Jaya Sdn Bhd

LIEUTENANT GENERAL  
DATO' SERI PANGLIMA  
DR SULAIMAN  
ABDULLAH (RETIRED)

INDEPENDENT  
NON-EXECUTIVE DIRECTOR



Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries:  
None

List of convictions for offences within the past 10 years other than traffic offences, if any:  
Nil

Working experience:

Dato' Seri started his career as a Medical Officer with Ministry of Defence and served the Malaysian Armed Forces for more than 29 years. His last appointment with the Malaysian Armed Forces was as the Director General of Malaysian Armed Forces Health Services.

He has vast experience in the management and supervision of Malaysian Armed Forces Health Services across Malaysia. He was also involved in the development of Hospital Angkatan Tentera Tuanku Mizan Zainal Abidin. Throughout his stint with the Malaysian Armed Forces, he built good relationships with local and foreign stakeholders in the medical industry both from government and private sectors.

# SENIOR MANAGEMENT TEAM



**Mohamed Iqbal  
Abdul Rahman**  
Chief Operating  
Officer



**Dato' Farshila Emran**  
Managing Director



**Norai'ni  
Mohamed Ali**  
Chief Financial  
Officer





**Abdul Malik Mohamed**  
Logistics & Distribution  
Director



**Datin Shamsinar  
Hj Shaari**  
Technical Director



**Zulhazri Razali**  
Commercial Director



**Sharifah Fauziyah  
Syed Mohthar**  
Regulatory Affairs  
Director





# AWARDS



A winner for  
**HR Asia's Best  
Companies to Work For  
In Asia 2015 Award**



Winner of  
**Utusan Business Awards 2015  
Masterclass Excellence Award for  
Woman CEO of the Year**



Winner of  
**2015 Frost & Sullivan Malaysia Excellence Awards  
Pharmaceutical Company of the Year  
(Generics Drug Category)**



Winner of  
**2015 Malaysia's 100 Leading  
Graduate Employers for the  
Pharmaceutical Sector Award**



# NURTURING LEADERS





The mark of a good company is its ability to identify and build a leadership pipeline to ensure business continuity. Our succession planning programme nurtures our team of highly motivated and performance driven individuals who will ultimately helm the Group.





## DEAR SHAREHOLDER,

THE YEAR HAS BEEN A CHALLENGING ONE FOR PHARMANIAGA BERHAD. AMIDST AN INCREASINGLY DIFFICULT ECONOMIC LANDSCAPE, WE WERE ABLE TO DELIVER A SATISFACTORY PERFORMANCE, ACHIEVING AN INCREASE IN REVENUE DESPITE A DIP IN PROFIT. PROFIT BEFORE TAXATION FOR THE YEAR STOOD AT RM113 MILLION.

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**

Chairman

# CHAIRMAN'S STATEMENT

Through the successful expansion of our portfolio of products across the region, as well as enhanced cost efficiency measures, we maintained our pole position within the pharmaceutical sector. On this note, I am pleased to present our annual report for the financial year ended 31 December 2015.

## ECONOMIC LANDSCAPE

The pharmaceutical sector demonstrated steady growth worldwide in 2015, with the US and Asia Pacific markets in particular leading in terms of sales. Population growth in emerging markets was also a notable contributor to the sector's performance.

Domestically, the Malaysian economy saw a marked slowdown, primarily due to the weakening Ringgit leading to rising costs and soft consumer sentiment. However, this was tempered by strong consumer demand for premium healthcare products and services. Coupled with this, pharmaceutical products were zero rated under the Goods & Services Tax (GST) system in the National Essential Medicines List, which also had a strong positive impact on the sector.

Malaysia's healthcare sector remains resilient and continues to support growth in the pharmaceutical sector. Through consistent cost saving initiatives and expansion of our product portfolio via research and development, the Group is well positioned to tap into the opportunities within this industry.



## CHAIRMAN'S STATEMENT

## FINANCIAL PERFORMANCE

Pharmaniaga achieved a revenue of RM2.19 billion for the financial year ended 31 December 2015, a 3.3% jump from RM2.12 billion last year. This was driven by contributions from strong results recorded by our Indonesian operations and the private sector business, which recorded a double digit growth, marking its best performance to date.

We closed the financial year with a profit after tax of RM85 million from RM94 million in the previous year. Although this was attributed to lower Government orders and high amortisation of the Pharmacy Information System (PhIS) project, it is mitigated by efficiency optimisation programmes that were implemented across our manufacturing plants.

Earnings per share ended at 32 sen for the year under review (2014: 36 sen), while net assets per share stood at RM2.04 (2014: RM2.03). Market capitalisation as at 31 December 2015 was RM1.6 billion, while shareholders' funds stood at RM529 million for the year ended 31 December 2015 compared with RM527 million in the previous financial year. Our gearing ratio stood at 0.8 times.

THE LEADERSHIP  
AND DRIVE OF OUR  
MANAGEMENT TEAM,  
AS WELL AS THE  
DEDICATION OF  
OUR EMPLOYEES,  
ENABLED US TO  
DELIVER OUR  
MANDATE



## DIVIDEND

In line with the Group's performance and its commitment to delivering shareholder value, the Board of Directors declared a fourth interim dividend of 7 sen per share, which will be paid on 25 March 2016. Total net dividend for the year will be 30 sen (2014: 28 sen), bringing total dividend payout to RM77.7 million. This represents a dividend payout ratio of 92.4% and a dividend yield of 4.7% based on the closing share price for the financial year.

## HUMAN CAPITAL

A high calibre talent pool that is strong, capable and driven by success is the core of Pharmaniaga's achievements.

To this end, we have established strong actionable programmes to nurture and enhance our human capital through training and development initiatives. We are confident that this will enable us to maintain our position as a leader in the sector across the region. We are mindful that our employees' efforts and dedication are key contributors for our growth.







As a reflection of the emphasis we place on developing our human capital, Pharmaniaga was the recipient of the HR Asia's "Best Companies to Work for in Asia 2015 Award". We were also honoured to receive most popular award for "Malaysia's 100 Leading Graduate Employers" for the pharmaceutical sector in 2015.

I am pleased to note that we have achieved the milestone of winning these awards for two consecutive years. This is a hallmark of our consistent efforts to create a fulfilling work life environment for our employees. It will certainly re-energise us to cater to the needs of our talent pool.

In line with our passion to reward our employees for their efforts, we look forward to the proposed implementation of a share issuance scheme comprising a share option plan and a long term incentive plan. We will be undertaking this scheme not only to incentivise our current talent pool, but to also attract future employees.

Our human capital is our greatest asset and we intend to continue nurturing, coaching and developing our employees' skills while also recognising their individual accomplishments at Pharmaniaga.

## COMMUNITY OUTREACH

The Group is ever conscious of the importance of reaching out to communities in need, whether by providing basic healthcare and medicines, contributions, or other forms of aid.

Following our efforts last year to provide aid to flood victims in the East Coast, Pharmaniaga contributed close to RM2 million to set up a Flood Relief Centre in Kelantan. The Centre ensured that victims had access to basic necessities, including food, water and medicine.

Meanwhile in the Klang Valley, during the height of the haze crisis, which saw air pollution readings reach critically unhealthy levels, Pharmaniaga worked to distribute face masks to the most affected areas.

True to our philosophy of reaching out to the needy, during the year, Pharmaniaga executed worthy programmes for both rural and *Orang Asli* communities, specifically to improve accessibility to meet their healthcare needs.

## CHAIRMAN'S STATEMENT



## OUTLOOK

Given pressures on our currency, a volatile global and regional economic outlook, and a pall on growth prospects, we expect 2016 to be a challenging year. Despite this, we are confident that Pharmaniaga will perform well.

As outlined in Budget 2016, the number of GST zero rated medicines, as well as the building of new clinics and hospitals nationwide, clearly demonstrate the Government's focus on improving healthcare for the *rakyat*.

With improved operational efficiencies and service levels, we are focused on delivering excellent service as part of our 10-year Concession Agreement with the Ministry of Health (MOH). In terms of research and development (R&D), I am pleased to note that our R&D team continues to develop new products from various therapeutic groups. We are also collaborating with multinational companies on speeding up development of our anchor products, which will serve to provide us with a first-to-market advantage.

The Group intends to expand the reach of its portfolio of products by widening its export market to countries within the European Union (EU). To this end, reviews of selected products are ongoing in order to complete the necessary registration. In tandem with this, we plan to mould our Indonesian manufacturing subsidiary, PT Errita, into an important manufacturing and export hub for the ASEAN market.

Leveraging on PT Errita's product lines, we also seek to grow our distribution subsidiary in Indonesia, PT Millennium Pharmacon Tbk, by exploring new, untapped markets spread across more than 20,000 hospitals, pharmacies and drugstores.

In the years to come, we hope to turn our focus towards regional growth and expansion throughout ASEAN. With a combined population of more than 600 million people and a collective GDP of USD2.6 trillion, the formation of the ASEAN Community at the end of 2015, makes the region the seventh largest economy in the world, with an expectation towards reaching the top four largest in the years to come. These are indeed great prospects for the ASEAN region, and we intend to tap this vast potential.



We remain optimistic about the sector's prospects. Our steady upward momentum, and the number of opportunities the coming year presents, will allow us to rise even further on the pharmaceutical value chain. Going forward, we are confident that Pharmaniaga will deliver growth, as we remain ever committed to enhancing shareholder value.

### ACKNOWLEDGEMENT

As we look towards the prospects ahead and are ready to take on the challenges that 2016 holds, I would like to take this opportunity to convey my deepest appreciation to the Board of Directors for their invaluable expertise and guidance in ensuring Pharmaniaga's success.

The leadership and drive of our management team, as well as the dedication of our employees, enabled us to deliver our mandate. On this note, I am honoured to congratulate the Managing Director, Dato' Farshila Emran for her conferment of the Masterclass Excellence Award for Woman CEO of 2015 at the upcoming Utusan Business Awards reception. On behalf of the Board, a heartfelt thanks to everyone in the Pharmaniaga family for your commitment and contribution to the Group.

Additionally, we would like to express our sincerest gratitude particularly to our key client, MOH, as well as our other customers, suppliers, partners and bankers, whose invaluable support has played a great part in our achievements over the years.

Last but not least, as we operate in a highly regulated sector, we thank the relevant Government bodies and authorities in Malaysia for their assistance and confidence in Pharmaniaga.

**TAN SRI DATO' SERI  
LODIN WOK KAMARUDDIN**  
Chairman  
25 February 2016



## DEAR SHAREHOLDER,

THIS HAS INDEED BEEN A MEMORABLE YEAR. HAVING THE OPPORTUNITY TO GUIDE PHARMANIAGA BERHAD OVER THE PAST FIVE YEARS HAS BEEN A TRUE PRIVILEGE, AS THE GROUP CONTINUES TO EXPAND AND GROW BOTH IN MALAYSIA AND BEYOND OUR NATION'S BORDERS.

**DATO' FARSHILA EMRAN**

Managing Director





# MANAGING DIRECTOR'S REVIEW

Pharmaniaga has delivered a solid performance for the 2015 financial year, and we look eagerly ahead towards the opportunities that the coming year presents.

## FINANCIAL PERFORMANCE

Despite strong market challenges, the Group remained resilient, building on its solid foundation to deliver sustained results for the year. Revenue increased by 3.3% to RM2.19 billion, up from the previous year's RM2.12 billion. Although profit before tax experienced a dip compared with RM126 million last year, we still managed to achieve a profit of RM113 million.

This steady performance clearly demonstrates our strong operational efficiencies, focused cost management practices and highly capable talent pool.

## DELIVERING SHAREHOLDER VALUE

As a results of our earnings in 2015, earnings per share ended at 32 sen for the year under review (2014: 36 sen).

Our Key Performance Indicators (KPIs) for the year are as follow:

KPIs	2015	2014
Return on Equity	15.9%	18.5%
Return on Assets	9.3%	12.0%
Net Dividend per share	30 sen	28 sen
Delivery Lead Time	> 99%	> 99%

## MANAGING DIRECTOR'S REVIEW



WE INTEND TO SOLIDIFY OUR COMPETITIVE EDGE IN THE MARKET THROUGH QUALITY PRODUCT OFFERINGS AND BY FURTHER ESTABLISHING OURSELVES AS A UNIQUE PROVIDER OF GENERICS AND LEADING BRANDS



Against an increasingly volatile economic backdrop, our Manufacturing Division delivered strong growth while our Logistics and Distribution Division recorded a satisfactory performance.

The Logistics and Distribution Division recorded a profit before tax of RM12.3 million, compared with RM40 million recorded last year. This was largely attributable to lower Government orders and higher amortisation for the Pharmacy Information System.

Our Concession Agreement with the Ministry of Health remains a core segment of the Group's business, representing 56% or RM1.2 billion of Pharmaniaga's revenue. We seek to enhance service levels in order to deliver a seamless experience to our customers by maintaining a 99.8% success rate in terms of order fulfilment and delivery.

We remain firmly committed to our motto, Passion for Patients. It is this philosophy that has driven us to enhance our service levels and improve our delivery time. This has subsequently had a direct impact on our earnings track record, given that our efforts to provide world class customer service and products to our clients, have garnered positive feedback.

As I have mentioned over the previous financial years, we are growing our non-concession business, and during this financial year, the private sector business has delivered record sales with a growth of 13% in 2015. One of the key mandates during this period which has been successfully achieved is a complete restructuring of the sales force. This has resulted in much stronger teams in various regions across Malaysia supported by a growing portfolio of viable products.

Our long term plan to build a strong, consumer centric pharmaceutical network is bearing fruit. Today, our RoyalePharma pharmacy network has six outlets within its portfolio providing high quality healthcare products and exceptional customer service. Through strategic collaborations, partnerships and alliances, RoyalePharma aims to increase its reach and impact on the community pharmacy sector in the coming years.

Our Indonesian operations under our listed subsidiary PT Millennium Pharmacon International Tbk registered strong earnings due to sales growth, which surpassed the industry average.





The Manufacturing Division delivered a strong profit of RM100 million, in comparison with RM86 million in the year before. The 16.3% jump was primarily attributable to higher sales and a greater emphasis on improving cost management and manufacturing efficiencies.

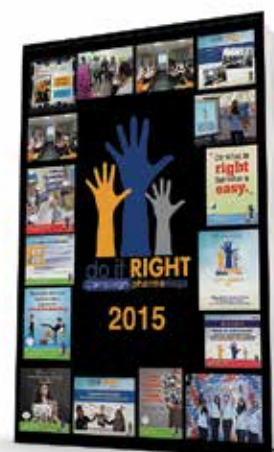
To cater for market demand, we expanded our product portfolio, specifically adding to our range of Halal certified products. This is in tandem with our growth plans to maintain not just a competitive edge in local markets, but to gain a steady reach internationally as well. Research and development has been essential to these efforts, with a target of over 200 new products in the next 10 years.

Product quality and efficacy is of utmost importance to us to ensure our leading position in the sector. We have complied fully with all regulatory guidelines and as we seek to venture into the European Union (EU), we have made significant progress, which has resulted in a series of reviews for products that are being produced by our plants.

As a responsible leader in the pharmaceutical sector, Pharmaniaga is a staunch advocate of regulatory compliance. With this in mind, we fully implemented the “Do It Right Campaign” (DIRC) at the start of 2015. The goal was to inculcate a culture of compliance and self accountability amongst all employees within the Pharmaniaga Group. The campaign focused on three specific themes throughout the year, namely:

- Compliance is Everyone’s Responsibility (January – April 2015)
- Effective Communication (May – August 2015)
- Do What You Document, Document What You Do (September – December 2015)

A series of activities including dialogue sessions, in-house workshops and training, webinar sessions, contests, mini campaigns and internal communications were held on a weekly and monthly basis. Through these initiatives, we sought to encourage greater participation, awareness and interest in our employees to do things right in a holistic manner, ranging from better quality of work to raising productivity levels and improving communication.





## MANAGING DIRECTOR'S REVIEW

DIRC aims to create an environment whereby adherence to the Good Manufacturing Practice, Good Distribution Practice, Good Distribution Practice for Medical Devices, International Organization for Standardization and other relevant regulations are second nature.

**A POSITIVE OUTLOOK**

With the onset of a brand new year, economic forecasts from local and global perspectives certainly promise a mix of challenges and opportunities.

The outlook for the pharmaceutical sector remains positive and on an upward trend. Pharmaniaga is well positioned to capitalise on growth prospects, and we look towards 2016 with optimism.

On the home front, we intend to solidify our competitive edge in the market through quality product offerings, and by further establishing ourselves as a unique provider of generics and leading brands. In tandem with this, we continue to innovate via new product developments which include studies of our ongoing herbal biotechnology projects, *Kacip Fatimah* and *Patawali*.

In ASEAN, we remain focused on regional growth. With over 20,000 hospitals, pharmacies and drugstores offering great opportunities for further growth, the Indonesian market is one that is brimming with potential. We are already well positioned to tap into these prospects, with our existing Indonesian operations delivering strong results and a solid performance.

The formation of the ASEAN Economic Community, which promises greater trade, better connectivity and a more integrated market as a whole, will certainly allow us to widen our reach across the ASEAN region.

Internationally, we have made great strides with products registered worldwide. The Group now looks forward to fulfilling our goals for export into the EU market. We are working closely with our appointed EU partner to drive these plans to fruition.

We would not be able to achieve growth and strengthen shareholder value if not for the efforts of our talent pool. As a reward for the efforts, we will be executing a share issuance scheme comprising:

- Proposed Option Plan for the Board of Directors and selected senior management officers; and
- Proposed Long Term Incentive Plan for selected senior management officers.







Through this scheme, we look to retain and reward our star talents while attracting skilled and experienced individuals to join our force. We trust that the scheme will provide employees with motivation to increase their participation in the Group's operations and future growth while improving performance standards.

Looking ahead, we are confident that Pharmaniaga will perform well. We hope you will find the review of our two key divisions in the following pages both informative and satisfactory, and rest assured that the Group is prepared to achieve further expansion in line with our growth plans.

As always, delivering strong results above and beyond our mandate is at the core of our efforts, even as we strive to give back to the community as part of our corporate responsibility initiatives.

The Group's growth path and successes have truly been a collaborative effort. I take this opportunity to thank the Board of Directors for their continued support and faith in my leadership. My sincere appreciation goes to our management team and dedicated employees, whose hard work and commitment to the Group are invaluable.

Last but not least, the Group would like to thank our customers, suppliers, business partners, shareholders and relevant approving authorities for their contribution to our success.

**DATO' FARSHILA EMRAN**  
Managing Director  
25 February 2016

# LOGISTICS & DISTRIBUTION DIVISION









## OPERATIONS REVIEW

THE LOGISTICS & DISTRIBUTION DIVISION ACHIEVED A PROFIT OF RM12.3 MILLION FOR THE FINANCIAL YEAR UNDER REVIEW, COMPARED WITH RM40 MILLION IN THE PREVIOUS YEAR. IN SPITE OF A CHALLENGING LANDSCAPE, OUR CONTINUOUS DRIVE TO GROW OUR PRIVATE SECTOR BUSINESSES CONTRIBUTED STRONGLY TO OVERALL RESULTS.



## MALAYSIA

Notwithstanding the tough economic conditions, the division recorded a revenue of RM2.17 billion. Our Concession Agreement with the Ministry of Health (MOH) remains a core segment within the Group. Of the orders received during the year, we were able to process 99.8% within the stipulated timeframe of seven to 10 working days. Utilising various modes of transportation, including helicopters, 4-wheel drives and boats, we have been able to deliver even to remote areas within East Malaysia smoothly and seamlessly. The speed and efficiency of our services to MOH health facilities nationwide has resulted in a notable reduction of complaints to a mere 0.14% against the number of orders processed.

We remain steadfast in our dedication to continuous improvement and high standards of service. To achieve this, we conduct regular process improvements for order management, cold chain handling, cold room facilities expansion, upgrading of our warehouses across Malaysia, and improving our vital

Information Technology systems. These initiatives were developed and executed with a view to ensure that customer satisfaction remains our utmost priority. In tandem with our drive to deliver best-in-class service, our Customer Care Call Centre achieved 91% of incoming calls answered within 15 seconds.

Our Central Distribution Centre received positive ratings for Cold Chain Management compliance from MOH's National Pharmaceutical Control Bureau. Similarly, we also received positive ratings on Dangerous Drugs

and Psychotropic Drugs Management compliance from the Pharmacy Enforcement Branch of the Selangor Health Department.

Dialogue sessions held with *Jabatan Kesihatan Negeri* demonstrated our quality of service, as we received an average of 92% in 'excellent' and 'good' ratings. From the two surveys conducted with public sector customers throughout the year, 95% of the respondents gave us 'excellent' and 'good' ratings.





In May 2015, we launched an Interaction Service Survey, which allows for interactive assessment of conversations with our Customer Service officers. Through this survey, we are confident that our mission to enhance customer experiences will be beneficial.

Our efforts to strengthen other segments of the Group alongside our concession business has yielded excellent results. The private sector business was a key driver in 2015, achieving double digit growth, its best performance to date.

In order to enhance our service levels and improve our reach within the market, a restructuring of our sales force was undertaken. This was implemented in January 2015 and enabled us to have a strong presence across all five regions comprising Central, Southern, Northern, Eastern and East Malaysia. As a result of our constant efforts to increase our reach, this led to a significant jump in sales compared with past years.

The Group further widened its portfolio of products in the nation, successfully obtaining registration approval for eight new products, ranging from local anaesthetic, emollients and loop diuretics. An additional 20 applications were also submitted during the year.

Our collaborations with third party manufacturers also resulted in the registration of two new products under the anti-pyretic and health supplement range. In total, Pharmaniaga now promotes a significant number of 480 products in the market.

In line with global trends, our generic products, particularly Zithrolide and Aspira, registered strong growth. Other products including Citrex, Simvastatin, Co-Amoxiclav and Xylid also performed well in the market throughout the year.

## TOTAL PRODUCTS IN THE MARKET

**480**

Our latest product, Iqnyde, is among the first-to-market generic sildenafil citrate. This competitive edge has resulted in encouraging sales to date, which continues to be on an upward trend. As such, we expect to see further growth in the years ahead.

We have continued to build on our presence in the private hospital sector, supported by partnerships with established manufacturers worldwide, enabling us to offer a winning combination of high quality generics and innovative brands.





## OPERATIONS REVIEW



During the year, we also successfully commenced rollout of our Pharmacy Information System (PhIS). Implementation has been ongoing throughout the year, and is expected to be fully operational in the coming years.

By enhancing operational efficiency and improving end user experiences at Government hospitals and clinics across the nation, PhIS will greatly advance the ease of pharmacy and healthcare services. We are confident that the system will greatly assist in improving patient safety as it eliminates medication prescription errors, by performing validation crosschecks against established drug databases to mitigate risks of interactions and allergies to drug prescriptions.

As a market leader in the pharmaceutical industry, the Group is fully aware of MOH's need to track supply and demand at pharmacies in hospitals and clinics.

With this in mind, we have designed PhIS to assist MOH with inventory management, whilst also providing patients with the convenience of specifying their preferred location for collection of medicines. Importantly, PhIS is also a central database, able to provide real-time information nationwide to MOH.

We have seen steady growth in the community pharmacy sector via our RoyalePharma chain of pharmacies. The opening of RoyalePharma's sixth outlet in Emerald Avenue, Selayang took place in November 2015. We target to open more outlets in the coming years, in

keeping with our goal of providing quality pharmaceutical products and services to the general public.

To this end, RoyalePharma has formed strategic partnerships with other independent pharmacies and aims to widen this network of alliance members over the coming financial years.

### INTERNATIONAL MARKETS

The Group continues to focus on growing our international operations, both in the ASEAN region and beyond.

In Indonesia, our listed subsidiary PT Millennium Pharmacon International Tbk (MPI) delivered excellent results, with sales growth well above the industry average. MPI registered RM486 million (Rp1.71 trillion) in net sales in the financial year under review, compared





with RM399 million (Rp1.44 trillion) in the previous year. Overall, sales revenue has doubled since 2010, as a testament of continuous efforts to tap into further growth opportunities within Indonesia's expansive market, whilst also ensuring operational excellence.

In line with this positive growth trend, MPI has made long term investments with a view towards expanding its storage capacity and cultivating a more conducive working environment in various branches across Indonesia. This will also enable greater synergies with Pharmaniaga's Indonesian subsidiary, PT Errita Pharma, allowing for even further business expansion.

Broadening its portfolio and reach, MPI collaborated with PT AEON Indonesia for the opening of its first community pharmacy, Apotek Millennium Pharma,

which commenced operations in May 2015 at AEON Mall, BSD City, Tangerang, Jakarta. In addition to this, MPI also plans to further diversify its business into over the counter medication and medical disposable products.

With these expansion plans in place, it has become very crucial for our operations to achieve Good Distribution Practice (GDP) certification. To date, one branch has been GDP certified in Jakarta, with another 16 branches targeting certification.

To capture the growth in the medical devices sector, we are broadening our focus to include more devices in our portfolio of offerings. We are pleased to note that 10 new products have been registered with the Medical Device Authority in Indonesia.

