

25th February 1999

DARYA-VARIA ACHIEVES STRONG GROWTH IN 1998 OPERATING PROFIT, DESPITE NET LOSS

First Pacific's Indonesian pharmaceuticals group, PT Darya-Varia Laboratoria, reported today that operating income climbed more than sevenfold last year to IDR55.1 billion, helped by a 46 per cent improvement in net sales to IDR288.1 billion, as strong headway was achieved in creating operational efficiencies.

Substantial foreign exchange losses and financing charges recorded in the first half, however, led to its net loss widening 44 per cent to IDR144.8 billion. The effect of these factors was mitigated in March when the company unwound its swap contracts before they matured, receiving US\$15.2 million, and in August when it raised IDR210.0 billion (US\$15.8 million) from a rights issue. The combined proceeds of US\$31.0 million was used to pay down debt and substantially reduce gearing.

Reflecting Darya-Varia's progress in improving efficiency, gross profit margins widened to 48 per cent of sales from 46 per cent a year earlier. Tight cost control measures resulted in a 3 per cent reduction in operating expenses to IDR82.5 billion.

Progress was also made in managing balance-sheet matters. Trade receivables declined 16 per cent to IDR40.7 billion in 1998 and net inventories fell 19 per cent to IDR71.0 billion, despite large cost increases resulting from the rupiah's depreciation.

Darya-Varia's Chief Executive Officer Philip Townsend, who assumed the post in June, said: "Despite 1998's net loss, substantial progress has been achieved in restructuring the company for profitable long-term growth. We have brought headcount down to 1,900 from nearly 2,700 by closing two of our four manufacturing facilities and implementing a new commercial organization with three operating units rather than five. Moreover, we reduced our product line from almost 600 products to about 250, which is enabling us to focus more effectively on profitable brands."

"Although there is more work still to do in improving our IT, operations and inventory procedures, our new professional management team has made excellent headway thus far. Indonesia's very challenging conditions have provided us with the opportunity to strengthen our organization so that we will be well poised to take advantage of resumed market growth which we expect to see in the year 2000," he concluded.

Financial data

PT DARYA-VARIA LABORATORIA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
(IN RUPIAH '000)

	1998	1997
NET SALES	288,075,097	197,534,024
COST OF GOODS SOLD	<u>(150,458,861)</u>	<u>(106,040,625)</u>
GROSS PROFIT	137,616,236	91,493,399
Selling & Mkt Expenses	(52,509,439)	(52,196,306)
General & Admin Expenses	(30,036,186)	(32,891,944)
TOTAL OPERATING EXPENSES	<u>(82,545,625)</u>	<u>(85,088,250)</u>
OPERATING PROFIT	55,070,611	6,405,149
OTHER INCOME / (EXPENSE)		
Gain on sale of investment	-	2,346,184
Interest expense - net	(28,990,206)	(12,888,333)
Foreign exchange loss	(147,923,876)	(12,717,065)
Amortization	(6,722,650)	(6,012,908)
Provision for Goodwill Writedown	(8,000,000)	-
Other expense	(6,819,081)	(1,185,269)
NET OTHER INCOME / (EXPENSE)	<u>(198,455,813)</u>	<u>(30,457,391)</u>
LOSS BEFORE EXTRAORDINARY ITEMS	(143,385,202)	(24,052,242)
EXTRAORDINARY ITEMS	<u>-</u>	<u>(76,362,253)</u>
LOSS BEFORE INCOME TAX	(143,385,202)	(100,414,495)
INCOME TAX	<u>(3,520,186)</u>	<u>(525,324)</u>
LOSS BEFORE MINORITY INTEREST	(146,905,388)	(100,939,819)
MINORITY INTEREST	<u>2,064,313</u>	<u>489,573</u>
NET LOSS	<u><u>(144,841,075)</u></u>	<u><u>(100,450,246)</u></u>

PT DARYA-VARIA LABORATORIA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997
(IN RUPIAH '000)

ASSETS

	1998	1997
CURRENT ASSETS		
Cash and cash equivalents	23,659,132	20,904,457
Accounts Receivable		
Trade - net	40,714,325	48,715,149
Related party	-	91,446
Others	7,420,897	51,338,058
Inventories - net	71,023,525	87,222,988
Prepaid expenses	7,420,659	5,255,928
Prepaid taxes	9,706,097	7,109,492
Advance payments	1,333,775	518,450
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Total Current Assets	161,278,410	221,155,968
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PROPERTY, PLANT AND EQUIPMENT - Net	73,488,323	77,489,258
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OTHER ASSETS		
Deferred stock issuance cost	7,847,518	3,533,548
Security deposits	116,428	204,024
Advances to directors and employees	5,406,118	16,701,027
Goodwill - net	75,858,557	83,759,816
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Total Other Assets	89,228,621	104,198,415
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TOTAL ASSETS	<hr/> <hr/>	<hr/> <hr/>
	323,995,354	402,843,641

PT DARYA-VARIA LABORATORIA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997
(IN RUPIAH '000)

LIABILITIES AND STOCKHOLDERS' EQUITY

	1998	1997
CURRENT LIABILITIES		
Short-term bank loans	8,680,000	14,771,883
Accounts payable		
Trade		
Third party	27,449,011	31,247,365
Related party	994,092	558,534
Related party	116,865,000	
Others	3,055,438	2,153,123
Taxes payable	7,514,265	2,498,846
Accrued expenses	12,105,809	36,277,760
Current maturities of long-term debts		
Bank loans	-	38,581,125
Obligations under capital lease	1,002,287	1,091,508
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Total Current Liabilities	177,665,902	127,180,144
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LONG TERM DEBTS - net of current maturities		
Bank loans	-	185,293,875
Obligations under capital lease	269,066	1,207,577
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Total Long Term Debts	269,066	186,501,452
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MINORITY INTEREST	-	54,555
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STOCKHOLDERS' EQUITY		
Capital	280,000,000	70,000,000
Additional paid-in capital	90,500,000	90,500,000
Revaluation increment in P,P&E	304,417	304,417
Deficit	(224,744,031)	(71,696,927)
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Total Stockholders' Equity	146,060,386	89,107,490
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<hr/> <hr/>	<hr/> <hr/>
	323,995,354	402,843,641

