

pharmaniaga[®]

(A member of Boustead Group)



REBUILDING FOR A STRONGER FUTURE

INTEGRATED REPORT 2022

25th

Annual General Meeting



Amphitheatre

Level 23, The Bousteador
No.10 Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya



Date

Monday, 12 June 2023



Time

2.30 p.m.



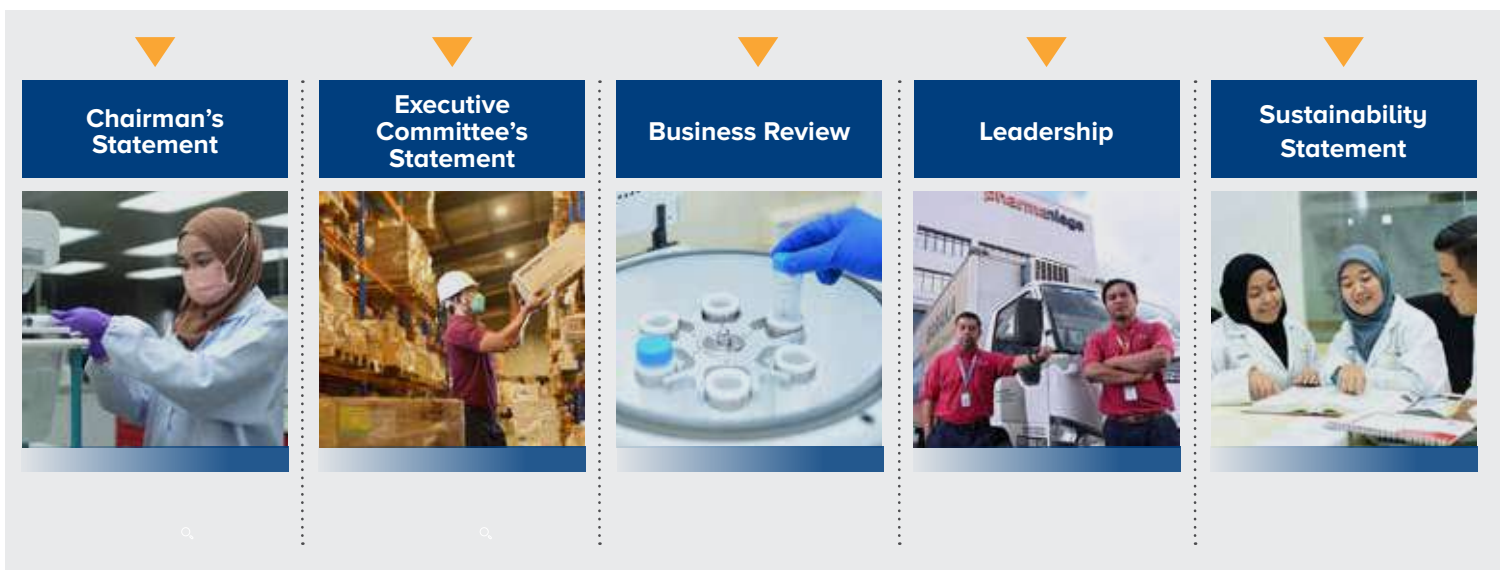
Online report is available at

www.pharmaniaga.com

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INTEGRATED REPORT 2022**

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INTEGRATED REPORT 2022



COVER RATIONALE

Pharmaniaga is unyielding in our commitment to overcome challenges, rebuild our operations and prepare ourselves for a stronger future.

We have implemented a range of strategic initiatives aimed at enhancing operational resilience, agility, and efficiency, including investment in digital technologies, supply chain optimisation, and the expansion of our product portfolio.

Our growth-oriented strategy is focused on resilience, innovation, and long-term success. By building on this strong foundation, we are well-positioned to emerge as a leader in the healthcare industry, delivering value to stakeholders and contributing to the advancement of healthcare in Malaysia and beyond.

ABOUT THIS REPORT

Pharmaniaga Berhad's 2022 Integrated Report (IR) marks the second year of disclosing our financial and non-financial performance in an integrated reporting format. The decision to reinvent our reporting process is underpinned by Boustead Group's Reinventing Boustead Strategy.

Our 2022 IR has been developed to help stakeholders better understand what we do, why we do it, how we do it, and the risks and opportunities we face in accomplishing our objectives. Our ultimate goal is to define how we intend to generate value in the short, medium and long term.

We have utilised icons and links throughout the report for convenience of navigation.

SCOPE AND BOUNDARY OF REPORTING

Unless otherwise noted, this year's IR is based on activities, initiatives and important events that occurred during the reporting period of 1 January 2022 to 31 December 2022. The Report, which is guided by the Malaysian Financial Reporting Standards (MFRS), covers all Pharmaniaga firms in which we have a majority stake and significant influence.

MATERIALITY

As assessed by our Board of Directors, in consultation with the Management, the topics covered in this report are those that have a meaningful impact on our ability to create value and fulfil our primary purpose. These material challenges have been identified after taking into account external circumstances, the needs, expectations and concerns of our primary stakeholders as well as our business strategy.

COMBINED ASSURANCE

The report has been read in its entirety and approved by the Board of Directors and Management. Our external auditors, Messrs. PricewaterhouseCoopers PLT, have provided assurance on the financial statements, and Sirim QAS International Sdn. Bhd have confirmed the accuracy of the Sustainability Report.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements concerning future performance. Such statements are based on current assumptions and circumstances that may change; hence, they inherently involve uncertainty. A variety of factors could cause actual results to differ significantly from those expressed or implied by these forward-looking statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board recognises the critical responsibility they are charged with in safeguarding the integrity of Pharmaniaga's 2022 Integrated Report. This IR, in our opinion, accurately assesses the Group's performance and addresses all significant matters affecting the Group's ability to generate value for the fiscal year under review.

REPORTING FRAMEWORK

The preparation of our 2022 Integrated Report has been undertaken in strict accordance with the principles and requirements of:

1. Main Market Listing Requirements (MMLR) of Bursa Malaysia
2. Malaysian Financial Reporting Framework
3. Malaysian Code on Corporate Governance (MCCG) 2021 issued by the Securities Commission
4. Malaysia Companies Act 2016 (CA 2016)
5. Bursa Malaysia's Sustainability Guide (2nd Edition)
6. International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC)
7. Global Reporting Initiative (GRI)
8. United Nations Sustainable Development Goals (UNSDGs)
9. World Business Council for Sustainable Development
10. World Resources Institute's GHG Protocol
11. Intergovernmental Panel on Climate Change's Fifth Assessment Report
12. FTSE4Good ESG Indicators
13. Task Force on Climate-related Financial Disclosures (TCFD)
14. Sustainability Accounting Standards Board (SASB)



This Report shall be read together with our standalone Sustainability Report 2022 online at

www.pharmaniaga.com

NAVIGATION ICONS

6 CAPITALS

- Financial Capital**
Funds generated through investments and operations or obtained from external debt financing
- Manufactured Capital**
Physical assets, manufacturing facilities, IT infrastructure, logistics and office facilities
- Intellectual Capital**
Research and development capabilities, licensed technologies, intellectual property such as patents, trademarks and technical know-how

- Human Capital**
Talented and skilful employees, diversity of employees, employees' training & development
- Social & Relationship Capital**
Relationships with stakeholders i.e. customers, suppliers, investors, Government and communities
- Natural Capital**
Renewable and non-renewable resources, i.e. water, raw materials and landbank

STAKEHOLDER GROUPS

- Government Agencies & Regulatory Authorities**
The Malaysian Federal and State Governments, regulators, federal and state agencies
- Employees**
Full-time and contract employees across Malaysia and Indonesia operations
- Customers**
Public and private hospitals and clinics, pharmacies and international customers
- Supply Chain Partners**
Contractors and suppliers providing services and supplies
- Providers of Financial Capital**
Local statutory bodies, corporate, institutional and retail investors and other potential investors
- Media**
Local media covering digital and print platforms
- Communities**
Local communities living or working in areas that are economically, socially or environmentally impacted by our operations

KEY RISKS

- Financial Risk**
The risk relates with losing money on a business or investment decision mainly attributed by credit and liquidity management.
- Business Risk**
A number of risks that could impact the development and execution of our business strategies, including increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policy and availability of supply.
- Environmental Sustainability Risk**
Regulators, investors and other stakeholders increasingly expect the Company to reduce our environmental impacts across the value chain and to mitigate the impacts of climate change on our operations and supply chains.
- Legal and Regulatory Risk**
Pharmaniaga is subject to extensive, complex, costly and evolving rules and regulations governing the business and operation of manufacturing, labelling, marketing, warehousing, transporting, sale and approval of pharmaceutical products.
- Cybersecurity Risk**
The more we adopt digital technologies to remain relevant and competitive, the greater our exposure to cybercrime.

7 STRATEGIC PILLARS

- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare for Sustainable Growth
- Develop Biopharmaceutical Capabilities
- Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing
- Strengthen Footprints in International Ventures via Focus Countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
- Reinforce Human Capital through Capability Building for Superior Performance

MATERIAL MATTERS

- Business Continuity
- Technology & Innovation
- Customer Satisfaction
- Sustainable Products & Services
- Corporate Governance & Business Ethics
- Environmental Compliance
- Resource Efficiency
- Greenhouse Gas & Climate Change
- Talent Management
- Health & Safety
- Supporting Local Businesses
- Corporate Responsibility

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

As part of Pharmaniaga's strategy, we have prioritised the following SDGs to ensure our business is environmentally, socially and economically sustainable.



OVERVIEW OF PHARMANIAGA

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SECTION

01



WHO WE ARE

Established in 1994, Pharmaniaga has evolved to become one of Malaysia's largest listed integrated pharmaceutical groups. Our participation in the sector spans across the pharmaceutical value chain from research and development to the production of generic drugs, over-the-counter medicines, logistics and distribution, sales and marketing.

Already a formidable player in the domestic market, we continue to explore the strategic expansion of our international reach.

VISION

The preferred pharmaceutical brand in regional markets

OVERVIEW OF PHARMANIAGA

MISSION

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

VALUES

CREATIVITY

INTEGRITY

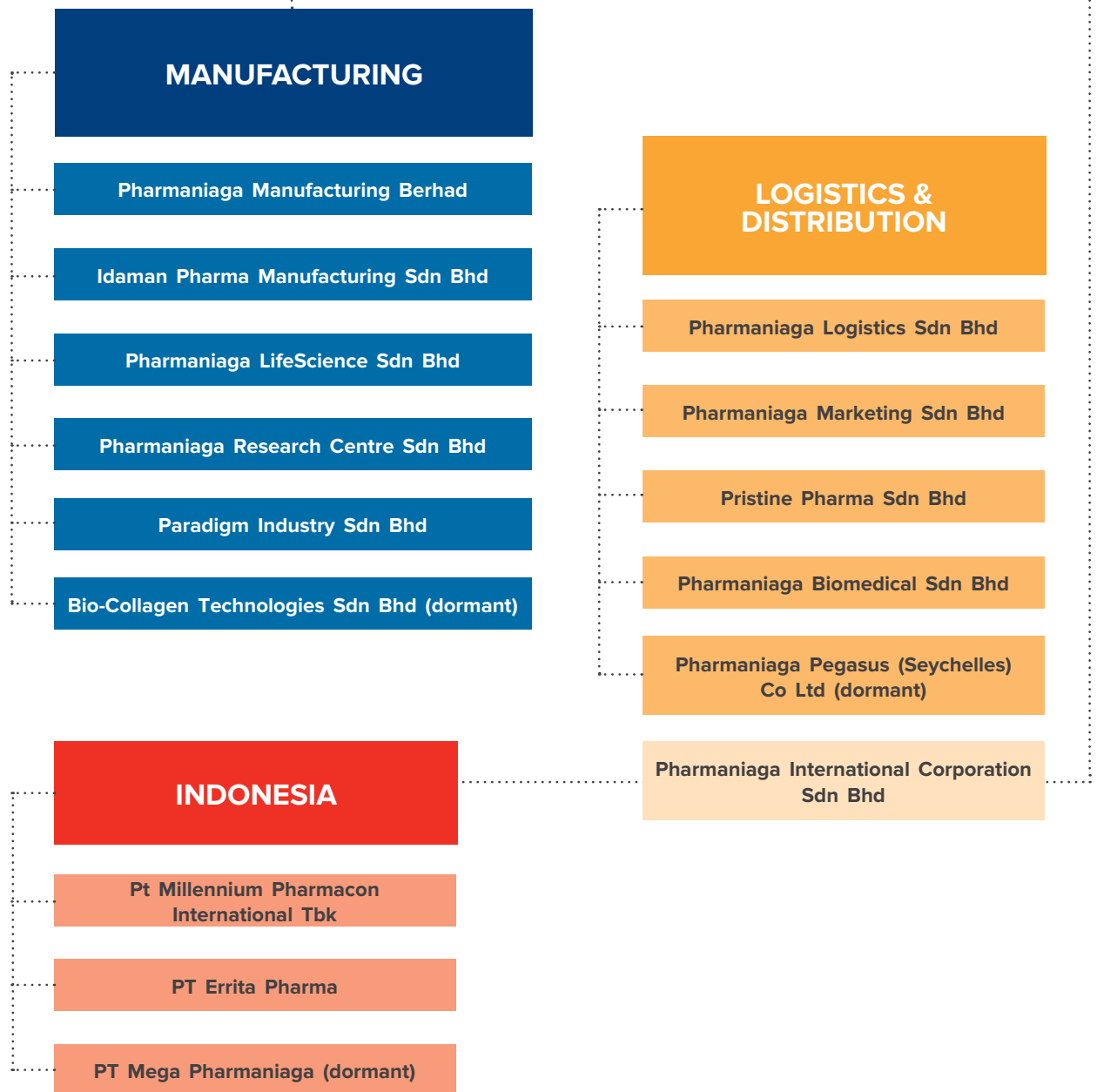
INNOVATION



GROUP STRUCTURE

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Note: Please refer to page 317 for the comprehensive list of companies within the Group

OUR STRENGTHS

Malaysia's largest integrated pharmaceutical company, featuring 29 years of expertise in an evolving ecosystem



Spanning Malaysia and Indonesia, Pharamaniaga's pharmaceutical-grade supply chain is supported by a comprehensive logistics infrastructure



Halal-compliant and state-of-the-art manufacturing facilities of world standing that adhere to Pharmaceutical Inspection Co-operation Scheme and European Union Good Manufacturing Practice standards



With over 300 scientific and technical expertise in a wide range of disciplines, we have a highly skilled workforce armed with formidable technical capabilities



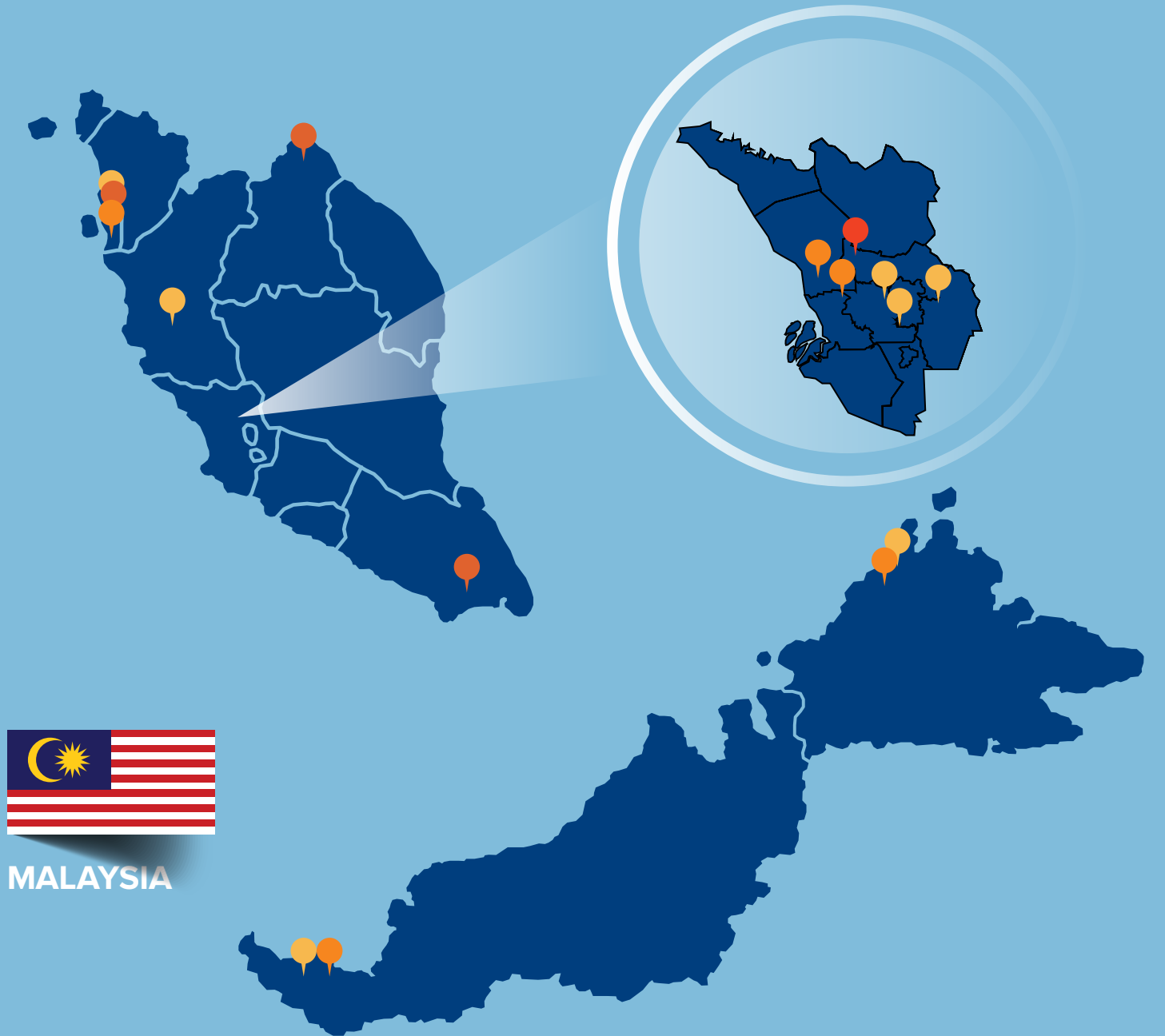
Indonesian distribution on a national scale executed through 33 branches and one manufacturing plant



Strategic alliances aimed at the production of high-value generics and expansion into biopharmaceutical, primarily the production of vaccines and insulin



WHERE WE OPERATE



EMPLOYEES	R&D SITE	MARKETING OFFICE	LOGISTICS & DISTRIBUTION SITE OFFICE	MANUFACTURING PLANT
2,301	1	5	Distribution Centre: 8 Branches: 7	6

As a result of the strategic positioning of our operations in Malaysia and Indonesia, our products and services are easily accessible throughout the region. We continue to expand our market presence by effectively leveraging our synergies. Simultaneously, we are broadening our reach by exploring previously untapped markets.



WHAT WE DO

RESEARCH & DEVELOPMENT



At our state-of-the-art research facility in Bukit Raja, Selangor, we have a team of over 100 skilled scientists from diverse fields working together. Our research and development (R&D) efforts are crucial for our business as it enables us to utilise valuable expertise and in-depth knowledge to develop new high-quality products, enhance efficiency, troubleshoot existing products and implement cost-saving measures. Ultimately, Pharmaniaga is able to sustain its competitiveness and viability in the local and international markets.

By continuing to invest in R&D, we intend to make pharmaceuticals and related services more widely available and affordable, contributing towards a healthier nation as a whole. Our capabilities lie in the development of high-quality pharmaceuticals, biopharmaceuticals and over-the-counter (OTC) products. The R&D team focuses on several key therapeutic areas for product development, such as cardiovascular diseases, central nervous system disorders, gastrointestinal issues, anti-diabetic treatments, analgesics, anti-infectives, vaccines, and insulin.

MANUFACTURING



Our six plants spread across Malaysia are equipped with state-of-the-art technology, machinery, processes, and quality systems, allowing us to deliver a diverse range of products, including oral solids granules, oral liquid, semisolids, and small volume injectables. On the other hand, the manufacturing operations are in the pipeline to extend its manufacturing capabilities into biologics product manufacturing. The main focus for the biologic products is it must be able to fulfil the increasing domestic demand for vaccines and insulin. As a result, we are well on our way to becoming the prominent biopharmaceutical company in Southeast Asia.

LOGISTICS & DISTRIBUTION



More than 700 items on the Ministry of Health's (MOH) Approved Product Purchase List (APPL), are supplied by Pharmaniaga to Government hospitals, clinics and institutions. Servicing both public and private facilities, we operate a fleet of more than 300 vehicles out of 9 distribution centres in Selangor, Penang, Sabah, and Sarawak.

➔ **328** total number of products approved:

- 33** Biopharmaceuticals
- 192** Pharmaceuticals
- 59** OTC & Nutraceuticals
- 31** Medical Devices
- 13** Cosmetics

➔ Successfully registered
28 new products locally

➔ Successfully registered
6 new products internationally

➔ Total number of approved export registration to
168 products spanning **12 countries**

➔ Dosage Form & Capacity:

- Solid** : 7.0 billion tablets & capsules
- Liquid** : 2.9 million litres
- Cream** : 232 metric tonnes
- Dry syrup** : 269 metric tonnes
- Vials** : 16.54 million units
- Ampoules** : 43.0 million units

➔ The cost saving exercise of lead time reduction, cycle time improvement, inventory reduction and **productivity improvements of RM0.75 million**

➔ **Installation of online cloud-based Building Management System (BMS)** for monitoring temperature and humidity in warehouse and stability chambers to improve compliance and better record keeping

➔ One of the manufacturing sites, namely Pharmaniaga Manufacturing Berhad has **obtained Manufacturing Site Registration in UAE** on 7 October

➔ Entrusted by MOH to manage the **logistics and distribution of Paxlovid**

➔ **Entrusted to manage export shipment of COVID-19 vaccines donation** to other countries including Laos and Myanmar

➔ Go Live of **additional 2 central distribution centres**

➔ **98.7% compliance with all performance standards** for the provision of medicines and medical supplies to MOH

➔ **2 electric vehicles launched**

WHAT WE DO

SALES & MARKETING



Our sales and marketing team is responsible for promoting a diverse range of healthcare products, including pharmaceuticals, dental, over-the-counter (OTC), supplements, and nutraceuticals for both medical and non-medical channels.

In order to keep up with the rising demand for healthcare and patient care, we promote a broad range of prominent generic pharmaceuticals and constantly monitor the market for the introduction of new products.

Our consumer healthcare segment has successfully launched a new product range for our existing Citrex Vitamin C and Actimol Paracetamol portfolio. In the coming years, we will focus on consumer wellness and expand our product offerings to include nutritional supplements for life-stage, post-partum and diabetic care. We are on track to launch three to five products per annum for the next three years.

Thanks to the growing acceptance of our brands, we have made significant inroads and have increased our distribution into both medical and non-medical channels. Our target for medical channels is to improve our brand visibility and planograms. For the traditional non-medical channels, we will introduce suitable products and packing formats to accelerate our penetration.

Drawing on lessons from the recent pandemic, we plan to further expand our 'direct-to-consumer' services under the RoyalePharma brand umbrella. These services will include a combination of retail, online, and vending initiatives, aimed at improving product accessibility for consumers in need.

INDONESIAN OPERATIONS



Both our logistics and distribution arm, PT Millennium Pharmacon International Tbk (MPI) and our manufacturing arm, PT Errita Pharma (Errita) have contributed to the expansion of our operations in Indonesia, which have continued to see positive results.

MPI, which is publicly traded, has grown steadily by double digits since joining the Group in December 2004. MPI is one of the top ten pharmaceutical logistics and distribution companies in Indonesia, with a central warehouse in Jakarta and 33 branches throughout the country. MPI's main revenue contributor is the sale of ethical drugs, over-the-counter (OTC) products and disposable medical supplies for 30 principals, including Errita.

Errita is a manufacturer of pharmaceutical and OTC products, renowned for their general pharmaceutical (solid, semi-solid, liquid) and penicillin plants (solid and dry syrup). Joining the Group in 2014, the company employs close to 400 individuals and has registered 126 different products to date. As part of its strategy to increase its overall market share, the company intends to roll out fifteen new products annually.

- ➔ Sale of Gengigel, increased by **48%** to more than RM7.2 million, making it the **highest-selling consumable medical device in Malaysia** in 2022.
- ➔ Our Vaginal Hyal listed as the **first non-hormonal product for post-menopausal** management in the Malaysia Clinical Practice Guidelines (CPG).
- ➔ Dental business **grew by RM2.1 million**, with a remarkable **159% growth** compared to 2021.
- ➔ Sales in private segment grew by **almost 20%**

- ➔ Products launched:
Euvax B, Roxatin, Cruzor & Xynoz
- ➔ Won a three-year Ministry of Health tender worth over **RM1.4 million for Ontrex**
- Launched: **Citrex Vitamin C Powder, Citrex Vitamin C Gummies, Citrex Multivitamin Gummies, ActiMol PCM 250mg/5ml, ActiMol PCM 120mg/5ml Pharmaniaga Hand Sanitiser, Pharmaniaga Hand Wash**
- ➔ **19 RoyalePharma 24/7 Vending Machines** in the Klang Valley

- ➔ **MPI:**
33 branches
30 principals
25,148 customers
4,159 product SKUs

- ➔ **Errita:**
16 distributors
126 products registered
116 products commercialised
10 newly registered products
10 products launched

- ➔ **Awards received:**
Penghargaan 2022 Distributor Obat dari RS Bethesda Yogyakarta
- ➔ Penghargaan Indonesia **Best Choice in Pharmaceutical Company Award 2022** by Indonesia Best Choice Award

2022 KEY HIGHLIGHTS

FINANCIAL HIGHLIGHTS



LOSS AFTER
TAXATION

(RM605.1)
MILLION



REVENUE

RM3.5
BILLION



DIVIDEND
PER SHARE

1.9 SEN

BUSINESS HIGHLIGHTS

98.7% compliance with all performance standards for the provision of medicines and medical supplies to MOH

HIGHLIGHT 1

Entrusted by MOH to manage the logistics and distribution of Paxlovid

HIGHLIGHT 2

Capacity & yield improvements of
RM3.9 million

HIGHLIGHT 6

Pharmaniaga Manufacturing Berhad **obtained Manufacturing Site Registration** in UAE on 7 October

HIGHLIGHT 7

Sale of Gengigel, **increased by 48%** to more than RM7.2 million, making it the **highest-selling consumable medical device** in Malaysia in 2022

HIGHLIGHT 11

Vaginal Hyal Gel listed as the **first non-hormonal product** for post-menopausal management in the Malaysia Clinical Practice Guidelines (CPG)

HIGHLIGHT 12

Customer Satisfaction Survey Scores:

'Good' & 'Excellent'
MOH 98%
MOHE 100%

HIGHLIGHT 3

Implemented additional
Robotics Processing Automation (RPA)
 to automate sample orders

HIGHLIGHT 4

38 new products
 registered

HIGHLIGHT 5

Sales in the private market
grew by almost 50%

HIGHLIGHT 8

Products launched:
Euvax B, Roxatin, Cruzor & Xynoz

HIGHLIGHT 9

Dental business **grew by RM 2.1 million**, with a remarkable **159% growth** compared to 2021

HIGHLIGHT 10

Recognised as the **preferred distributor** by **3M** Oral Care

HIGHLIGHT 13

Citrex Vitamin C range and **ActiMol Paracetamol** for kids launched

HIGHLIGHT 14

19 RoyalePharma 24/7 vending machines operating in Klang Valley & Melaka

HIGHLIGHT 15

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

→ **17.1%** reduction in **Greenhouse Gas emissions** from 2019 baseline

→ **RM25,270** of **cost savings achieved** from water recycling programmes

→ **737.72 TONNES** of **general waste recycled** (2021: 398.63 tonnes)

→ **767.48 GJ** generated from **solar energy**

→ **RM1.3 MILLION** of **cost savings achieved** from **energy-saving initiatives**

→ **222.36 TONNES** of **recycled input material** utilised in manufacturing operations

SOCIAL

→ **196** individuals provided with **graduate employment opportunities**

→ **99.7%** employees are local

→ **ZERO** major accidents

→ **ZERO** recorded cases of **discrimination and non-compliance with labour practices**

→ Average of **32** training hours per employee

→ Approximately **RM3.1 MILLION** invested in **corporate responsibility (inclusive of zakat)**

GOVERNANCE & ECONOMIC



Pharmaniaga Manufacturing Berhad (Bangi) and Idaman Pharma Sdn Bhd (Sungai Petani & Seri Iskandar) successfully obtained the

ISO 37001:2016

Anti-Bribery Management Systems Certification



Implementation of **Business Continuity Management System for Manufacturing division**



Establishment of Business Continuity Management Policy

INDICES REPRESENTATION



FTSE4Good

FTSE4Good Bursa Malaysia (F4GBM) Index

FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index



STANDARDS & CERTIFICATIONS



➔ **MS ISO 37001: 2016**
Anti-Bribery Management Systems

➔ **ISO 45001: 2018**
Occupational Health and Safety Management Systems

➔ **ISO 27001: 2013**
Information Security Management Systems

➔ **ISO 9001: 2015**
Quality Management Systems

➔ **ISO 14001: 2015**
Environmental Management Systems

➔ **ISO/IEC 17025: 2017**
Laboratory Quality Management Systems

➔ **ISO 18295-1: 2017**
Customer Contact Centres

➔ **GOOD MANUFACTURING PRACTICE**
Certification (Malaysia and Indonesia)

➔ **EU GOOD MANUFACTURING PRACTICE**
Certification (Portugal)

➔ **MALAYSIA HALAL**
Certification

➔ **MESTI**
Certification

➔ **GOOD DISTRIBUTION PRACTICE**
Certification

➔ **GOOD DISTRIBUTION PRACTICE FOR MEDICAL DEVICES**
Certification

AWARDS & RECOGNITION



➔ **The EDGE Malaysia ESG Awards 2022**
Best Performing Company by Bursa Sector Classification, Healthcare Sector (Silver)

➔ **HR Asia Awards 2022**
Best Companies to Work for 2022

➔ **MSOSH Occupational Safety & Health Awards 2022**
Logistics and Transportation Sectors Category (Silver Award)

➔ **The BrandLaureate BestBrands Award**
Nation's Pride Brand of the Year: Integrated Pharmaceutical Solutions 2022

2022 CORPORATE MILESTONES



FEBRUARY

24 Feb
Exported the second batch of Sinovac COVID-19 vaccine to Myanmar.

- 25 Feb**
- Pharmaniaga LifeScience Sdn Bhd signs Memorandum of Understanding with Thailand's BioNet Group for vaccine research and development (R&D).
 - Pharmaniaga Research Centre Sdn Bhd signs Memorandum of Understanding with Thailand's Bio-Innova Co. Ltd. for bioequivalence solutions as well as pharmaceutical product development innovation.



27 Sep
Cruzor launched.

26 Sep
Pharmaniaga Logistics Sdn Bhd launched the use of electric vehicles for the delivery of medicines in several areas of the Klang Valley at the 50th Anniversary of the Armed Forces Fund Board at Royal Malaysian Air Force Kuantan, Pahang.

SEPTEMBER

24 Aug
Roxatin launched.

23 Aug
Exported the third batch of Sinovac COVID-19 vaccine to Myanmar.

AUGUST



OCTOBER

1 Oct
Xynoz launched.

14 Oct
Pharmaniaga Berhad and Perisind Samudra Sdn Bhd signed a Heads of Agreement to facilitate the implementation of Pharmaniaga's Decarbonisation Programme towards embracing the low-carbon economy and greener practices.

31 Oct
Pharmaniaga Berhad signed a Memorandum of Understanding with JDMAS Commerce Sdn Bhd to commercialise Pharmaniaga's over-the-counter (OTC) and subsequently pharmaceutical products in China through JD.Com.



MARCH

30 Mar
Pharmaniaga Manufacturing Berhad (PMB) signs Memorandum of Understanding with Prime Medical Store LLC (Prime Medical), a subsidiary of PRIME Healthcare Group as the foundation in establishing the framework that will grant Prime Medical the exclusive right to register, import, promote, market, sell and distribute PMB's pharmaceutical products in UAE.

MAY

24 May
Euvax B launched



JULY

15 Jul
Pharmaniaga Berhad entered into a Memorandum of Collaboration with China's Suzhou Ronshi Pharma Co., Ltd. to commercialise Halal ovine (sheep and goat) anti-coagulant (blood clot thinner) in Malaysia.

JUNE

28 Jun
The PharmaApprentice Programme was launched as part of Pharmaniaga's long-term sustainability effort. In collaboration with the Selangor Education Department, a total of 34 students who have lost their parents due to COVID-19, from seven schools within the Selangor district will benefit from this programme which aims to motivate them to excel in their tertiary education.



DECEMBER

13 December
Pharmaniaga LifeScience Sdn Bhd, signed a Research Collaboration Agreement with BioNet-Asia Co. Ltd. of Thailand for the development of a 6-in-1 combination vaccine (Hexavalent vaccine) for children's healthcare, using BioNet formulation.

KEY MESSAGES

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SECTION

02

pharmaniaga®

pharmaniaga®
passing it patiently

✓ LOOSE ITEMS

Peraturan Logistik S&B 2019

1. Logistik S&B

2. Logistik S&B

3. Logistik S&B

4. Logistik S&B

5. Logistik S&B

6. Logistik S&B

7. Logistik S&B

8. Logistik S&B

9. Logistik S&B

10. Logistik S&B

✓ LOOSE ITEMS

✓ LOOSE ITEMS

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✓ LOOSE ITEMS

✓ LOOSE ITEMS

✓ LOOSE ITEMS





IZADDEEN DAUD
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholder,

A challenging business climate confronted Pharmaniaga in 2022. Despite achieving remarkable success in 2021 by delivering nearly 23 million COVID-19 vaccine doses and recording the highest net profit ever, 2022 marked an inflection point for the Group.

As the country moved into the endemic phase, vaccine demand waned and Pharmaniaga's business operations continued to normalise to its pre-pandemic state. However, amidst the uncertainty and the myriad of challenges, Pharmaniaga was able to capitalise on new pockets of growth opportunities, observing an increase in revenue compared with pre-pandemic levels.

As a Chairman, a position I have held since 22 February 2023, and on behalf of the Board of Directors of Pharmaniaga, I would like to take you through Pharmaniaga's financial year, which ended 31 December 2022.

CHAIRMAN'S STATEMENT

OUR OPERATING LANDSCAPE

Despite increased demand and a return in buyer confidence, which have boosted business activity across many sectors to pre-pandemic levels, potential growth has been hampered by persistent cost pressures, labour constraints, supply chain disruptions and the tightening of global monetary policies.

FINANCIAL PERFORMANCE

Amidst the volatile landscape, our prudent practices saw us undertake a RM552 million provision for slow-moving inventories of COVID-19 vaccine, in accordance with accounting standards. This provision inevitably triggered Pharmaniaga's classification under Practice Note 17 (PN17). Our PN17 status attests to our responsible accounting practices, which are in line with the Malaysia Financial Reporting Standards.

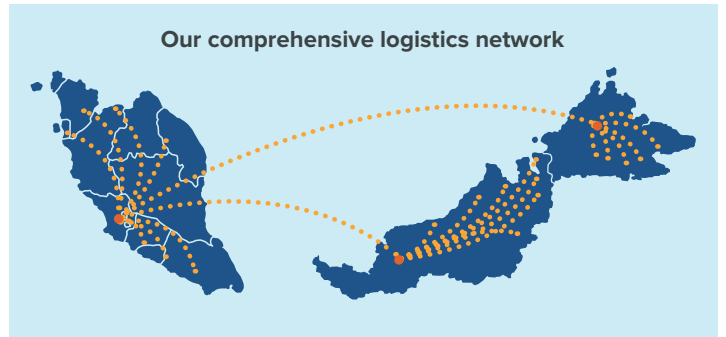
Pharmaniaga is committed to taking all necessary measures to ensure that we are uplifted from being classified as a Practice Note 17 (PN17) company, which will be elaborated on further in this Report. We remain optimistic that with our extensive expertise, experience, and the support of our partners, we can successfully navigate this situation and emerge stronger than before.

During the year, the Group recorded a loss before tax of RM581 million in 2022 on the back of RM3.5 billion in revenue. It is worth noting that our revenue has remained higher than our pre-pandemic 2019 revenue of RM2.8 billion.

I am pleased to note that the Board has declared a dividend of 1.9 sen per share, translating into a total dividend payout of RM25 million.

UPHOLDING GOOD ESG PRACTICES

Pharmaniaga's environmental, social, and governance (ESG) agenda is being accelerated through policies and procedures that promote sustainability. We began a decarbonisation programme during the financial year under review in order to reduce our carbon footprint even further. In addition, we published our first climate-related risk report, based on the recommendations of our Task Force on Climate-related Financial Disclosures (TCFD). As the first step in preparing to mitigate climate-related risks, we conducted a climate risk assessment to identify physical and transition risks.



In adherence with best practices such as the Malaysian Code on Corporate Governance, we also continued to place a strong emphasis on corporate governance and integrity, fair labour practices, diversity and inclusion as well as data privacy and security. To this end, we are committed to upholding organisational integrity and operating in an ethical manner in maintaining the trust and continued support of our stakeholders.

The Sustainability Committee of the Board sets the tone for Pharmaniaga's approach to sustainability. For more details on our ESG initiatives, please refer to our Sustainability Statement on pages 148 to 185 of this Integrated Report.

OUTLOOK

Pharmaniaga upholds its unwavering commitment to fulfil its obligations to the Ministry of Health (MOH) for the pharmaceutical logistics and distribution concession. This dedication is reinforced by our long-standing and impressive track record, as well as the extensive infrastructure and ecosystem that we have developed over the years.

The Ministry's decision to renew Pharmaniaga's concession for another 10 years is a testament to our capabilities and reliability. It is an honour to be recognised by the Ministry and to have their confidence in our ability. We remain committed to sustaining our performance and exceeding expectations to increase the contribution to the total Group's profitability.

Moving forward, our goal is to diversify our business. To achieve this, we are exploring non-concession healthcare opportunities and expanding our logistics business. Leveraging our core strengths in pharmaceuticals and healthcare products, particularly in biopharma, both in drugs and non-drugs, will remain a key focus in driving growth.



Furthermore, we are pursuing global and regional ventures in order to maintain and expand our presence in private and international markets. By taking these steps, our ultimate aim is to solidify our position as a leader in the healthcare industry and achieve sustainable growth over the long term.

We are now on a course for accelerated growth in the largest economy in Southeast Asia as a result of the aggressive expansion of our business in the Indonesian market. Last year alone, we recorded a revenue of close to RM1 billion (Client to verify) from our Indonesia Division, a 10% increase from the previous year. Indonesia's business landscape holds vast untapped potential, which presents a significant opportunity for Pharmaniaga's growth. Our focus on exploring this potential market is expected to be a major growth driver for the Group. In addition to this, we are consistently working towards enhancing our operational efficiency, ensuring that we remain competitive in the industry.

We recognise the impact that the provision for slow-moving COVID-19 vaccine stocks has had on our bottom line in 2022. However, we are actively working towards clearing our COVID-19 vaccine inventories, which have a substantial duration of shelf-life left before expiry. Our unwavering dedication remains towards ensuring the prompt and efficient dispersal and sale of the existing vaccine inventory.

We are pleased to note that the Group's newly formed PN17 board committee task force is actively working to finalise a regularisation plan for Bursa Malaysia.

At Pharmaniaga, our focus is on diligently executing our strategies while keeping cost efficiency as a top priority. We are confident in our ability to return to profitability.

APPRECIATION

In closing, I would like to take this opportunity to express my appreciation to the Pharmaniaga family, including the Board members, senior management and our employees. Your excellent contributions have put the Group on the right trajectory towards sustainable growth.

In particular, a special note of gratitude goes to our former Chief Executive Officer (CEO) Datuk Zulkarnain Md Eusope, who vacated his position effective 14 March 2023.

While the search for a successor to Datuk Zulkarnain is ongoing, Pharmaniaga is being led by an interim Executive Committee (EXCO), which is fulfilling the role of the CEO.

I would like to extend our heartfelt appreciation for the continued support given by our shareholders, partners, financiers, customers and relevant authorities in Malaysia and internationally.

As we look towards the future, I have great confidence in the Pharmaniaga family's ability to embrace new challenges and capitalise on emerging market opportunities, as we work towards becoming a world-class diversified pharmaceutical player, while delivering greater value to our stakeholders.

IZADDEEN DAUD
Chairman

EXECUTIVE COMMITTEE'S STATEMENT

Dear Shareholder,

The Executive Committee (EXCO) of Pharmaniaga Berhad (Pharmaniaga) has taken over the responsibilities and functions of the Chief Executive Officer effective 14 March 2023 as a result of its classification under Practice Note 17 of the Bursa Malaysia guidelines. In light of this, the EXCO is tasked and has reviewed the Group's performance for the financial year ended 31 December 2022.

As the largest integrated pharmaceutical company in Malaysia with more than 29 years of experience within its dynamic ecosystem, Pharmaniaga is able to offer access to an extensive logistics infrastructure across Malaysia and Indonesia, complemented by world-class manufacturing plants with robust capabilities.

While the past year was undoubtedly one of Pharmaniaga's most challenging financial years, we were able to brace through, thanks in part to our highly skilled and committed workforce, strong technical capabilities, as well as strategic partnerships.



AHMAD SHAHREDZUAN MOHD SHARIFF

Non-Independent Non-Executive Director / EXCO Chairman



ZULKIFLI JAFAR
Deputy Chief Executive Officer

MOHAMED IQBAL ABDUL RAHMAN
Chief Operating Officer

NORAI'NI MOHAMED ALI
Chief Financial Officer

EXECUTIVE COMMITTEE'S STATEMENT

OPERATIONAL OVERVIEW

Despite the challenges posed by the decline in revenue from the distribution of COVID-19 vaccines as well as the associated increase in expenses due to the opening of three additional warehouses, the Logistics and Distribution Division was able to achieve a commendable profit before tax (PBT) of RM24 million in 2022.

This accomplishment was the result of our strategic expansion efforts, which enabled us to explore new customer bases and untapped territories within our markets. By optimising our resources and leveraging our existing assets, we successfully capitalised on our strengths and met our targets while venturing into new sectors. This approach resulted in a resilient PBT performance in the face of challenging conditions.

Additionally, the private sector proved to be a highly profitable market for the Group in 2022, with sales increasing by 50% year-to-date as a result of increased marketing and sales efforts and the introduction of innovative new products.

We reported a loss before tax of RM549 million for the financial year under review, mainly due to the provision for slow-moving inventories of COVID-19 vaccines in adherence to the requirement of MFRS102 Inventories. This is mainly due the slow demand of the COVID-19 vaccine.

The Indonesia Division's PBT from ongoing operations increased to RM7.5 million, up from the RM0.1 million loss in the previous year. This was attributable to a number of factors, including, stock optimisation, aggressive collection efforts, and the digitisation of business processes.



We remained committed to our goal of making Pharmaniaga a household name as a global biopharmaceutical manufacturer



FUTURE-PROOFING PHARMANIAGA

Steady progress was made across the board for the Group's many strategic initiatives during the year.

In accordance with our strategy to establish Pharmaniaga as the key in integrated logistics and distribution, we achieved a number of successes in 2022. During the year, we received a letter of intent to continue providing medical supply logistics to the Ministry of Health (MOH) for the next ten years.

We remained committed to our goal of making Pharmaniaga a household name as a global biopharmaceutical manufacturer. During the year, we successfully completed the infrastructure works relating to our vaccine and insulin manufacturing facilities. Equipment installation is progressing well, based on the project milestones set. This expansion will help in producing vaccines and insulin domestically, which will further contribute to the country's ability to ensure the supply of essential and critical medications.

TALENT BUILDING

To fully capitalise on our most valuable asset—our people—we have implemented a range of initiatives to create a positive and technologically advanced work environment as well as nurture the inherent potential of our talent.

In the last year, Pharmaniaga has prioritised capacity building for niche industries, as evidenced by the establishment of the Pharmaniaga Group Centre of Excellence. We have undertaken a rigorous process of identifying critical positions within the pharmaceutical industry to ensure a robust and sustainable supply chain ecosystem.

The goal is to create a comprehensive succession planning system that will ensure operational continuity while mitigating risks associated with unexpected personnel changes. We have developed a competency dictionary for each division to ensure that development and training programmes are tailored to the specific standards and requirements of each position. With this, we are confident in our ability to maintain our position as a leading provider of high-quality healthcare services in Malaysia and beyond.

During the year, we also sped up learning and development with a well-organised, long-term curriculum and tailored training programmes that included practical experience with real-world situations. The ultimate goal is to develop a talented workforce capable of meeting the challenges of the dynamic pharmaceutical industry, and Pharmaniaga is fully committed to this goal.

EXECUTIVE COMMITTEE'S STATEMENT

OUTLOOK

We have confronted our Practice Note 17 (PN17) status head-on, and the steadfast support and understanding of our suppliers and financial institutions has been crucial to our operations. We are deeply grateful for their continued trust and support in us.

With their support, we have been able to weather the challenges we have faced and remain steadfast in our commitment to fulfilling our obligations towards both our Government and private sector clientele by delivering high-quality healthcare products and services. This has demonstrated our resilience and ability to adapt to changing circumstances, positioning us for continued success.

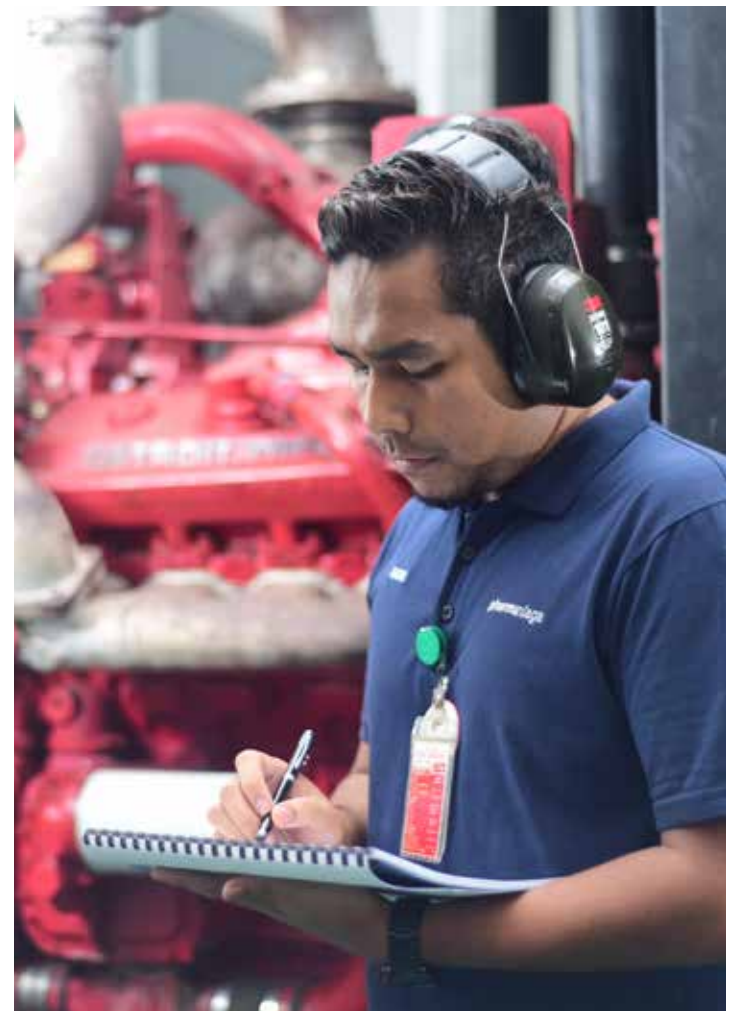
We are fully committed to sustaining our performance and improving our services in every way possible

Furthermore, the need to ensure that we are not classified as a PN17 company presents an opportunity for us to restructure our operations by realigning our business activities, strengthening our core competencies and optimising our resources.

In addition, we are working positively with MOH on the concession renewal, which is targeted to be awarded by the end of the interim period, 30 June 2023. The negotiations are being deliberated and are in the final stages. This recognition from the Ministry is a great honour, and we understand that with this renewal comes increased responsibility. We are fully committed to sustaining our performance and improving our services in every way possible.

Moving forward, we intend to maintain an aggressive strategy of enhancing operational efficiency, expanding our product line to increase our global footprint, and taking advantage of the increased capacity utilisation afforded by our contract manufacturing business.

From a business standpoint, we are making significant headway in achieving our goals of broadening our current portfolio and creating new revenue streams. Our biopharmaceutical plants for vaccines and insulin, which are currently in progress, are scheduled to take commercial batches by 2024 and 2025, respectively. The biopharmaceutical plants will also help Pharmaniaga establish itself as an established manufacturer of vaccines and insulin, while opening up new sales opportunities in Malaysia and globally.





Along with these developments, we have been pursuing strategic technical partnerships and expanding our market access to strengthen our competitive edge and drive growth. We are confident that these efforts, combined with our ongoing biopharmaceutical plants, will help to realign the Group for greater and more sustainable long-term success.

We are dedicated to reshaping the Group into a diversified pharmaceutical player that is not only reliant on the public sector. Our ongoing efforts to increase our sales to the private market have already yielded robust results and this is expected to continue in the coming years.

On top of that, we are optimistic about our plans to expand our footprint beyond Malaysia. We foresee strong growth opportunities for the Group in Indonesia, as our Indonesian operations are widening their presence in the pharmaceutical and over-the-counter products markets. In addition, we are expanding our physical footprint by establishing new branches outside the Jakarta Greater Area.

Looking ahead, we hold a positive outlook for the future and are eager to continue providing accessible, affordable, and top-quality healthcare services. Our commitment to delivering value to our stakeholders remains steadfast, and we will continue to work towards ensuring Pharmaniaga's position as a prominent healthcare company in Malaysia and beyond.

A handwritten signature in black ink, appearing to be 'A.S.' or similar initials, written in a cursive style.

Ahmad Shahredzuan Mohd Shariff
Non-Independent Non-Executive Director/ EXCO Chairman

CHIEF FINANCIAL OFFICER'S STATEMENT

Dear Shareholder,

As your Chief Financial Officer, I am writing to provide an overview of Pharmaniaga's financial performance for the financial year ended 31 December 2022.

Indeed, despite the impact of the pandemic on the business environment, Pharmaniaga was able to demonstrate resilience and achieve a revenue of RM3.5 billion. This reflects our ability to adapt to market conditions and identify new opportunities for growth.

However, we recorded a loss before tax of RM580.8 million, mainly due to the full provision of COVID-19 vaccines, and a goodwill write-down in our Indonesia manufacturing unit. As a result, the loss after tax amounted to RM605.1 million during the financial year ended 31 December 2022.

We would like to assure you that our adherence to best accounting practices, in line with the Malaysia Financial Reporting Standards is what led us to undertake an RM552 million provision for slow-moving inventories of COVID-19 vaccines. This provision inevitably triggered Pharmaniaga's classification under Practice Note 17 (PN17).

The provision of RM552.3 million for the COVID-19 vaccines was because of the low demand as the country was entering the endemic phase. While the impairment of RM50.3 million on the goodwill in Indonesia was due to the long gestation and uncertain business environment of the manufacturing operations in the country.

Norai'ni Mohamed Ali
Chief Financial Officer



REVENUE

RM3.5 BILLION

(2021: RM4.8 billion)



(LBITDA)/EBITDA

(RM505.3) MILLION

(2021: RM342.3 million)



TOTAL ASSETS

RM1.8 BILLION

(2021: RM2.3 billion)



CAPITAL EXPENDITURE

RM64.3 MILLION

(2021: RM26.6 million)



(LOSS)/PROFIT BEFORE
TAXATION AND ZAKAT

(RM580.8) MILLION

(2021: RM277.1 Million)

CHIEF FINANCIAL OFFICER'S STATEMENT

REVIEW OF INCOME STATEMENTS

Revenue

The lower demand for COVID-19 vaccines has contributed to the challenging market conditions of 2022. Even with the obstacles faced, Pharmaniaga's revenue in 2022 exceeded our pre-pandemic 2019 revenue of RM2.8 billion.

Operating Cost

For the year ended 31 December 2022, Pharmaniaga's operating expenses stood at RM314.7 million compared with RM323 million in 2021. We have redoubled our efforts and are actively implementing cost-cutting measures, which we expect to complete by the end of next year. We also intend to sharpen our focus on our core businesses.

Finance Cost

Finance costs for the year stood at RM40 million, up from RM33 million in the previous year. The increase in finance costs reflects the Group's higher borrowings during the year as we sought to optimise our liquidity position in response to the challenging market conditions caused by the provisions that we made. The Group remains committed to closely monitoring its financing arrangements and exploring opportunities to optimise its cost of finance going forward. The Group's finance costs were also impacted by the higher weighted average floating interest rate of 4.8% (2021: 3.6%) per annum.

Taxation

Our subsidiaries that turned in a profit for the year recorded a total taxation expense of RM24 million, a decrease from the previous year's RM81 million, in tandem with the higher profitability in the previous year. We are committed to optimising our tax position through effective tax planning and management.



REVIEW OF STATEMENTS OF FINANCIAL POSITION

Total Assets

The Group's total assets stood at RM1.8 billion. The Group is actively working towards strengthening its financial position through efficient debt management and strategic capital allocation.

Total Liabilities

Pharmaniaga's total liabilities increased to RM2 billion from RM1.8 billion the previous year. Additional borrowings for the year contributed to the increase in liabilities. In order to maintain a sustainable financial structure, we are doubling our efforts to effectively manage borrowings.

In tandem, the Group is actively working towards resolving this issue through negotiations with financiers, demonstrating our proactive approach in addressing financial obligations and our commitment to maintaining an improved financial position.



Total Equity

Total equity for the year came in at negative RM227 million. Reserves were reduced primarily as a result of the full impairment of slow-moving inventories of RM552 million. We have initiated remedial efforts via our regularisation plan. The plan is aimed at improving our shareholders equity with a view towards exiting from our current PN17 status.

REVIEW OF STATEMENTS OF CASH FLOW

Given the impact of higher inventories of the COVID-19 vaccines, we are burdened today with a deficit operating cashflow of RM62 million. In order to ensure that we are a going concern, the Group funded its operations and capital expenditures via short-term borrowings. We are working to improve our cash flow position, with a particular emphasis on ensuring that suppliers are paid on time. Towards this end, significant efforts are in place to resolve financing lines with financial institutions in order to improve the Group's cash flow position.

OUTLOOK

Looking ahead to 2023, we are optimistic that we will be able to achieve our regularisation efforts. This will not be an easy journey and will entail a review of how we conduct our businesses. We are confident in our abilities and we look to strengthen our financials through prudent debt management and strategic capital allocation.

Pharmaniaga understands the critical importance of timely payments to suppliers and ensuring uninterrupted access to medicine for patients. We are optimistic about our prospects in 2023 and will continue to work closely with our stakeholders to create a more consistent and predictable ecosystem that encourages stable operations.

Norai'ni Mohamed Ali
Chief Financial Officer

VALUE CREATION

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SECTION

03



OUR KEY RESOURCES

Our key resources comprise the six capitals that we leverage in order to create value. Each capital is important to our operations and all are interrelated. In managing these capitals, we therefore need to make strategic decisions to ensure optimal outcomes.



FINANCIAL CAPITAL

Our financial capital refers to the financial resources that we have available to us, which include shareholder funds, profits from our business activities, and borrowings as well as financing from credit suppliers. Our priority is to keep our balance sheet strong by managing our debts and cash flow as well as protecting shareholder value through strategic investments in research and development, digitalisation, and modernisation.

➔ MARKET CAPITALISATION

RM 714.06
million

➔ BORROWINGS

RM 1,158.9
million



MANUFACTURED CAPITAL

All of the physical assets that are indispensable to the running of our business are categorised under manufactured capital. Here we include our eight factories (six in Malaysia and two in Indonesia) and 38 distribution centres (33 in Indonesia and five in Malaysia). Our commitment to growth is reflected in our unwavering dedication to maintaining full compliance with all applicable industry standards through the implementation of continuous capacity and capability upgrades across all of our physical assets

➔ INVESTMENT IN EXPANSIONARY PROJECTS

Vaccine Project

RM 103.8
million

Insulin Project

RM 48.1
million



INTELLECTUAL CAPITAL

Pharmaniaga has amassed significant intellectual capital comprising our proprietary and licenced products, brands, dossiers, technologies, software, licences and standard operating procedures. New products are continually being developed at our in-house research and development facility. We have also partnered with global biotech organisations to share resources and benefit from technology transfer.

➔ **Strategic partnerships with renowned international pharmaceutical companies such as Sinovac, Serum Institute and Bionet**





HUMAN CAPITAL

Our greatest asset is our human capital. We presently employ 3,778 individuals spread across our operations in Malaysia and Indonesia, and we are dedicated to continue attracting and retaining the best talent through a combination of competitive compensation, comprehensive benefits and a positive work environment. Through consistent engagement and ongoing training and development, we help our employees realise their full potential and stay true to our Company's values and long-term goals.

→ **3,778**
Employees
 (99.7% are local)

→ **32**
Average training hours
 per employee



SOCIAL & RELATIONSHIP CAPITAL

The support of our stakeholders, comprising customers, suppliers, investors and local communities form our social and relationship capital. We prioritise strategic corporate and social initiatives aimed at fostering positive relationships with all of our stakeholder groups. For example, through the RoyalePharma Alliance and our Vendor Development Programme, we assist small and medium-sized enterprises (SMEs).

→ **RM 3.1**
million
 invested in Corporate
 Responsibility (inclusive
 of zakat)



NATURAL CAPITAL

In the course of our business, we utilise a variety of natural resources, including water and fuel, both directly and indirectly, by way of packaging material, raw products, and electricity. Given the scarcity of the world's natural resources, we must maximise their productive use. We also recognise the importance of doing our part to combat climate change by practising eco-friendly waste management and cutting down on our carbon footprint.

→ **Established the 1st**
climate-related risk
report by adopting
 the recommendations
 from the Task Force
 on Climate-related
 Financial Disclosures
 (TCFD)



OUR VALUE CREATING BUSINESS MODEL

Our business model enables us to manage our resources and relationships responsibly to deliver the best outcomes for our stakeholders.

OUR CAPITALS... > ... ENABLE VALUE-ADDING > ACTIVITIES THAT CREATE ...

INPUTS

- 
FINANCIAL CAPITAL
 - ▶ Shareholder's Equity: **(RM248.7 million)**
 - ▶ Borrowings: **RM1,158.9 million**
 - ▶ Net Asset Value: **(RM227.4 million)**

- 
MANUFACTURED CAPITAL
 - ▶ **8** Manufacturing plants
 - ▶ **6** Malaysia **2** Indonesia
 - ▶ **49** Logistics & Distribution sites
 - **15** Malaysia • **34** Indonesia
 - ▶ **2** Core IT Systems which are being modernised as part of our technology journey
 - ▶ Investment in Expansionary projects
 - Vaccine Project - **RM103.8 million**
 - Insulin Project - **RM48.1 mil**

- 
INTELLECTUAL CAPITAL
 - ▶ **2** R&D Centres
 - **1** Malaysia • **1** Indonesia
 - ▶ Over 300 Scientists

- 
HUMAN CAPITAL
 - ▶ Total Employees: **3,778** or **39.5% Female** or **60.5% Male**
 - ▶ Invested in Employee Training and Development: **RM2,239,235.43**

- 
SOCIAL & RELATIONSHIP CAPITAL
 - ▶ Continuous engagement with communities where we operate

- 
NATURAL CAPITAL
 - ▶ Total water withdrawal: **374.46 Megalitres**
 - ▶ Total electricity consumption: **37379.69 Mwh**
 - ▶ Total grey back carton use as packaging material: **222.36 tonnes**
 - ▶ **767.58 GJ** generated from solar energy

- STRATEGIC PILLARS**
- 
 Establishing the Premier Integrated Logistics & Distribution Dominance
 - 
 Research & Development in Healthcare for Sustainable Growth
 - 
 Develop Biopharmaceutical Capabilities
 - 
 Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing
 - 
 Strengthen Footprints in International Ventures via Focus Countries
 - 
 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
 - 
 Reinforce Human Capital through Capability Building for Superior Performance

- KEY MARKET TRENDS**
- ▶ **Global Healthcare Market**
 - ▶ **Rise of Biopharmaceuticals**
 - ▶ **Tapping into Indonesian Market**

- KEY RISKS**
- 
 Financial Risk
 - 
 Business Risk
 - 
 Environmental Sustainability Risk
 - 
 Legal and Regulatory Risk
 - 
 Cybersecurity Risk



MATERIAL MATTERS

<ul style="list-style-type: none"> 1 Business Continuity 2 Technology & Innovation 3 Customer Satisfaction 	<ul style="list-style-type: none"> 4 Sustainable Products & Services 5 Corporate Governance & Business Ethics 6 Environmental Compliance
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

← SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK... HIGHEST STANDARDS OF GOVERNANCE AND EFFECTIVE BOARD LEADERSHIP →

GUIDED BY...
OUR VISION & MISSION

UNDERPINNED BY...
OUR CORE VALUES

... VALUE FOR OUR STAKEHOLDERS.

OUTPUTS

PRODUCTS

Wide range and diversified basket of products spanning across therapeutic categories:

- Cardiovascular system
- Anti-Diabetic
- Biopharmaceuticals/ Vaccine
- Supplements
- Anti-Infectives
- Analgesics
- Anti-Diabetic/ Insulin
- Central Nervous System
- Anticoagulant
- Food

WASTE

Carbon emissions and the generation of waste are the inevitable consequences of the Group's operations, production and distribution. The following are the initiatives conducted throughout the year:

- 737.72 tonnes of non-hazardous waste recycled
- 7.75 tonnes of hazardous waste recycled into alternative raw material for cement industry
- 292.45 tonnes of hazardous waste directed to disposal

OUTCOMES



FINANCIAL CAPITAL

- ▶ Total Revenue: **RM3.5 billion** (2021: RM4.8 billion)
- ▶ (Loss)/ Profit Before Zakat & Taxation: **(RM580.8 million)** (2021: RM277.1 million)
- ▶ (Loss)/Profit After Tax: **(RM605.1 million)** (2021: RM172.2 million)



MANUFACTURED CAPITAL

- ▶ A diversified product portfolio of over 250 products in multiple dosage forms and therapeutic categories
- ▶ Providing high-quality, affordable medicines and products



INTELLECTUAL CAPITAL

- ▶ Registered **22 new products locally**
- ▶ Registered **16 new products internationally**
- ▶ Total number of approved export registration to **168 products spanning 13 countries**



HUMAN CAPITAL

- ▶ Number of employees trained **3,129** (2021: 2,239)
- ▶ Number of Certified Technical Skills Developed **138** (nos.) (2021: 21)
- ▶ Employee Happiness Index Response Rate: **92%**, **92%** of respondent rate with **84%** overall happy responses



SOCIAL & RELATIONSHIP CAPITAL

- ▶ Total corporate investment: **RM3.1 million** (inclusive of zakat contribution)



NATURAL CAPITAL

- ▶ GHG emissions reduction: **17.1%** against 2019 baseline
- ▶ Implemented energy saving initiatives resulting in **2,267.11 tCO₂e** of GHG emissions avoidance, enabling a cost savings of **RM1.3 million**
- ▶ Embarked on **Decarbonisation** programme
- ▶ **Established the 1st climate-related risk report** by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

STAKEHOLDERS



- 7** Resource Efficiency
- 8** Greenhouse Gas & Climate Change
- 9** Talent Management

- 10** Health & Safety
- 11** Supporting Local Businesses
- 12** Corporate Responsibility

STAKEHOLDER ENGAGEMENT

We acknowledge the diverse range of stakeholders affected by our operations and whose actions have an impact on us. The Group actively consider their needs and concerns to ensure that our strategies and decision-making align with their expectations. We believe that building and maintaining trust is essential for cultivating strong and positive relationships with our stakeholders. Hence, Pharmaniaga prioritises fostering an open and transparent dialogue in order to build and strengthen these relationships.



GOVERNMENT AGENCIES & REGULATORY AUTHORITIES

Why We Engage

It is essential for us to stay up-to-date with the latest regulations and policies that pertain to our business operations. At the same time, we prioritise maintaining positive relationships with regulatory authorities to ensure that all required processes run smoothly. Our engagement with regulatory bodies is particularly important during critical business processes including continuous monitoring, quality control and product registration.



Engagement Platforms and Frequency of Engagement

- Dialogue sessions
- Face-to-face and online meetings
- Correspondence through phone, emails, letters and fax
- On-site inspections
- Meetings and routine desk consultations
- Seminars and workshops organised by regulators

- M
- AWR
- D
- AWR
- Q
- AWR
- AWR

Key Concerns

- Timely access to affordable healthcare products
- Regulatory compliance
- Compliance with environmental standards
- Compliance with occupational safety and health standards
- Compliance with Anti-Bribery Act
- Compliance with Medical Device Act
- Best practices and policies

Response

- Sustainable Products & Services
- Corporate Governance & Business Ethics
- Environmental Compliance
- Resource Efficiency
- Greenhouse Gas & Climate Change
- Health & Safety

Frequency of Engagement:

- D Daily
- A Annually
- BA Bi Annually
- Q Quaterly
- W Weekly
- M Monthly
- S Seasonal
- BM Bi Monthly
- O Ongoing
- AWR As and When Required

 **EMPLOYEES**

Why We Engage

We recognise and appreciate the critical role that our employees play in our success. Therefore, we prioritise the safety and well-being of our employees by providing them with a supportive and conducive work environment.



Engagement Platforms and Frequency of Engagement **Key Concerns**

- Internal communications D
- Sales cycle meetings BA
- Physical and online meetings Q AWR
- Correspondence via phone, emails, WhatsApp and video conference AWR
- Selected onsite physical visit A AWR
- Engagement sessions AWR
 - Townhall sessions W
 - Assemblies A
 - National sales conference S
 - Religious and cultural activities BM
- Volunteer programmes

- Business environment volatility and uncertainty
- Business strategy
- Service quality
- Service responsibility
- Challenges in talent retention
- Employee welfare
- Competitive Salary and benefits
- Regulatory compliance
- Training and skills development
- Recruitment and selection

Response

- Business Continuity
- Environmental Compliance
- Talent Management
- Health & Safety

STAKEHOLDER ENGAGEMENT

CUSTOMERS

Why We Engage

We are dedicated to providing exceptional products and services that meet the evolving needs of our customers across the various locations of our operations. Through ongoing engagement, we are able to consistently deliver superior products and services, thereby retaining our existing customers and attracting new ones.



Engagement Platforms and Frequency of Engagement

- Routine meetings
- One-to-one sessions
- Customer care site visits
- Customer satisfaction survey
- Dialogue sessions

- M**
- Q**
- AWR**
- BA**
- M**

Key Concerns

- Product quality
- Service quality
- Product responsibility
- Regulatory compliance
- Customer complaints and grievances
- Halal-certified products
- Anti-Bribery Management System (ABMS)

Response

- Customer Satisfaction
- Sustainable Products & Services
- Supporting Local Businesses
- Corporate Responsibility

Frequency of Engagement:

- D** Daily
- A** Annualy
- BA** Bi Annually
- Q** Quaterly
- W** Weekly
- M** Monthly
- S** Seasonal
- BM** Bi Monthly
- O** Ongoing
- AWR** As and When Required



SUPPLY CHAIN PARTNERS

Why We Engage

To ensure the effectiveness of our supply chain, we place a high value on our relationships with suppliers and partners. We are able to provide a diverse range of products and services to our customers while also creating opportunities for our vendors through collaboration. In our interactions with suppliers and partners, we are committed to upholding sustainability principles throughout our value chain.



Engagement Platforms and Frequency of Engagement

- Business partnership review
- Trading term review
- Supplier agreement and performance evaluation
- Periodic meetings
- One-to-one sessions
- Reporting
- Site visits

- A
- A
- A
- M
- Q
- M
- A

Key Concerns

- Procurement practices and policies
- Business integrity
- Financial stability
- Environmental conservation and preservation
- Vendor performance

Response

- Business Continuity
- Corporate Governance & Business Ethics
- Environmental Compliance
- Supporting Local Businesses

STAKEHOLDER ENGAGEMENT



PROVIDERS OF FINANCIAL CAPITAL

Why We Engage

Engaging with our financiers and shareholders enables us to align our business practices with their needs and expectations, which is essential for driving long-term shareholder value. The ability to maintain an open dialogue with our stakeholders and understand their priorities allows us to make informed decisions that benefit both our business and stakeholders.



Engagement Platforms and Frequency of Engagement

- Annual General Meeting
- One-to-one sessions
- Analyst briefings

- A
- AWR
- Q

Key Concerns

- Business performance
- Economic contribution
- Regulatory compliance

Response

- Business Continuity
- Corporate Governance & Business Ethics
- Environmental Compliance
- Supporting Local Businesses



MEDIA

Why We Engage

The media plays a crucial role in delivering corporate news to all our stakeholders and in increasing visibility and public confidence in our brand. It is also a vital platform for addressing perception issues. To ensure transparency, dialogue, and accountability in all of our dealings, we maintain strong relationships with a wide range of media outlets.



Engagement Platforms and Frequency of Engagement

- Media briefing on financial results
- Media interviews
- News releases
- Media events
- Advertisements
- Product placements

- Q
- AWR
- AWR
- AWR
- AWR
- AWR

Key Concerns

- Financial performance
- Product accessibility and availability
- Economic contribution
- Business development

Response

- Business Continuity
- Sustainable Products & Services

Frequency of Engagement:

- D Daily
- A Annually
- BA Bi Annually
- Q Quaterly
- W Weekly
- M Monthly
- S Seasonal
- BM Bi Monthly
- O Ongoing
- AWR As and When Required

 **COMMUNITIES**

Why We Engage

Local communities are integral to our business and form part of our customer base. We actively engage with them to foster a healthy relationship while working together to ensure a socially and environmentally equitable business.



Engagement Platforms and Frequency of Engagement

- One-to-one sessions
- Meetings with representatives of local communities
- Health awareness programmes
- Charitable contributions
- Professional bodies and associations

- 
- 
- 
- 
- 

Key Concerns

- Community service
- Job creation
- Environmental conservation and preservation
- Corporate responsibility
- Corporate development

Response

- Environmental Compliance
- Talent Management
- Corporate Responsibility

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC REVIEW

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SECTION

04



STRATEGIC REVIEW

KEY MARKET TRENDS

A number of global trends influence the pharmaceutical industry and our business decisions. We understand those trends and our strategy positions us well to navigate them. Our high-quality portfolio of assets, relentless approach to innovation and talented people – combined with our business decisions aligned to our Purpose – set us up to take advantage of commercial and other opportunities, thereby unlocking our full potential for sustainable value creation.



GLOBAL HEALTHCARE MARKET

At a compound annual growth rate (CAGR) of about 7.7%, the pharmaceutical industry is projected to expand from USD1.45 trillion in 2022 to USD2.24 trillion in 2027. More people are living with chronic illnesses, and the average age of the population is rising, which is propelling the market forward. As the cost of healthcare continues to be a major concern, the healthcare industry is expected to embrace generics. North America accounts for 46% of the global pharmaceutical market, while Asia Pacific is the second largest region, accounting for 26%.



[Link To: Strategy • Capitals • Material Matters](#)



Potential Impact

Diabetes and cancer are just two examples of the chronic diseases that are expected to account for 30% of the industry's projected growth. Furthermore, an ageing population with several constraints creates an opportunity for the generic medicine market.

How We Responded

As businesses compete on price and speed to market, increased manufacturing efficiency will become an important driver of growth in the future. To capitalise on this, Pharmaniaga intends to launch a cost-cutting initiative for its Manufacturing and Logistics & Distribution Divisions as part of its long-term business strategy.

Outlook

Southeast Asia's pharmaceutical industry is anticipated to expand by 5 to 13% annually until 2025. At 13%, Malaysia is projected to have the highest growth rate, with Singapore coming in second at 11%, followed by the Philippines at 9%, Indonesia and Thailand at 5%, and Vietnam at 5% rounding out the top five.



RISE OF BIOPHARMACEUTICALS

In 2022, the private sector in Malaysia accounted for 69% of the total expenditure on pharmaceuticals, which marks a 20% increase from 2021. In contrast, the public sector accounted for 31% and experienced a 2% growth. As Pharmaniaga currently holds a market share of 26% in the public sector and 1% in the private sector, a shift towards a marketing-led business model is essential. The Malaysian market is still dominated by branded products, accounting for more than 50%, surpassing the biologics and generics markets. This indicates that the generics market in Malaysia has significant growth potential.



Link To: [Strategy](#) • [Capitals](#) • [Material Matters](#)



Potential Impact

There is unrealised potential in the pharmaceutical industry due to the dominance of foreign players and the fact that local manufacturers produce generics while importing innovator and biologics products.

How We Responded

In 2022, Pharmaniaga successfully registered 28 products, among which 12 were in-house products. Some of the key products registered include Roxatin (Rosuvastatin), Xynoz (Desloratadine) and SKYVaricella / SKYZoster (Varicella-Zoster Vaccine). These new products are expected to strengthen Pharmaniaga's position within the local market.

Aside from that, we intend to increase our presence, particularly in private and international markets. Consequently, Pharmaniaga is focused on becoming a marketing-driven company underpinned by a solid scientific foundation. Additionally, in line with our focus on enhancing our biopharmaceutical capabilities, we continue to monitor the biopharmaceutical market.

Outlook

Biologics is anticipated to experience the highest growth going forward, with a CAGR of 7.3% up until 2027.

STRATEGIC REVIEW

KEY MARKET TRENDS



TAPPING THE INDONESIAN MARKET

The size of the pharmaceutical market in Indonesia is approximately RM38 billion, which is approximately four times larger than the size of the market in Malaysia. This is largely attributable to the country's large population of 270 million people, as well as its distribution of approximately three million retail outlets across the country. Pharmaniaga's subsidiary PT Errita has a 0.11% share of the Indonesian pharmaceutical manufacturing market.



Link To: [Strategy](#) • [Capitals](#) • [Material Matters](#)



Potential Impact

There are more than 220 pharmaceutical companies in Indonesia, making for a fiercely competitive and difficult market.

How We Responded

In 2022, we made a critical investment to improve our logistics operations by upgrading our IT systems. This upgrade enables us to manage our Enterprise Resource Planning (ERP) system in a more strategic and systematic manner. In addition, we utilised our extensive coverage across 33 branches to aggressively pursue new principals as part of our logistics expansion plan. With this strategy, we anticipate continued growth in our logistics business in Indonesia in the coming years.

Over the next five years, Pharmaniaga will work on reimagining and remodeling our Indonesian operations by, among other things, increasing synergy between PT MPI and PT Errita, repositioning its products and services in the Indonesian market, strengthening marketing efforts and improving infrastructure.

Outlook

The environment for manufacturers in Indonesia is one that is, on the whole, relatively challenging. In terms of total market value, the solid form has the highest market value, followed by Small Volume Injectable (SVI) and Non-Cephalosporin products. PT Errita will continue to assess the viability of establishing itself in the SVI segment, where there is less intense competition.

STRATEGIC REVIEW

MATERIAL SUSTAINABILITY MATTERS

It is our corporate responsibility to identify our key material sustainability issues from the economic, environmental, social and governance (EESG) pillars to mitigate and reduce the negative impacts of our operations. Determining the impacts of our material sustainability matters is crucial as they significantly influence the assessments and decisions of our stakeholders. As such, Pharmaniaga conducts a thorough materiality assessment with key internal and external stakeholder groups as and when necessary to identify the material sustainability matters that can significantly impact our Company and stakeholders. This has enabled us to understand our risks and opportunities, forecast the challenges ahead and align our strategies and actions plans with current sustainability landscape to remain relevant.

MATERIALITY ASSESSMENT PROCESS

In our sustainability journey, it is pertinent for us to keep up with the rapidly evolving business landscape, regulatory rules and sustainability trends and risks to remain relevant. We conducted in-depth materiality assessment in the year under review through an online survey involving all stakeholder groups and a focus group discussion were conducted. Through this exercise, we prioritised the material matters by identifying the risks and opportunities that will impact our business and our stakeholders. The internal review was done using guidelines from Bursa Malaysia’s Sustainability Reporting Guide and Toolkits and the GRI Standards. The process consisted of three steps:



IDENTIFICATION

The 21 material sustainability matters identified in 2021 were reviewed for their relevance to the current sustainability risks and opportunities. The process included benchmarking the material matters against local and regional industry peers and taking into consideration the sustainability development within the industry. Feedback and insights from internal and external stakeholders were also included. Additionally, the material issues were determined based on key sustainability matters from various reporting frameworks and EESG indices. They included Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition), GRI Standards, FTSE4Good Bursa Malaysia ESG indicators and Dow Jones Sustainability Indices (DJSI).



PRIORITISATION

The material issues were prioritised after the SWG reassessed the significance and the impact of the matters to the business and stakeholders.



VALIDATION

The findings from the assessment process were plotted on a materiality matrix and deliberated on and validated by the SMC before they were presented to the Board for endorsement.

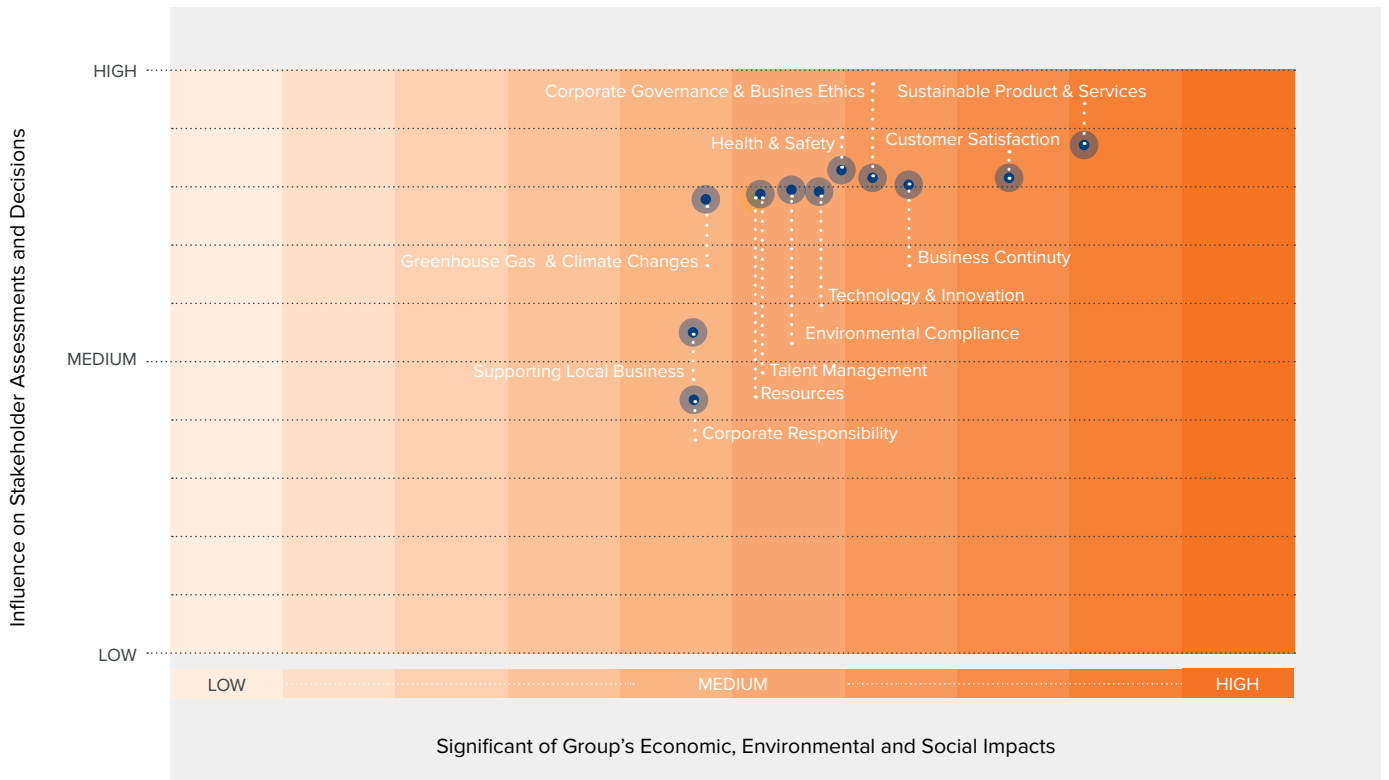


STRATEGIC REVIEW

MATERIAL SUSTAINABILITY MATTERS

MATERIALITY MATRIX

Following the internal review in 2022, we consolidated the 21 material matters into 12 sustainability issues to align with our key focus areas. The significance of the sustainability material matters to our business and our stakeholders is shown in the following materiality matrix:



The 12 material matters were aligned against our 12 key focus areas to provide a clearer focus and better management of our sustainability issues.



STRATEGIC REVIEW MATERIAL SUSTAINABILITY MATTERS

SUSTAINABILITY GOALS AND KEY FOCUS AREAS



We manage our material sustainability matters by benchmarking our progress and achievements against our Sustainability Goals and Key Focus Areas that were established in 2019. We refer to sustainability standards and indicators from EESG indices such as the GRI Standards and FTSE4Good whenever necessary to meet our sustainability goals.

The Sustainability Goals and Key Focus Areas were developed through a thorough process before they were approved by the Board Sustainability Committee and the Board of Directors. These goals are aligned with the vision of our parent company, Boustead Holdings Berhad, which set the sustainability targets. To ensure alignment, we adopted Boustead’s high-level targets and incorporated them into our business operations.

Our robust sustainability governance structure ensures that we are on the right track in achieving our sustainability targets. The Sustainability (ESG) Department is responsible for ensuring the implementation of our key sustainability initiatives while the SWC and the SMC monitor and review our sustainability performance and report to the Management every regularly.



MAPPING OUR MATERIAL MATTERS

Pharmaniaga adopts the materiality mapping approach to identify, prioritise and manage issues that are vital to us and our stakeholders. We have mapped our material sustainability matters for 2022 to relevant stakeholder groups and our Sustainability Goals. The table below also shows how each material matter is linked to the relevant key strategic risks.

In quarter one, we aligned the sustainability matters process with our risk assessment through an impact assessment process to facilitate harmonising sustainability matters with our business risks. We also integrated the environmental sustainability risks into the Company's Enterprise Risk Management to better manage our impact on the environment.

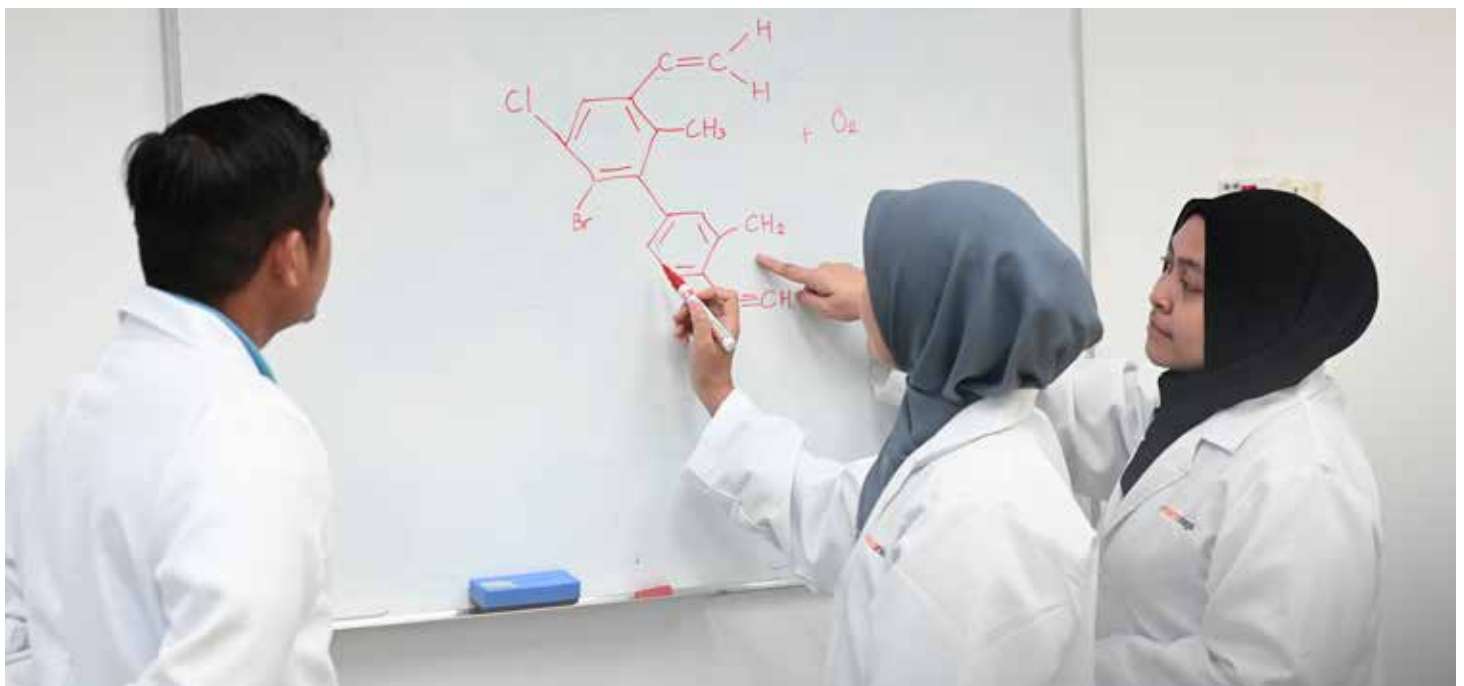
Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns							How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities		
Business Continuity	Ensuring business continuity throughout all challenging and unprecedented conditions to ensure continued value creation and resilient financial growth	●	●	●	●	●	●	●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	<ul style="list-style-type: none"> • Business Risk • Financial Risk • Legal and Regulatory Risk
Technology & Innovation	Investing in technology and innovation to keep up with the evolving needs of the healthcare industry and the community at large to ensure we remain relevant	●	●			●		●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	<ul style="list-style-type: none"> • Financial Risk • Legal and Regulatory risk
Customer Satisfaction	Maintaining trust and strong relationships with customers through ensuring accuracy and truthfulness of information of products and services, and advocating for a sustainable supply chain to minimise adverse environmental and social impacts and meet the current demand for sustainably sourced products	●	●			●	●	●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	<ul style="list-style-type: none"> • Legal and Regulatory Risk • Business Risk
Sustainable Products & Services	Providing affordable quality medicines and medical devices to ensure accessibility of pharmaceutical products and meet the needs of all communities, including the Muslim community	●	●					●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	<ul style="list-style-type: none"> • Business Risk • Legal and Regulatory Risk • Financial Risk

STRATEGIC REVIEW

MATERIAL SUSTAINABILITY MATTERS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media		
Corporate Governance & Business Ethics	Upholding high standards of integrity and demonstrating our corporate values and principles, including protecting data privacy, to maintain the trust with stakeholders such as customers, suppliers, business partners and regulators	●	●	●	●			GOAL 2: Acting with Integrity	<ul style="list-style-type: none"> • Financial Risk • Legal and Regulatory Risk • Cybersecurity Risk
Environmental Compliance	Operating in a responsible and sustainable manner to minimise the negative environmental impacts of our operations and maintain our license to operate	●		●			●	GOAL 3: Achieving Operational Eco-Efficiency	<ul style="list-style-type: none"> • Environmental Sustainability Risk • Legal and Regulatory Risk
Resources Efficiency	Consuming resources responsibly by minimising waste, ensuring efficient waste management and complying with the necessary rules and regulations to mitigate environmental pollution	●		●			●	GOAL 3: Achieving Operational Eco-Efficiency	<ul style="list-style-type: none"> • Environmental Sustainability Risk • Legal and Regulatory Risk
Greenhouse Gas & Climate Change	Minimising greenhouse gas emissions across our operations to address climate change and future-proof our business through our decarbonisation programme to develop climate resilience	●		●			●	GOAL 3: Achieving Operational Eco-Efficiency	<ul style="list-style-type: none"> • Environmental Sustainability Risk • Legal and Regulatory Risk
Talent Management	Upholding employee rights and human rights in compliance with labour laws, investing in employees' learning and development, promoting equal opportunities to shape future leadership and preventing discriminatory practices to meet the needs of our people and retain the best talent to continue to deliver excellence and grow sustainably	●		●			●	GOAL 4: Creating a Sustainable and High-Performance Workforce	<ul style="list-style-type: none"> • Business Risk • Legal and Regulatory Risk

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns						How We Manage the Matter	Key Risks Addressed	
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media			Communities
Occupational Health and Safety	Keeping our people and contractors safe at the workplace to keep up the morale of our workers and maintain our license to operate	●		●				GOAL 4: Creating a Sustainable and High-Performance Workforce	<ul style="list-style-type: none"> • Legal and Regulatory Risk • Business Risk 	
Supporting Local Businesses	Providing business opportunities to local suppliers and vendors to contribute to local economic growth				●	●	●	GOAL 5: Building a Better Society	<ul style="list-style-type: none"> • Business Risk 	
Corporate Responsibility	Engaging with the local communities in which we operate to empower the vulnerable and the underserved to meet their needs and contribute to the development of an equitable future for all						●	●	GOAL 5: Building a Better Society	<ul style="list-style-type: none"> • Business Risk

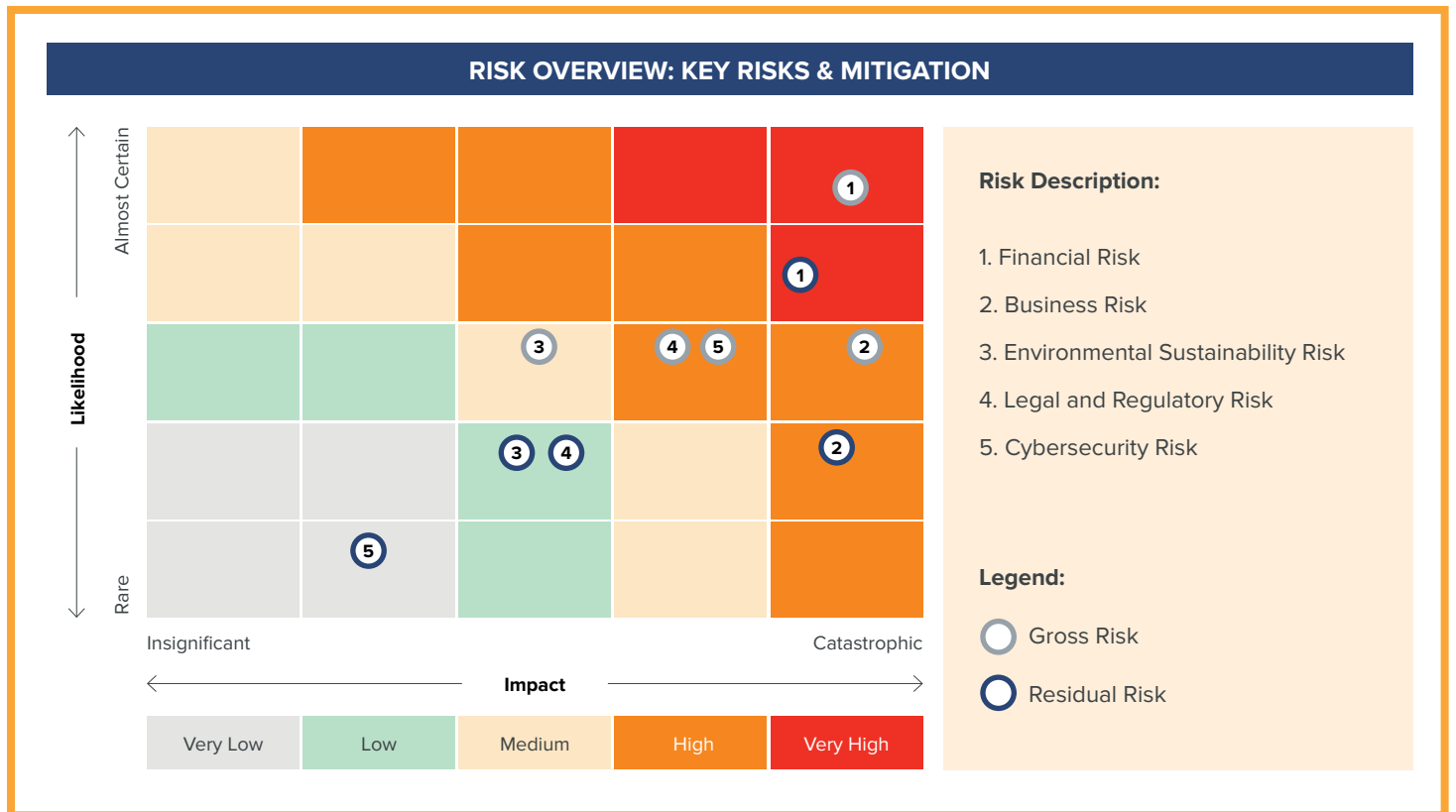


RISK OVERVIEW

KEY RISKS AND THEIR MITIGATION

INTRODUCTION

We recognise that our operations necessarily carry various elements of risk. However, by identifying and monitoring our risks, we are dedicated to managing them and mitigating their potential impact on our business. We have a Risk Department to ensure our risks are maintained within acceptable levels as determined by our risk appetite. Utmost priority is given to prevent risks from detracting from our business goals, and to ensure our ability to continue to create sustainable value for our stakeholders.



→ FINANCIAL RISK

RISK DESCRIPTION

Financial risk pertains to the possibility of incurring monetary losses mainly attributed to credit and liquidity management.

POTENTIAL IMPACT

- Inappropriate management of financial risk may materially affect the financial position and business operations.
- Difficulty in obtaining funding, mainly due to PN17 status.

MITIGATION

- Continuous monitoring of cash flow position to meet financial obligations.
- Negotiate with bankers to secure funding and financing.
- Undertake cost control and cost-cutting measures.
- Negotiate with suppliers on payment terms.
- Implement stock optimisation to reduce handling costs.

RISK TRENDS AND IMPACT

The increasing trend is in tandem with the PN17 status.

RESULTS OF MITIGATION ACTIONS

- To uplift PN17 status.
- Business continuity.

► IMPACTING

- Capital • Material Matters • Stakeholders

→ BUSINESS RISK

RISK DESCRIPTION

A number of risks may potentially impact the development and execution of our business strategies, which include the increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policies and availability of supplies.

POTENTIAL IMPACT

Failure to successfully execute business strategies is likely to impact the Group's financial performance, increase pressure on our margins, and disrupt financial stability as well as sustainability.

MITIGATION

- Continuously reshape our product portfolio to achieve appropriately balanced and diversified offerings, focusing on niche products (biopharmaceuticals) based on demand analysis.
- Creation of long-term strategic value through the achievement of Key Performance Indicators to meet customers' business requirements.
- Establishment of mutually beneficial collaborations with strategic partners for new business segments and growth.
- Leverage business analytics for commercial strategy enhancement.

RISK TRENDS AND IMPACT

The challenging business environment, namely from geopolitical and economic perspectives, did not affect the execution of business strategies due to the close monitoring of product/project progress as well as business results.

RESULTS OF MITIGATION ACTIONS

- Product and project developments are monitored rigorously through various committees for better solutions and more informed decisions.
- Consistently maintain good customer confidence by meeting their business requirements.
- Inked several Memorandums of Understanding (MOU) and Memorandums of Collaboration (MOC) with international strategic partners.

► IMPACTING

- Capital • Material Matters • Strategy • Stakeholders

RISK OVERVIEW

KEY RISKS AND THEIR MITIGATION



ENVIRONMENTAL SUSTAINABILITY RISK

RISK DESCRIPTION

Regulators, investors and other stakeholders increasingly expect the Company to reduce and mitigate the environmental impact across our value chain.

POTENTIAL IMPACT

- Water shortage may disrupt our operations and supply chain.
- Environmental damage (air/water pollution, soil contamination and hazardous gas emissions).
- Reprimand, imposition of penalty, or license suspension by regulators/authorities.
- Financial loss from higher operating expenditure due to the inability to manage efficient consumption of utilities.
- Loss of reputation.

MITIGATION

- Enforced the Safety, Health and Environmental Policy and adhered to local environmental rules and regulations while maintaining ISO 14001:2015 Environmental Management Systems certification throughout our subsidiaries.
- Installation of air pollution control systems such as dust collectors, scrubbers and chimneys to ensure emissions from our manufacturing plants are within permissible limits.
- Minimise Greenhouse Gas (GHG) emissions through energy-saving initiatives such as:
 - ◆ Implementation of energy management and building management systems.
 - ◆ LED retrofits in our offices and warehouses.
 - ◆ Replacing existing equipment with energy-efficient equipment.
 - ◆ Standardising temperature of air-conditioning units and chiller systems.
 - ◆ Usage of solar panels.
- Record and monitor buildings' energy consumption, GHG emissions, water consumption, and waste & effluent management.
- Daily inspection of main systems and maintaining a power log to monitor the energy efficiency of our systems and equipment.
- Established a Sustainability Roadmap (2016 - 2030) to provide strategic direction, decision-making and management of sustainability in our daily operations in support of our long-term vision of creating a sustainable future.
- Continuous education and awareness initiatives for employees and other stakeholders on the importance of environmental stewardship.

RISK TRENDS AND IMPACT

Growing demand to increase Environment, Social and Governance (ESG) initiatives.

RESULTS OF MITIGATION ACTIONS

- Maintained our four-star rating in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index
- 17.1% reduction in total GHG emissions across operations against the 2019 baseline.
- Achieved energy savings of 767.48 GJ and avoided 137.10 tCO₂e of GHG emissions from the utilisation of renewable energy.

► IMPACTING

- Capital • Material Matters • Stakeholders



LEGAL AND REGULATORY RISK

RISK DESCRIPTION

Pharmaniaga is subject to extensive, complex, costly and evolving rules and regulations governing the business and operation of manufacturing, labelling, marketing, warehousing, transporting, sale and approval of pharmaceutical products.

POTENTIAL IMPACT

- Any regulatory breaches may adversely impact our reputation and operations and could lead to product liability claims, penalties or other non-monetary remedies.
- Poor ethical behaviour or failure to subscribe to our Code of Ethics & Conduct could potentially result in the loss of trust by stakeholders.
- Reputational damage.

MITIGATION

- Operational and technical teams across multiple disciplines work closely to ensure compliance with industry and regulatory standards through continuous monitoring, a rigid approach to quality control and assurance, and a prudent approach to business.
- Monitor and renew relevant licenses/permits in a timely manner.
- Establish and regularly update relevant policies and procedures.
- Periodical site inspection by accredited regulatory bodies.
- Continuous monitoring and review by Regulatory Compliance, Quality and Safety Systems, and Internal Audit to ensure all regulatory requirements are met. Continuous awareness, training and a 'Do It Right Always' campaign to heighten employees' awareness and enhance their competency to ensure regulatory compliance.

RISK TRENDS AND IMPACT

The risk trend remains unchanged. The status of risk factors, events or occurrences is mainly the same.

RESULTS OF MITIGATION ACTIONS

No major findings and non-compliance issues in 2022 due to ongoing internal review and external audit from various parties.

► IMPACTING

- Capital • Stakeholders

RISK OVERVIEW

KEY RISKS AND THEIR MITIGATION



CYBERSECURITY RISK

RISK DESCRIPTION

The more we adopt digital technologies to remain relevant and competitive, the greater our exposure to cybercrime.

POTENTIAL IMPACT

- Disruption of business operations.
- Breach of data security, intellectual property and confidential information.
- Loss of sensitive information and critical business intelligence.
- Increase in operational and maintenance costs.
- Reprimand, penalty or sanction by regulators /authorities.
- Loss of reputation.

MITIGATION

- Compliance with the ISO/IEC 27001:2013 Information Security Management Systems (ISMS) standard.
- Secure critical systems and processes via continuous monitoring and deployment of various controls and strategies to protect our Company from cyber threats.
- Periodically conduct the Vulnerability Assessment and Network Penetration Test (VANPT).
- Conduct training and awareness initiatives for all employees so they understand and recognise cyber threats and build a cybersecurity mindset.

RISK TRENDS AND IMPACT

Digital technologies continue to revolutionise the way companies conduct business. Keeping pace with the speed of digital transformation is imperative for the Group's future. The Group shall remain steadfast with effective controls to mitigate major business disruptions deriving from cybersecurity.

RESULTS OF MITIGATION ACTIONS

- Successfully conducted the VANPT exercise with no major findings.
- Successfully conducted Disaster Recovery Plan (DRP) testing exercise on critical business functions with no major findings.
- No major cyber threat incidents throughout 2022.

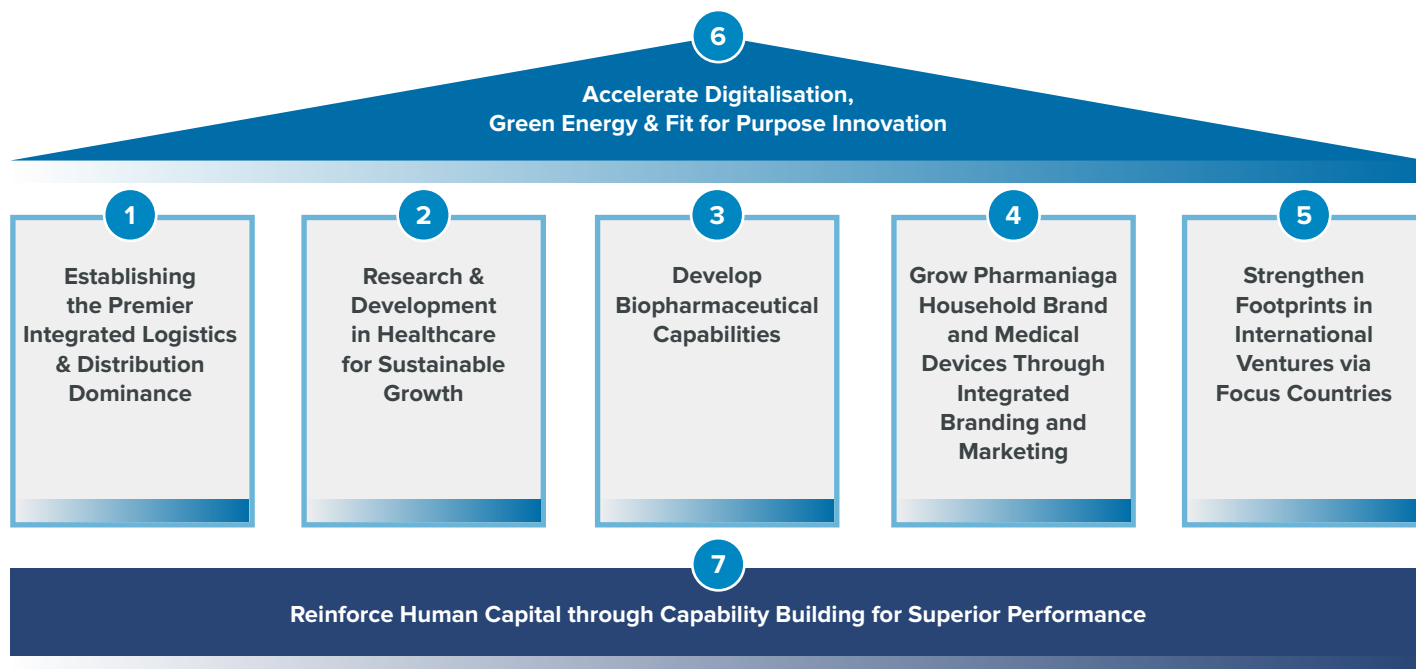
► IMPACTING

- Capital • Material Matters • Strategy • Stakeholders

STRATEGIC PILLARS

7 FOCUS STRATEGIES

ENSURING SUSTAINABLE GROWTH



Key Themes

National Security	Security of Supply	Halal	Environmental, Social & Governance Values
<ul style="list-style-type: none"> • Development of new infrastructures to reduce dependence on imports • Focus on local skills and capability building 	<ul style="list-style-type: none"> • Custodian of drugs and consumables national stockpile • Relief healthcare providers to focus on patient care service with consistent drug/ consumable supplies based on Just in Time (JIT) Delivery • Warehouses at strategic locations in Peninsular Malaysia, Sabah and Sarawak 	<ul style="list-style-type: none"> • Demand for Halal market continues to grow internationally • Offers niche value proposition • Malaysia's Halal certification recognised worldwide 	<ul style="list-style-type: none"> • Acting with Integrity • Delivering sustainable value and future-proofing the business • Achieving operational eco-efficiency • Creating a sustainable and high performance workforce • Building a better society

STRATEGIC PILLARS

7 FOCUS STRATEGIES

1 Establishing the Premier Integrated Logistics & Distribution Dominance

1 Logistics & Distribution Concession

- ➔ Maintain and safeguard the concession business by capitalising on the Company's 27-year track record of excellence in logistics and distribution.

2 Pharmaceutical Logistics & Distribution Company of Choice

- ➔ Extensive distribution network throughout Malaysia and Indonesia
- ➔ Leveraging our experience and expertise.

3 Expand into Fast-Moving Consumer Goods

- ➔ Diversify into fast-moving consumer goods (FMCG) as a new revenue stream that complements the organisation's current capabilities Sector penetration through potential acquisition.

2 Research & Development in Healthcare for Sustainable Growth

1 10-Year Rolling Ethical Products Development Plan

- ➔ Prioritise the commercialisation of high-value complex molecules to meet demand driven by ethical and OTC products coming off-patent over the next 10 years

2 Growth in OTC and Supplement Market

- ➔ Expand current Vitamin C range with new formats, and launch products in vitality and gastro health categories.

3 Expansion into Nutraceuticals

- ➔ Increase the number of nutraceutical products in the market as natural alternatives through strong internal scientific research capabilities.

3 Develop Biopharmaceutical Capabilities

1 COVID-19 Vaccine

- ➔ Continue to supply COVID-19 vaccines with existing capability and capacity

2 Halal Vaccine Facility

- ➔ Leverage expertise gained from retrofitting small injectable volume (SVI) plant to accelerate the development of Halal Vaccine Facility.

3 Halal Insulin Facility

- ➔ Further develop Pharmaniaga's existing strength in diabetic drugs to manufacture Halal insulin.

4 Expansion into Traditional and Complementary Medicine

- ➔ Develop into this increasingly high-demand market in collaboration with established players.

4 Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing

1 Healthy Lifestyle Products

- ➔ Develop high-sales products such as Citrex Vitamin C, Actimol, Baraka Habbatus Sauda and Perozin into household brands through more aggressive advertising and marketing.

2 Consumables Market

- ➔ Work with original equipment manufacturers (OEMs) to further expand portfolio of consumable products such as hand sanitisers, gloves and masks for the domestic and export markets.

3 Biomedical and Medical Devices

- ➔ Expand network of reputable principals to offer an enhanced range of products to meet the needs of hospitals as well as the retail market.
- ➔ Maintain hospital equipping business as one of the growth segments.

5 Strengthen Footprints in International Ventures via Focus Countries

1 Growing Indonesia Portfolio

- ➔ Maintain and safeguard the concession business by capitalising on the Company's 27-year track record of excellence in logistics and distribution.

2 Focus on Neighbouring Countries in South East Asia

- ➔ Extensive distribution network throughout Malaysia and Indonesia
- ➔ Leveraging our experience and expertise.

3 Venture into European and MENA Markets

- ➔ Leverage Malaysia's high standard of PIC/S and GMP, and Halal status to penetrate into more international markets.
- ➔ Attain relevant European Union (EU) and Gulf Cooperation Countries (GCC) certifications to meet local regulatory criteria.

6 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

1 Digitalisation Critical for Business Continuity

- ➔ Extend proven digitalised supply chain currently serving Government facilities to private healthcare providers and pharmacies to enhance the end-to-end process from ordering to delivery

2 Automated Warehouses

- ➔ Invest significant capital expenditure on automation of warehouses nationwide over a period of five years.

3 Green Energy Vehicles

- ➔ Support the Government's low-carbon and electric mobility agendas by replacing current fleet of transport vehicles with green-energy trucks and motorbikes within the next three years.

7 Reinforce Human Capital through Capability Building for Superior Performance

1 Development of International Expertise

- ➔ Engage with internationally renowned experts to develop Scientific Advisory Group to advise on best practices and build access to international markets

2 Build Culture of Excellence

- ➔ Focus on continuous training and development of employees for skills relevant to new market trends whilst reinforcing culture of integrity.

3 Establish Succession Planning

- ➔ Ensure continuity of business plans and strategies by developing and maintaining strong and steady pipeline of talent to feed into critical roles .
- ➔ Review existing succession plan periodically to remain relevant to current needs.

4 Local-First Policy

- ➔ Hire and develop local talent of which 99.6% are local employees.

BUSINESS REVIEW



MANUFACTURING



World-class Halal compliant manufacturing facilities



WHAT WE DO

Pharmaniaga's Manufacturing Division is a crucial aspect of the company's operations, as it is responsible for producing a wide range of products that are distributed to our customers. We are committed to producing high-quality generic pharmaceutical products in compliance with all regulatory and statutory requirements, with a strong emphasis on manufacturing excellence. This ensures that the products manufactured are consistent while maintaining reproducible product quality.

Apart from conventional generics, the Division has optimised processes for newer segments and therapeutic areas such as nutraceuticals, supplements, vaccines, insulins and complex biologics.

Pharmaniaga's manufacturing activities are in full alignment with the Group's strategies for sustainable growth. The manufacturing centre has also established itself as the centre of manufacturing excellence.

BUSINESS ENVIRONMENT

As COVID-19 restrictions eased, the pharmaceutical sector saw a steady recovery throughout the year, resulting in increased demand for prescription drugs, while demand for over-the-counter (OTC) medicines stabilised. The number of patients visiting clinics and hospitals also increased, particularly among tourists, following the reopening of international borders. Under research and development, there was a strong focus on developing bio-pharmaceutical products, including vaccines, insulins, enoxaparin, and monoclonal antibodies. For pharmaceuticals, the emphasis has been on developing and registering products in major therapeutic areas, such as cardiovascular, central nervous system, anti-infective, anti-diabetic, pain management, and gastrointestinal drugs.

BUSINESS PERFORMANCE REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
<p>Boosting business growth</p>	<ul style="list-style-type: none"> • Becoming a global biopharmaceutical manufacturer • Global market expansion • Registration of new products 	<ul style="list-style-type: none"> • Expanded vaccine and insulin manufacturing facility • UAE manufacturing site registration • Obtained 12 new pharmaceutical products registration
<p>Strengthening profitability</p>	<ul style="list-style-type: none"> • Increased capacity to support private and OTC market growth • Reduced cost of goods sold • Achieved competitive pricing 	<ul style="list-style-type: none"> • Increased oral solid filling line capacity by upgrading tablet manufacturing • New sachet filling machine installation • Multi-tip punches compression for oral solids implemented to increase manufacturing capacity • Powder filling line upgraded to enhance capacity • Filling machine installation and commissioning • Reduced batch changeovers, process cycle time, testing, and waste by optimising product batch sizes • Reduced cost for active pharmaceutical ingredients and packaging materials
<p>Building trust</p>	<ul style="list-style-type: none"> • Robust supply chain for market consistency • Maintain high product quality standards 	<ul style="list-style-type: none"> • Business intelligence (BI)-based real-time manufacturing and delivery performance visualisation • Demand forecasting is improved by data analytics and lean tools • Demand-based strategic inventory management • Maintained multiple Good Manufacturing Practices Certification • ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) certification for all manufacturing sites

BUSINESS REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
<p>Engaging appropriate partners in getting the required antigens for in-house vaccine development programme</p>	<ul style="list-style-type: none"> Collaborated with recognised, reliable and globally-accepted vaccine manufacturers as development and testing partners 	<ul style="list-style-type: none"> Signed off on a business agreement with selected partners; development work is in progress
<p>Finding key talent in biopharmaceutical product development area</p>	<ul style="list-style-type: none"> Hired experienced personnel with vast knowledge in vaccine development and clinical research Established Scientific Advisory Group (SAG) with global scientific and technology experts 	<ul style="list-style-type: none"> Shaped a strategic direction along with diversified product portfolio for vaccine development Strategic opinion for vaccine deliverables was provided by SAG
<p>High dependence on external contract research organisation's (CRO) or bio-equivalence (BE) centre for bio-equivalence studies for pharmaceutical products</p>	<ul style="list-style-type: none"> Explored development of local capabilities to conduct bio-equivalence studies Strategically aligned with several BE centres in Thailand to conduct BE studies and expand the Thailand market 	<ul style="list-style-type: none"> Identified one BE centre in Malaysia for a pilot study of one product Signed off on MoU and collaborative agreement with Bio Innova, Thailand

KEY ACHIEVEMENTS

- ▶ RM3.9 million in yield and capacity improvements
- ▶ Lead time, cycle time, inventory reduction, and productivity improvements totalling RM0.75 million were achieved



CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Rising financing costs	<ul style="list-style-type: none"> Stock optimisation strategy such as prudent in spending, stock optimisation exercise and business streamlining 	<ul style="list-style-type: none"> Improve profitability
Increase in price of raw materials from overseas	<ul style="list-style-type: none"> Implemented cost control measures Utilised lean manufacturing tools to streamline, innovate, and identify new operational methods 	<ul style="list-style-type: none"> Maintained majority of cost of goods sold (COGS) Increased batch size to reduce COGS
Lead time increase due to pandemic and geopolitical instability	<ul style="list-style-type: none"> Negotiated with suppliers on stock prioritisation and delivery 	<ul style="list-style-type: none"> Maintained production schedules as per plans
Sudden surge in product demand post pandemic	<ul style="list-style-type: none"> Increased manufacturing capacity via campaign manufacturing Enhanced manufacturing capacity by adding new production lines 	<ul style="list-style-type: none"> Met customer demand Installed and commissioned new manufacturing lines

OUTLOOK

Despite ongoing global headwinds, we are cautiously optimistic that the increased demand for our pharmaceuticals, biopharmaceuticals, OTC products and nutraceuticals in 2022 will continue to rise in 2023. Our Manufacturing Division is expected to benefit from the favourable outlook for healthcare facility operators as patients return and public spending on supplementary healthcare products increases.

To improve our bottom line, we will be implementing cost-optimisation measures in 2023 through our Pharmaniaga Production System, which will utilise Lean manufacturing tools such as our Value Stream Mapping, bottleneck analysis, as well as batch size reviews. We are also collaborating with the Malaysian Productivity Council under the Ministry of International Trade and Industry to develop an Industry 4.0 roadmap upon completion of our Industry 4.0 readiness assessment.

On the whole, last year was fruitful for our Division as we successfully filed key products in local and international markets and strengthened our product pipeline for future growth. We commercialised many high-value in-house developed products after successfully executing validation batches. Moving forward, we will continue to register high-quality generic pharmaceutical products to accelerate Pharmaniaga's growth through in-house development or international collaboration.

We plan to vigorously penetrate regulated international markets such as the Gulf Cooperation Council (GCC) and the UK. Additionally, we will accelerate our biopharmaceutical product development programme to maintain our position as the leading biopharmaceutical manufacturer in Malaysia.

Our strategic focus remains on strengthening our business operations in Indonesia by providing centralised product development services and/or product technology transfer. We are committed to delivering innovative, high-quality healthcare products to our customers while remaining cost-efficient and competitive in the market.

BUSINESS REVIEW



LOGISTICS & DISTRIBUTION



Extensive logistics and distribution network across Malaysia



WHAT WE DO

With over three decades of experience in supply chain solutions and last-mile delivery, the Logistics & Distribution Division is involved in the sales and distribution of pharmaceuticals, over-the-counter (OTC) products, medical equipment, consumable items, and medical devices to public and private sector hospitals, clinics and healthcare centres.

BUSINESS ENVIRONMENT

As Malaysia entered the endemic phase, the Logistics & Distribution Division reprioritised resources into other areas of growth, moving away from the task of delivering COVID-19 vaccines to Government facilities. The Ministry of Health (MOH) entrusted our subsidiary, Pharmaniaga Logistics Sdn Bhd, with the responsibility of managing the logistics and distribution of Pfizer’s Paxlovid, which is a medication to treat COVID-19. In addition, Pharmaniaga Logistics also managed the export of the Government’s COVID-19 vaccine donations to several nations. In 2022, the concession agreement was extended by six months until June 2023 and is pending the finalisation of a new agreement. We have also received a Letter of Intention from MOH to continue our services in supplying medical supplies to Government facilities for a period of 10 years.

Additionally, we decided to focus on market diversification, particularly into the fast-moving consumer goods industry’s personal care segment, the provision of integrated logistics service offerings, and the supply of essential medicinal drugs to support the private market. As part of our service offerings, we also built our Market Expansion Services (MES) capabilities.

Despite encountering fierce competition during the year, we were able to assist and complement the healthcare ecosystem by making use of our wide distribution coverage areas. We ensured that all our clients, including those in the private sector, had access to vital pharmaceuticals. At the same time, the Division’s market shares increased thanks to our distribution system.

We were also able to tap underserved segments of the healthcare ecosystem by maintaining good relationships with existing service providers and vendors, as well as bringing in new innovative product offerings.

In an effort to pursue new business prospects through both the government and commercial markets, we focused on warehouse growth in 2022. To date, we have established three additional warehouses to optimise efficiency in serving customers across the Central and Northern regions. This includes a dedicated warehouse to better serve the business-to-business and business-to-consumer private markets.

BUSINESS PERFORMANCE REVIEW

LOGISTICS & DISTRIBUTION

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
<p>Solidify position as the Government’s partner of choice</p> <ul style="list-style-type: none"> Secure concession renewal Enhance profit contribution from the APPL/Concession business 	<ul style="list-style-type: none"> Solid performance track record and capabilities Prioritising in-house products to boost APPL revenue Participation in MOH’s Centralised Tenders & Local Purchase Orders and distributorship agreements 	<ul style="list-style-type: none"> Achieved 98.7% compliance with MOH performance standards for medicine and medical supply delivery Scored 4.40 on customer satisfaction survey for public sector clients APPL in-house product sales rose over 30% from 2021
<p>Position Pharmaniaga as an Integrated Logistics Provider to diversify market exposure</p> <ul style="list-style-type: none"> Diversify into non-concession distributorship Diversify into healthcare distribution market 	<ul style="list-style-type: none"> Expanded footprint in the private healthcare market to reduce reliance on concession business Entered the healthcare sector of the personal care segment 	<ul style="list-style-type: none"> Established service capabilities for market expansion

BUSINESS REVIEW

→ LOGISTICS & DISTRIBUTION (continued)

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Optimising operations	<ul style="list-style-type: none"> Expansion of warehouse capacity 	<ul style="list-style-type: none"> Established two new warehouses
	<ul style="list-style-type: none"> Improvements to research and development in the fields of supply chain management, operations management, data science, and artificial intelligence (AI) 	<ul style="list-style-type: none"> Completion of the first stage of collaboration with the University of Technology Malaysia (UTM), Johor on the Sample Automation Project Developed a supply chain management system with AI for predictive stock forecasting, stock holding, and pallet capacity planning with UTM KL
	<ul style="list-style-type: none"> Robotic Processing Automation (RPA) as an Internet of Things initiative 	<ul style="list-style-type: none"> Increased daily RPA use, especially in order processing
	<ul style="list-style-type: none"> Embracing electric vehicles (EV) 	<ul style="list-style-type: none"> Embarked on the utilisation of two electric vans for the delivery of medicines to health clinics and government hospitals within Klang Valley resulted in approximately 70% and 45% of reduction in fuel cost and GHG emissions, respectively

KEY ACHIEVEMENTS

- ▶ APPL/Concession sales in 2022 hit RM1.72 billion, surpassing the 2022 target by over 2.7%
- ▶ Achieved 98.7% compliance to Concession key performing indicators
- ▶ Two central region distribution centres began commercial operations in 2022
- ▶ Sales of in-house products touched 15% of total revenue in 2022

CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Substantial increase in demand caused challenges in stock availability and infrastructure capacity	<ul style="list-style-type: none"> Closely monitored demand pattern and stock planning Operated new third-party warehouses 	<ul style="list-style-type: none"> Extra staging area put in place for better operational execution
Change in demand dynamics post-pandemic	<ul style="list-style-type: none"> Closely monitored fast and slow-moving items Enhanced sales 	<ul style="list-style-type: none"> Developed greater flexibility in responding to a changing business climate, in terms of human resources and capabilities required to deal with crises and other factors affecting the entire supply chain
Supply disruptions due to issues at suppliers' end	<ul style="list-style-type: none"> Worked closely with MOH and suppliers to find solutions to resolve supply issues, including actively seeking backup suppliers 	<ul style="list-style-type: none"> Ensured stock availability by sourcing from approved alternative suppliers

SALES & MARKETING

We focused on the sales of Pharmaniaga’s generics, dental, OTC supplements, nutraceuticals, third-party pharmaceuticals and medical consumables as well as equipment and devices produced either locally or internationally for Pharmaniaga.



BUSINESS REVIEW

BUSINESS PERFORMANCE REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
To sustain the growth in the private market with new launches	<ul style="list-style-type: none"> Launched 16 products covering all therapy areas, including Ravida for HepC, Euvax B – vaccine, Roxatin – Cardio, Xynoz – antihistamine and many more 	<ul style="list-style-type: none"> Enabled us to capture new sales that contributed significantly to our growth. The sales doubled versus the previous year for the private sector to RM90 million and overall registered record high sales of RM827 million
Existing key products to grow and capture higher market share	<ul style="list-style-type: none"> Continued effective strategies and marketing activities for key brands through symposiums, blitz and cycling positioning statement to capture new patients. 	<ul style="list-style-type: none"> Achieved market-leading brands in all five therapy focus areas of the Group Rabirox, a pain management product, captured over 24% market share. Other brands such as Aspira and Zithrolide, which have been in the market for over 5 years, commanded over 50% of market share
Increase number of new users including doctors and pharmacies	<ul style="list-style-type: none"> Increased sales efficiency via CRM and registered new accounts via attractive new user promotions. 	<ul style="list-style-type: none"> Recorded the highest number of new users with a 33% increase representing approximately 242 new users. The promotions for Euvax B, high demand for cough syrups and antibiotics enabled us to attract many new users
Expand into high value sales products such as originator brands, vaccines and blood products	<ul style="list-style-type: none"> Engaged with key opinion leaders (KOLs) to increase usage of blood products and vaccines in hospitals. Supported hospitals' requests for talks and seminars. 	<ul style="list-style-type: none"> Achieved close to RM2 million in sales for Euvax within five months of its launch. This was higher than the sales achieved for the Sanofi product in 2021 We have gained significant usage in all major Government and private hospitals for usage of Octaplex as the first choice in intensive care units
Increase sales presence of medical device business in the private market	<ul style="list-style-type: none"> Reorganised the sales team and our approach in targeting the right customers. Further revised of the incentive scheme 	<ul style="list-style-type: none"> Penetrated some new dialysis centres Increased high-value sales and high-margin brands from Hillrom and 3M

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Expand the general pharmaceutical segment by focusing on therapy ranges such as diabetes, anti-Infectives, pain management and respiratory products	Launched new products in focused therapeutic categories	<ul style="list-style-type: none"> Achieved market-leading brands in all five therapeutic categories focused by the Group Rabirox, a pain management product, captured over 15% of market share within six months of its launch
Expand the general pharmaceutical segment by focusing on therapy ranges such as diabetes, anti-Infectives, pain management and respiratory products	Launched new products in focused therapeutic categories	<ul style="list-style-type: none"> Achieved market-leading brands in all five therapeutic categories focused by the Group Rabirox, a pain management product, captured over 15% of market share within six months of its launch
For the dental range, to launch suitable new product developments (NPD) in the Wellness Category	<ul style="list-style-type: none"> Expanded existing Vitamin C and Paracetamol product ranges Developed a robust NPD pipeline ensuring 3 - 5 new product launches per annum Developed new products in line with market demand 	<ul style="list-style-type: none"> Launched new Citrex Vitamin C Powder and Citrex Vitamin C Gummies products Launched New ActiMol PCM for kids – 250mg/5ml and 120mg/5ml products NPD pipeline included products in nutritional supplements for life-stage, post-partum and diabetic care
Strengthen brand awareness for consumer healthcare segment	<ul style="list-style-type: none"> Invested in brand building activities in relevant media Increased investment and consumer engagement across social media platforms 	<ul style="list-style-type: none"> Citrex Vitamin C TVC campaign Baraka Black Seed Oil sponsorship of popular TV3 Jejak Rasul programme ActiMol PCM campaign over national radio stations Citrex Vitamin C “S.M.I.L.L.E with Citrex” campaign ActiMol PCM “Feeling Feverish” campaign Baraka Black Seed Oil “Anugerah Ramadan” campaign
Expand distribution in both medical and non-medical channels for consumer healthcare segment	<ul style="list-style-type: none"> Organised Citrex Vitamin C distribution drives at pharmacies Organised ActiMol PCM merchandising drive via both medical and non-medical channels Organised Baraka Black Seed Oil distribution drives at traditional outlets 	<ul style="list-style-type: none"> Secured 55% Citrex Vitamin C range distribution for the pharmacy channel Secured more than 2,000 merchandisers at both pharmacies and convenience outlets Expanded Baraka distribution by 29% through traditional channels
Improve product access for end consumers for consumer healthcare segment	<ul style="list-style-type: none"> Activated RoyalePharma 24/7 vending machines for OTC products at high-traffic locations 	<ul style="list-style-type: none"> Activated 19 Royale Pharma 24/7 vending machines at selected LRT stations, BHP and Petronas Petrol stations, hospitals and office buildings

BUSINESS REVIEW

KEY ACHIEVEMENTS

- ▶ Sales in private market grew by almost 20%
- ▶ Products launched: Euvax B, Roxatin, Cruzor & Xynoz
- ▶ Dental business grew by RM 2.1 million, with a remarkable 159% growth compared to 2021.
- ▶ Sale of Gengigel, increased by 48% to more than RM7.2 million, making it the highest-selling consumable medical device in Malaysia in 2022.
- ▶ Vaginal Hyal listed as the first non-hormonal product for post-menopausal management in the Malaysia Clinical Practice Guidelines (CPG).
- ▶ Citrex Vitamin C range and ActiMol Paracetamol for kids launched
- ▶ 19 RoyalePharma 24/7 vending machines operating in Klang Valley & Melaka

CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Faced massive supply shortage for respiratory products and antibiotics due to surge in market demand as schools and businesses reopened after the pandemic	<ul style="list-style-type: none"> • Coordinated with manufacturing team to prioritise selected key products and engaged third-party suppliers for urgent special import permit delivery with support from manufacturing and the Regulatory Affairs team 	Fulfilled demand from key customers. This resulted in us achieving record high sales for antibiotics and respiratory products
Delay in new launches, particularly Plecaz MR, which is a new product for diabetes, that was scheduled for delivery in June 2022. Following multiple delays, the product was not delivered in 2022	<ul style="list-style-type: none"> • Redirected focus to other products for our cardiovascular products launch such as Roxatin and Cruzor • Managed doctors' expectations by offering special promotional packages for other products 	<ul style="list-style-type: none"> • 16 products were launched in 2022 • Sales from respiratory and pain management products as well as antibiotics mitigated impact from delivery delays for Plecaz MR
Lengthy time and complex processes to develop new products	<ul style="list-style-type: none"> • Collaborated with local research and development houses as well as manufacturers to launch registered products 	<ul style="list-style-type: none"> • 15 SKUs were launched via third parties
High investment cost in building a brand	<ul style="list-style-type: none"> • Prioritised advertising expenditure on key brands 	<ul style="list-style-type: none"> • ActiMol was advertised on radio • Citrex and Baraka were advertised on television • All three brands were promoted on billboards
High costs to develop and maintain systems	<ul style="list-style-type: none"> • Consolidated systems to achieve a more streamlined operation 	Migration to PIERS (Oracle) for Pristine Pharma Sdn. Bhd. in June 2022
Delay in credit limit revision hampering business growth	<ul style="list-style-type: none"> • Organised discussion with all stakeholders to gain collective agreement on credit limit revision 	Credit limit extension approval with agreed timelines

OUTLOOK

Looking forward, we aim to expand our exposure in the private sector business. In this regard, Pharmaniaga has begun expanding into the FMCG distribution market, with a focus on personal care products. Our Logistics & Distribution Group Division is also looking to expand into new geographic regions by capitalising on synergies with our Indonesian subsidiary, PT Millennium Pharmacon International Tbk.

Meanwhile, the provision of medicines and medical supplies for MOH has been extended until June this year. As the negotiations for renewal are in the midst of the final stages, the Group continues to operate as usual, ensuring uninterrupted medical supplies to all MOH's health facilities.



BUSINESS REVIEW



INDONESIA OPERATIONS



Strong presence with 33 distribution and logistics branches, as well as a general and penicillin pharmaceutical plant



WHAT WE DO

Our operations in Indonesia are driven by our two subsidiaries, PT Errita Pharma (Errita) and PT Millennium Pharmacon International TBK (MPI). Errita, founded in 1973, specialises in the production of generic pharmaceuticals as well as over-the-counter (OTC) products. Errita manufactures over 60 generic pharmaceutical products at highly competitive prices at its Bandung plant. MPI is a pharmaceutical, OTC food supplement, medical consumables and consumer products distributor that serves 30 principals, including Errita. A publicly traded company on the Indonesia Stock Exchange, MPI distributes over 4,000 different products to over 18,000 active medical channels, including government hospitals, private hospitals, pharmacies, and modern retail outlets, through 33 distribution and logistics branches.

BUSINESS ENVIRONMENT

Indonesia's pharmaceutical market, which is the largest in Southeast Asia, witnessed continued growth in 2022. In particular, there was a surge in consumption of health supplements and OTC products as market demand shifted away from COVID-19-related medications. Increasing awareness of health supplements and the rise in non-communicable diseases such as diabetes also contributed towards the heightened demand.

Our Indonesian operations saw a significant jump in bottom line on the back of improved efficiency, driven by stock optimisation, aggressive collection effort as well as digitalisation of business processes. However, an impairment of goodwill of RM50.3 million made on the Indonesian manufacturing unit adversely affected the financial performance in FY2022.

BUSINESS PERFORMANCE REVIEW

→ Manufacturing

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
To be a leading generic brand pharmaceutical manufacturer specialising in focused Area Therapeutic Class products	<ul style="list-style-type: none"> 2023-2030 New Product Development (NPD) strategy blueprint 	<ul style="list-style-type: none"> Sales and marketing division established Good progress on sales and marketing efforts
High level of engagement with healthcare professionals in order to broaden business network	<ul style="list-style-type: none"> Collaboration with: <ul style="list-style-type: none"> The Indonesian Medical Association Indonesian clinic associations Engagement with national pharmacy account 	<ul style="list-style-type: none"> Contract with Tangerang-Banten-Serang Associations has been established in February 2023 150 clinics have signed the contracts for clinics accreditation programme with Errita in February 2023 Target revenue for clinics: Close to RM1 million K-24 and Kimia Farma has listed our products and signed the trading terms in 2023 Target revenue for K-24 and Kimia Farma: Approximately RM7.5 million

BUSINESS REVIEW

➔ Logistics & Distribution

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Expansion of our business footprint across Indonesia	<ul style="list-style-type: none"> Increased our capital expenditure (CAPEX) to expand the business 	<ul style="list-style-type: none"> IDR5 billion in CAPEX was spent in 2022; 20% higher than 2021. CAPEX was mainly for upgrading delivery vehicles and enlarging warehousing capacity in branches such as Jambi, Semarang, Purwokerto and Sidoarjo.
Expanding our principal/ supplier network to gain market share	<ul style="list-style-type: none"> On-boarded new principals/suppliers 	<ul style="list-style-type: none"> Revenue increased by 10%, owing primarily to increased sales of drugs and medical disposables Obtained a new distributorship agreement
Manage rising costs	<ul style="list-style-type: none"> Identified key cost-cutting opportunities 	<ul style="list-style-type: none"> Operational expenses were up by 5%, which was in line with the sales growth of 10%
Continuously improve operational excellence	<ul style="list-style-type: none"> Trained staff members to improve key skills and competencies 	<ul style="list-style-type: none"> A total of 24 headquarters (HQ) managers, 33 branch managers, and 508 workers were upskilled in 2022 via external and in-house training programmes. A total of IDR141 million was invested in employee training

KEY ACHIEVEMENTS

- ▶ Errita's revenue increased by 9.1%
- ▶ Awards received by MPI:
 - Penghargaan Distributor Obat dari RS Bethesda Yogyakarta
 - Penghargaan Indonesia Best Choice in Pharmaceutical Company Award 2022 by IBCA



CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Increase in raw material prices	<ul style="list-style-type: none"> Negotiated bulk purchases of some active pharmaceutical ingredients from suppliers Sourced for new packaging materials with lower price 	<ul style="list-style-type: none"> Discussion has been initiated with Sinobright-China and Zhejiang Chemicals for Amoxicilin yearly volume contract in February 2023 New packaging materials for Trading-Commodity products have utilised recycled paper materials since 2022
Stiff competition in the manufacturing business	<ul style="list-style-type: none"> Held continuous discussions with distributors on new sales and marketing strategies to be deployed by distributors including Level 2 pharma outlets programme to build demand creations 	<ul style="list-style-type: none"> Achieved year-on-year improvement in sales value and volume
The Indonesian Badan Pengawas Obat dan Makanan (BPOM) expressed concern about the use of ethylene glycol and diethylene glycol in syrup-based products	<ul style="list-style-type: none"> We collaborated with several accredited labs to conduct tests to ensure that our products met BPOM specifications 	<ul style="list-style-type: none"> More than 30% of our products have passed laboratory tests, with more in progress
Issues in achieving optimal operational performance	<ul style="list-style-type: none"> Enhanced digitalisation and automation system to support operations Purchased gas chromatography (GC) instruments to test the EG-DEG 	<ul style="list-style-type: none"> Improved order management and better output for enhanced operational efficiency, payment system and delivery. MPI also introduced Web Discount for online approval, BerryPay for cash collection and Monitoring Dashboard for delivery to our branches Errita Lab Room infrastructure has been built and set up in March 2023, the Purchase Order of the GC has been submitted to the suppliers in March 2023

OUTLOOK

Amidst the global economic slowdown expected in 2023, we remain cautiously optimistic about the future growth potential of our Indonesian operations. On the back of sustained private consumption, we expect demand for pharmaceuticals and healthcare products to continue resiliently in 2023.

We anticipate the Indonesian operations to play a significant role in the Group's expansion moving forward, particularly in light of the segment's strong performance in FY2022, when it recorded a double-digit growth. Our efforts to expand our presence in the Indonesian market have begun to bear fruit, and we intend to keep that momentum going.

Errita seeks to expand its presence in the pharmaceutical and OTC markets by increasing the size of its in-house sales force and the variety of products it offers. MPI is working towards widening its customer base by establishing new branches outside the Greater Jakarta area. As part of its growth strategy, MPI also intends to strengthen its vertical expansion by developing its own OTC pharmaceutical products and medical devices and by strengthening collaboration with its sister company, Errita, to build a strong marketing team for the conventional pharmaceutical market.

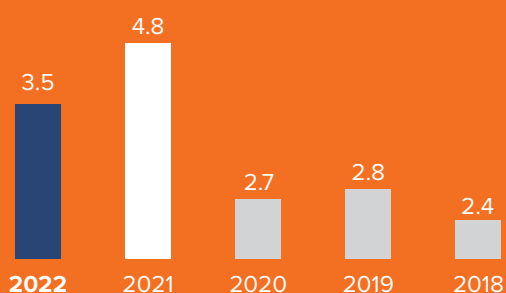
FIVE-YEAR GROUP FINANCIAL SUMMARY

All figures are in RM million unless otherwise stated		2022	2021	2020	2019	2018
FINANCIAL PERFORMANCE						
Revenue		3,510.7	4,815.0	2,725.1	2,820.5	2,385.0
(Loss)/Earnings before interest, taxation, depreciation and amortisation		(505.3)	342.3	101.2	130.6	153.5
(Loss)/Profit before zakat and taxation		(580.8)	277.1	35.8	(191.9)	70.2
(Loss)/Profit after taxation		(605.1)	172.2	26.3	(149.4)	43.2
Net attributable (loss)/profit		(607.3)	172.1	27.5	(149.2)	42.5
(Loss)/Earnings per share*	sen	(46.36)	13.15	2.10	(11.44)	3.27
Return on equity	%	(602.14)	43.7	8.1	(35.2)	8.2
Return on assets	%	(26.58)	16.1	4.3	(8.7)	6.0
Return on revenue	%	(15.4)	6.4	2.5	(5.4)	4.4
DIVIDENDS						
Dividend payout	%	(4.1)	70.4	104.7	(14.9)	98.0
Dividend payment		24.9	121.8	28.8	22.2	41.6
Net dividend per share*	sen	1.90	9.3	2.2	1.7	3.2
Dividend yield	%	3.5	12.6	2.2	4.1	5.8
Dividend cover	times	(24.4)	1.4	1.0	(6.7)	1.0
GEARING						
Borrowings		1,158.9	855.2	669.6	565.3	642.8
Gearing	times	(4.7)	1.9	2.0	1.7	1.3
Interest cover	times	(13.5)	9.3	2.0	(3.8)	2.9
OTHER FINANCIAL STATISTICS						
Net assets per share*	sen	(0.19)	34.4	25.8	25.9	39.1
Price earning ratio times	times	(1.2)	5.6	47.6	(3.6)	17.0
Paid up share capital		154.2	154.1	153.3	151.9	149.4
Shareholders' equity		(248.7)	450.5	337.5	337.9	509.3
Total equity		(227.4)	470.4	355.0	356.9	528.7
Total assets		1,818.8	2,257.9	1,580.2	1,592.3	1,907.7

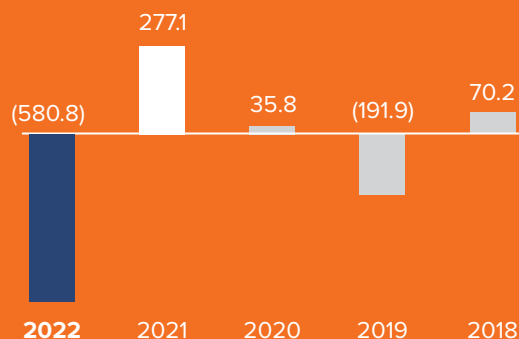
* For comparative purpose, (loss)/earnings per share, net dividend per share and net assets per share for FY2018 - FY2020 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021

FIVE-YEAR FINANCIAL HIGHLIGHTS

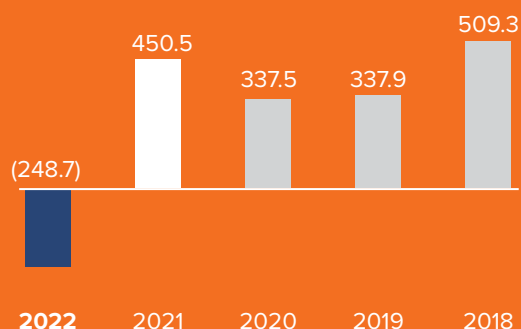
Revenue (RM billion)



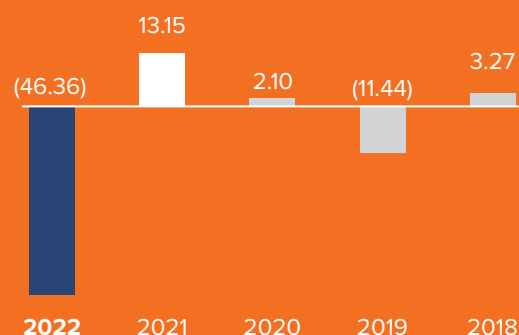
(Loss)/Profit Before Taxation (RM million)



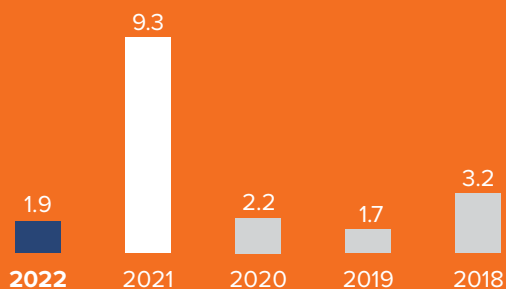
Shareholders' Equity (RM million)



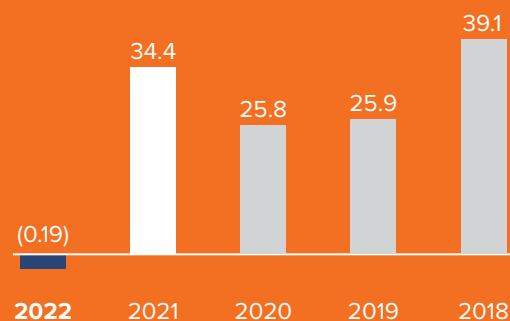
(Loss)/Earnings Per Share (sen)



Dividend Per Share (sen)



Net Assets Per Share (sen)



GROUP QUARTERLY PERFORMANCE

2022					
RM'000	Q1	Q2	Q3	Q4	Year
Revenue	962,174	761,102	924,681	862,720	3,510,677
Profit/ (Loss) before zakat and taxation	37,439	4,521	15,589	(638,395)	(580,846)
Net profit/ (Loss)	28,856	914	9,377	(644,197)	(605,050)
Net profit/ (Loss) attributable to owners of the Parent	27,734	722	8,617	(644,390)	(607,317)
Earnings/ (Loss) per share (sen)	2.11	0.06	0.66	(49.19)	(46.36)
Dividend per share (sen)	0.8	0.5	0.6	-	1.9

2021					
RM'000	Q1	Q2	Q3	Q4	Year
Revenue	793,499	1,177,123	2,132,675	711,718	4,815,015
Profit before zakat and taxation	31,524	22,244	98,219	125,088	277,075
Net profit	22,828	13,888	50,324	85,165	172,205
Net profit attributable to owners of the Parent	23,136	13,704	49,835	85,475	172,150
Earnings per share (sen)	1.76*	1.05	3.81	6.53	13.15
Dividend per share (sen)	0.8*	1.5	2.0	5.0	9.3

* For comparative purpose, earnings per share and dividend per share for Q1 2021 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

FINANCIAL CALENDAR

FINANCIAL YEAR

FINANCIAL YEAR



1 January 2022 to 31 December 2022

RESULT



1st quarter

Announced 20 May 2022



2nd quarter

Announced 19 August 2022



3rd quarter

Announced 24 November 2022



4th quarter

Announced 27 February 2023

ANNOUNCEMENT

INTEGRATED REPORT



Issued

28 APRIL 2023

ANNUAL GENERAL MEETING



To be held online at <https://tiih.online>

Date : 12 June 2023 (Monday)

Time : 2.30 pm

Broadcast Venue:

Amphitheatre, Level 23, The Bousteador,
No. 10, Jalan PJU 7/6, Mutiara Damansara,
47800 Petaling Jaya

DIVIDEND



1st Interim

Announced : 20 May 2022

Entitlement date : 8 June 2022

Payment date : 6 July 2022



2nd Interim

Announced : 19 August 2022

Entitlement date : 12 September 2022

Payment date : 4 October 2022



3rd Interim

Announced : 24 November 2022

Entitlement date : 9 December 2022

Payment date : 6 January 2023