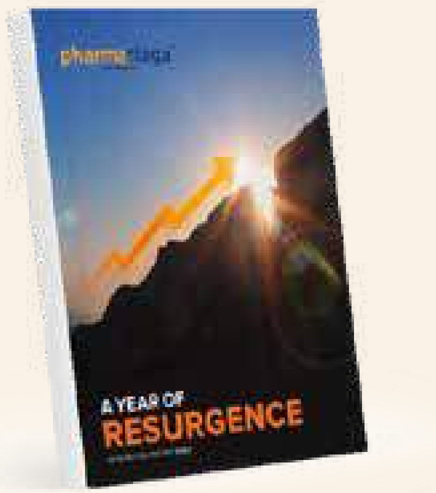
pharmaniaga®
(A member of Boustead Group)

A YEAR OF RESURGENCE

INTEGRATED REPORT **2023**



A YEAR OF RESURGENCE

Reflecting Pharmaniaga's unwavering dedication to surmounting uphill challenges while striving to scale the peaks of success, our cover rationale expresses the Group's upwards momentum that reflects the drive to find light amidst darkness, as the sun rises into view through rough terrain. The climbing marker represents our resolute upward trajectory, encompassing the diverse initiatives put in place to bring Pharmaniaga out of Practice Note 17 (PN17) classification, as well as the resilience of our people in striving to ever-greater heights. As we explore new frontiers, we will continue strengthening our financial footing and business fundamentals, and building an enduring foundation for the future.

26TH ANNUAL GENERAL MEETING

Online Platform:
TIIH Online Website at **https://tiih.online**
with Remote Participation and Voting Facilities

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

Date **Wednesday, 5 June 2024** Time **9.30 a.m.**

INSIDE THIS REPORT

WE VALUE FEEDBACK

Pharmaniaga Berhad's values feedback, comments and enquiries on this Report. Please contact our Investor Relations team at: investor.relations@pharmaniaga.com

Online report is available at **www.pharmaniaga.com**

ABOUT THIS REPORT

Welcome to Pharmaniaga Berhad's 2023 Integrated Report (IR). This integrated reporting format helps our shareholders, stakeholders and the investing public better understand what we do, why we do it, how we do it, as well as the risks and opportunities we encounter in attaining our corporate objectives. Ultimately, our goal is to define and better communicate how we intend to create value for our stakeholders. Towards this aim, we have made the Report more user friendly by utilising icons and links throughout for convenience of navigation.

SCOPE AND BOUNDARY OF REPORTING

This year's IR is based on activities, initiatives and important events that occurred during the reporting period of 1 January 2023 to 31 December 2023. The Report, which is guided by the Malaysian Financial Reporting Standards (MFRS), covers all Pharmaniaga Group of Companies 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 and 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 2023 IR. 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 2023 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 Sustainability Guide (3rd Edition)
6.	International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC)
7.	Global Reporting Initiative (GRI) Standards 2021
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)
15.	Bursa Illustrative Sustainability Reporting Guide (ISR)

NAVIGATION ICONS

6 CAPITALS

F Financial Capital
Funds generated through investments and operations or obtained from external debt financing

M Manufactured Capital
Physical assets, manufacturing facilities, IT infrastructure, logistics and office facilities

I Intellectual Capital
Research and development capabilities, licensed technologies, intellectual property such as patents, trademarks and technical know-how

H Human Capital
Talented and skilful employees, diversity of employees, employees' training and development

S Social & Relationship Capital
Relationships with stakeholders i.e. customers, suppliers, investors, Government and communities

N 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

MATERIAL MATTERS

Economic

- M1 Business Continuity
- M2 Technology & Innovation
- M3 Customer Satisfaction
- M4 Sustainable Products & Services

Governance

- M5 Corporate Governance & Business Ethics

Environmental

- M6 Environmental Compliance
- M7 Resource Efficiency
- M8 Greenhouse Gas & Climate Change

Social

- M9 Talent Management
- M10 Health & Safety
- M11 Supporting Local Businesses
- M12 Corporate Responsibility

STRATEGIC PILLARS

- Strengthening Public Sector Business
- Growing The Private Market
- Reinventing Indonesia Business
- Building Biopharmaceutical Capability
- Optimising Cost Aggressively

CROSS REFERENCE

Link to website **www.pharmaniaga.com**

Find more information inside this report

KEY RISKS

Cybersecurity Risk
Potential harm or loss resulting from vulnerabilities or threats to the Company's digital assets, systems, networks or data

Environmental Sustainability Risk
The potential negative impacts on the environment stemming from the Company's operations, products, or supply chain activities

Financial Risk
Loss or adverse consequences arising from internal and/or external sources that affect a Company's financial stability

Legal and Regulatory Risk
The exposure to potential legal liabilities, fines, or sanctions arising from non-compliance with applicable laws, rules and regulations

Business Risk
Potential loss arising from volatility, uncertainty, complexity and ambiguity business environment

Corruption Risk
The potential exposure of an individual, organisation, or entity to engage in or be affected by acts of bribery

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.

WHO WE ARE

Established in 1994, Pharmaniaga has evolved into Malaysia's largest listed integrated healthcare service provider group. Spanning across the entire pharmaceutical value chain, from research and development to the meticulous production of generic drugs. Pharmaniaga stands as a beacon of trust and reliability in the Malaysian pharmaceutical landscape. Our expertise extends beyond manufacturing – encompassing logistics and distribution, as well as dynamic sales and marketing strategies that ensure our products reach those in need nationwide.

With an unwavering commitment to quality, accessibility, and innovation, we stand tall as pioneers in providing high-quality pharmaceutical products and services to both the public and private sectors.

VISION

The preferred pharmaceutical brand in regional markets

MISSION

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

VALUES

- Creativity
- Integrity
- Innovation

DO IT RIGHT ALWAYS (DIRA)

The "DIRA" initiative embodies our commitment to integrating ESG (Environmental, Social, and Governance) values into our work culture.

GROUP STRUCTURE

AS AT 31 MARCH 2024

pharmaniaga®

(A member of Boustead Group)

MANUFACTURING

100%	Pharmaniaga Manufacturing Berhad
100%	Idaman Pharma Manufacturing Sdn Bhd
100%	Pharmaniaga LifeScience Sdn Bhd
100%	Pharmaniaga Research Centre Sdn Bhd
100%	Bio-Collagen Technologies Sdn Bhd *

LOGISTICS & DISTRIBUTION

100%	Pharmaniaga Logistics Sdn Bhd
100%	Pharmaniaga Marketing Sdn Bhd
100%	Pristine Pharma Sdn Bhd **
100%	Paradigm Industry Sdn Bhd ** *Subsidiary of Pristine Pharma Sdn Bhd*
100%	Pharmaniaga Biomedical Sdn Bhd **
100%	Pharmaniaga Pegasus (Seychelles) Co Ltd *

100%	Pharmaniaga International Corporation Sdn Bhd

INDONESIA

73%	PT Millennium Pharmacon International Tbk
99%	PT Digital Pharma Andalan Indonesia *Subsidiary of PT MPI*
15% / 85%	PT Errita Pharma
95%	PT Mega Pharmaniaga ***

* Dormant

** Ceased operation

*** In liquidation

Please refer the page 240 for the principal activities of the companies

WHAT WE DO

LOGISTICS & DISTRIBUTION

From bustling urban centres to remote rural areas, Pharmaniaga's logistics and distribution network is meticulously designed to cover every corner of Malaysia. More than 700 products 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 200 vehicles out of eight distribution centres in Selangor, Penang, Sabah, and Sarawak.

Our capabilities are beyond delivering medical supplies; they are about delivering hope and healing to communities in need. Whether it is optimising delivery routes, implementing state-of-the-art tracking systems, or embracing sustainable packaging solutions, we are committed to pushing the limits in logistics and distribution. We strive to become the trusted partner in the healthcare ecosystem, ensuring a seamless flow of medical supplies throughout the nation.

MANUFACTURING

At the heart of our manufacturing prowess, lies an unwavering dedication to quality and safety. Pharmaniaga's role in manufacturing extends beyond the mere production of medications; it is about spearheading a brighter future for healthcare. With four state-of-the-art plants strategically positioned across Malaysia, we stand at the forefront of pharmaceutical manufacturing. Our facilities are meticulously equipped with cutting-edge technology and machinery, adhering to stringent international engineering and quality standards such as local Good Manufacturing Practices (GMP) as well as European GMP. This ensures our capability to deliver a diverse array of products, ranging from oral solids and liquids, to semisolids and small volume injectables, catering to the ever-evolving healthcare needs.

We are catalysts for change, driving innovation and efficiency through our agile manufacturing processes. From optimising production workflows to embracing advanced technologies, we continuously strive to push the boundaries, delivering life-saving medications to those in need with unparalleled speed and precision.

RESEARCH & DEVELOPMENT (R&D)

At Pharmaniaga, R&D is a driving force propelling us towards advancements in healthcare. With a dynamic team of over 90 skilled scientists from diverse fields, we continuously strive to develop high-quality products, enhance efficiency, improve existing products, and implement cost-saving measures.

Our team's focus spans vital therapeutic areas, including cardiovascular, diabetes, anti-infectives, pain management and respiratory, analgesics, vaccines, and insulin. By leveraging on cutting-edge technologies and fostering strategic partnerships, we push the boundaries in medicine. We are committed to making a meaningful impact by contributing to the well-being of our nation as a whole.

SALES & MARKETING

At Pharmaniaga, our sales and marketing team takes pride in promoting a diverse range of healthcare products, including pharmaceuticals, medical devices and dental products. We leverage on data analytics and embrace digital platforms to enhance reach and engagement, which will further optimise our sales strategies. We are committed to staying ahead of the curve in an ever-evolving market.

Our sales and marketing is not just about driving profits; it is about driving positive change in the healthcare industry. Thus, we continuously explore strategic partnerships and expand our product offerings. Through personalised approaches and tailored solutions, we aim to meet the diverse needs of healthcare providers and patients, fostering trust and loyalty in our brand.

INDONESIA OPERATIONS

With a rich legacy of excellence and a commitment to enhancing healthcare accessibility, Pharmaniaga brings its renowned expertise and unwavering dedication to serving the Indonesia market. Through PT Millennium Pharmacon International Tbk (MPI) and PT Errita Pharma (Errita), we aim to forge strong footing that drives growth and success.

Positioned among the top ten pharmaceutical logistics and distribution companies in Indonesia, MPI boasts a network of 35 branches throughout the country, serving over 30 principals. Meanwhile, Errita with facilities dedicated to general pharmaceuticals and penicillin, has established itself as one of the players in the Indonesia pharmaceutical landscape.

Our expansion into Indonesia represents not only a significant milestone for our company, but also a testament to our enduring commitment to improving healthcare outcomes and enriching lives across Southeast Asia.

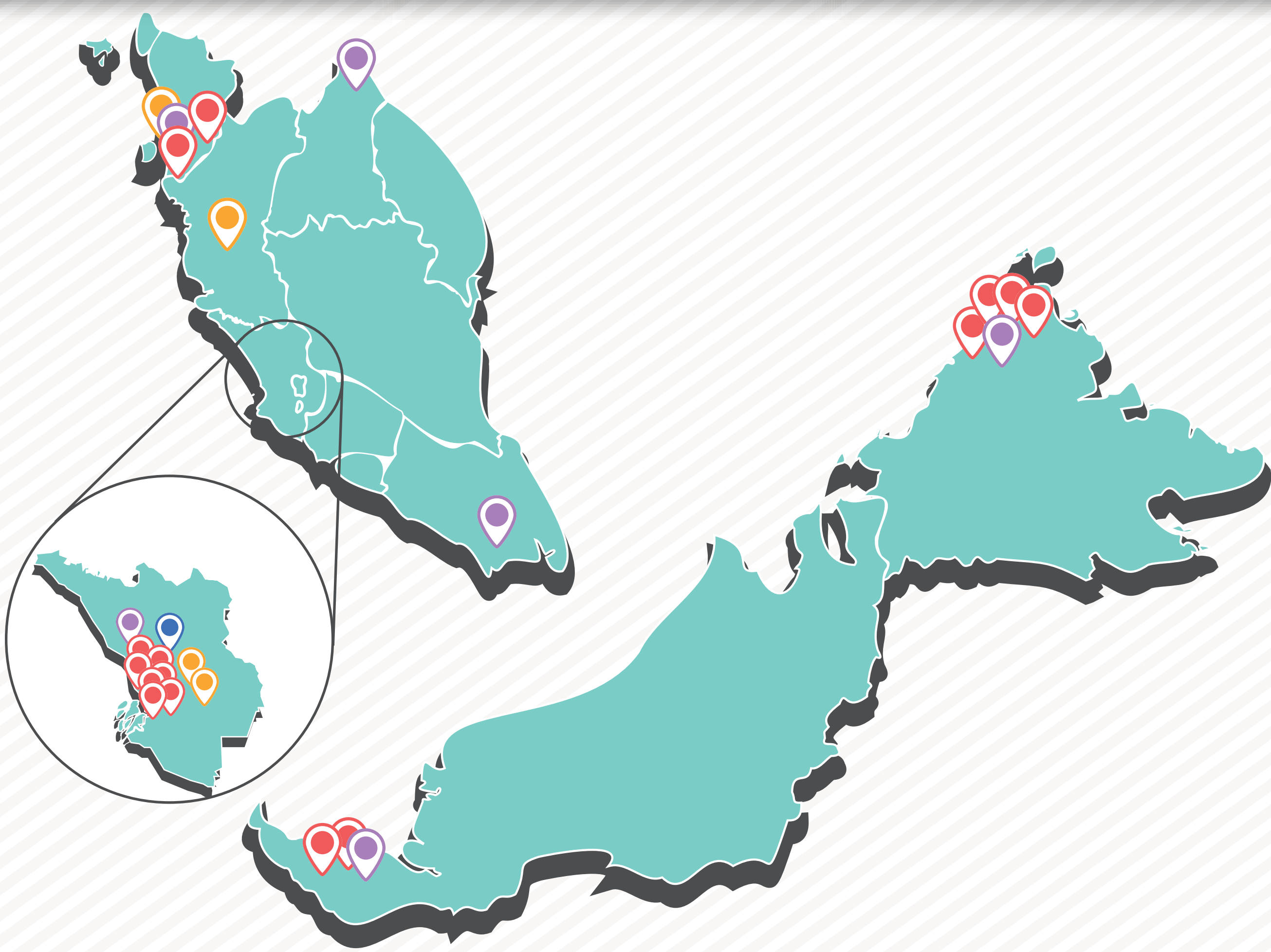
OUR COMPETITIVE STRENGTHS

With a rich history of innovation and a steadfast commitment to enhancing healthcare accessibility, Pharmaniaga continues to set the benchmark for excellence in Malaysia's pharmaceutical landscape.

With a legacy spanning three decades, Pharmaniaga has emerged as Malaysia's largest integrated healthcare service provider, boasting unparalleled expertise in navigating an ever-evolving ecosystem.

Operating across Malaysia and Indonesia, Pharmaniaga's pharmaceutical-grade supply chain is fortified by a robust logistics infrastructure, ensuring seamless distribution of vital healthcare products.

Our world-class manufacturing facilities, meticulously designed to meet Pharmaceutical Inspection Co-operation Scheme and European Union Good Manufacturing Practice standards are not only Halal-compliant, but also uphold the highest levels of quality and safety.



MALAYSIA	EMPLOYEES	R&D SITE	MARKETING OFFICE	LOGISTICS & DISTRIBUTION SITE OFFICE	MANUFACTURING PLANT
	1,983	1	6	Distribution Centres 8 Branches 7	4

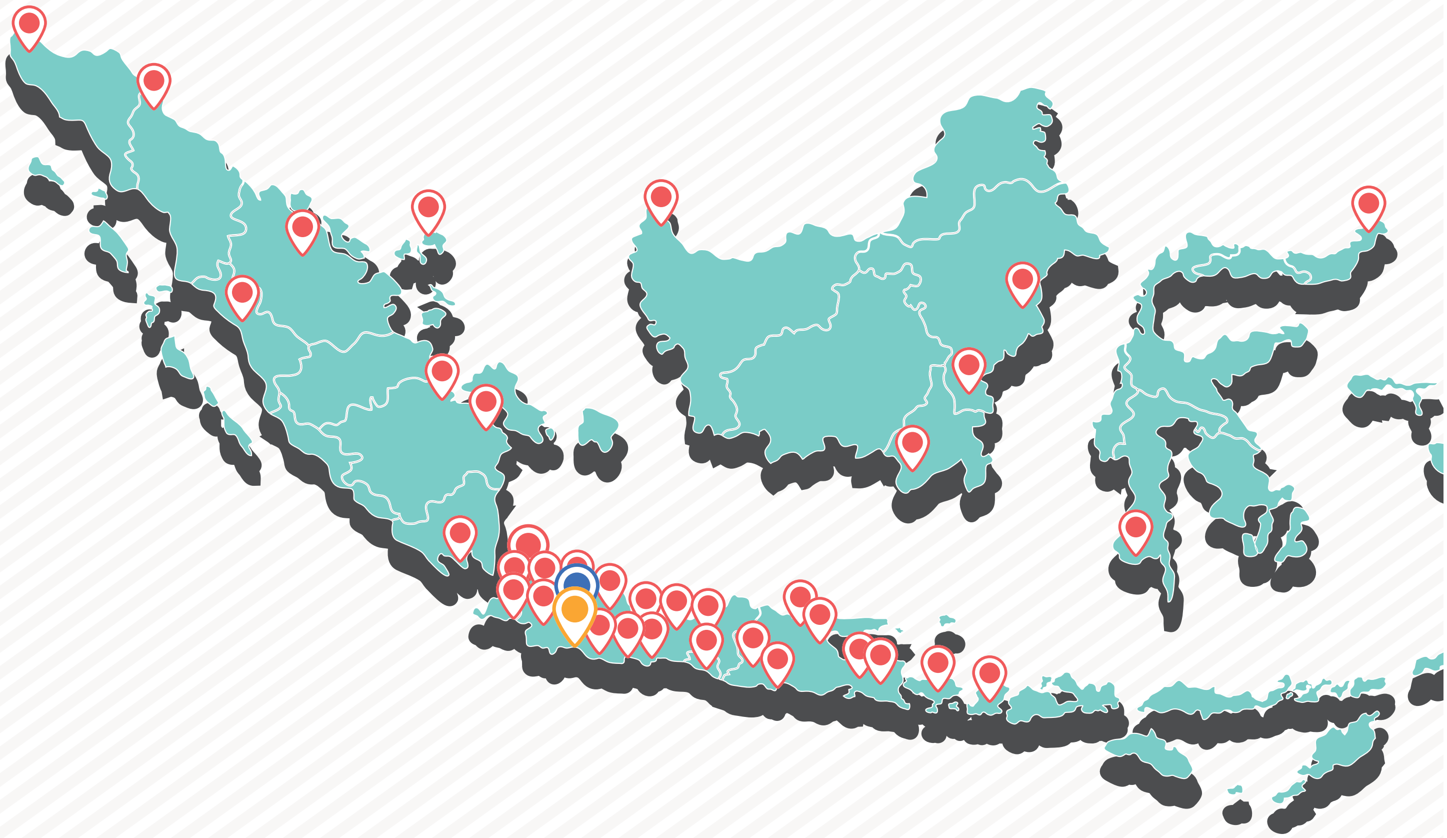
As at 31 March 2024

Backed by over 200 scientific and technical experts across various disciplines, our workforce is equipped with formidable technical capabilities, driving innovation and excellence in everything we do.

Our strategic operations in Malaysia and Indonesia have successfully ensured that our products and services are readily accessible throughout the region.

Through strategic alliances geared towards the production of high-value generics and our expansion into biopharmaceuticals, particularly the production of vaccines and insulin, Pharmaniaga is at the forefront of pioneering advancements in healthcare solutions.

By capitalising on synergies and exploring new opportunities, we are expanding our market presence and fostering sustainable growth.



INDONESIA	EMPLOYEES	R&D SITE	LOGISTICS & DISTRIBUTION SITE OFFICE	MANUFACTURING PLANT
	1,493	1	Distribution Centres 1 Branches 35	1

2023 KEY HIGHLIGHTS

BUSINESS HIGHLIGHTS

Concession business extended for the next **7 years** effective 1 July 2023

Successfully achieved market penetration among over 500 paediatric specialists with our inaugural private market vaccine

Attained **98.75%** compliance with **MOH performance standards**

Collaborated with UTM KL to develop supply chain management system with **Artificial Intelligence (AI)**

Expanded central distribution centre for the private market with capacity up to **4,395 pallets**

Launched 11 New Products in Malaysia
7 In-House Developed Products Approved
Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril, Omeprazole inj

Established market-leading brands across all **5 therapeutic categories**
Cardiovascular, Diabetes, Anti-infectives, Pain Management and Respiratory

Introduced **7 New Halal-certified pharmaceutical products**, bringing the total to **191**

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

As at December 2023, **8.71 Megalitres** of water were **recycled** and **0.22 Megalitres** of **rainwater** was **harvested**

229.44 tonnes of **recycled** input **material were utilised** in the manufacturing process.

Recorded **10.56 tCO_2e/** RM Million **GHG Emission Intensity** compared to 13.30 tCO_2e/RM Million 2019 baseline

749.502 GJ generated from solar energy

29.15% increase in **general waste recycling** against 2022 data performance

Implementation of cost containment measures throughout the Group amounting to

RM7.9 million of cost savings

Enhanced Operational Equipment Effectiveness

+20% following improvements in manufacturing line efficiency

MPI completed setting up

2 New Distribution Branches

at Purwakarta and Mataram

ERRITA successfully launched

3 Products

VITGO VIT C Orange Kaplet, VITGO VIT C Blackcurrant Kaplet, Mucobroxine Tablet

FINANCIAL HIGHLIGHTS

REVENUE

RM3.4 billion

FY2022 : RM3.5 billion

EARNINGS / (LOSS) BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION

RM23.9 million

FY2022 : (RM535.0 million)

LOSS AFTER TAXATION

RM78.7 million

FY2022 : RM627.7 million

SOCIAL

All suppliers are **being assessed** for social and environmental criteria

ZERO **workplace fatalities**

0 FATALITIES

99.7% **Local Employees**

GOVERNANCE

Maintained the **ISO/IEC 27001: 2013 Information Security Management System**

Pharmaniaga Lifescience Sdn Bhd has **successfully obtained** the certification of **MS ISO 37001:2006 Anti-Bribery Management System (ABMS)**

STANDARDS & CERTIFICATIONS

MS ISO 37001: 2016
Anti-Bribery Management Systems

ISO 45001: 2018
Occupational Health and Safety Management Systems

ISO/IEC 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 from NPRA, Malaysia

GOOD DISTRIBUTION PRACTICE
Certification from NPRA, Malaysia

GOOD DISTRIBUTION PRACTICE FOR MEDICAL DEVICES
Certification from MDA, Malaysia

HALAL PHARMACEUTICAL PRODUCT CERTIFICATION
Certification from JAKIM, Malaysia

EU GOOD MANUFACTURING PRACTICE
Certification from INFARMED, Portugal

CARA PEMBUAT OBAT YANG BAIK
Certification from BPOM, Indonesia

CARA DISTRIBUSI OBAT YANG BAIK
Certification from BPOM, Indonesia

PERIZINAN DISTRIBUSI ALAT KESEHATAN
Certification from Kementerian Kesehatan, Indonesia

PERIZINAN PERDAGANG BESAR FARMASI
Certification from Kementerian Kesehatan, Indonesia

SERTIFIKASI HALAL
Certification from Badan Penyelenggara Jaminan Produk Halal, Indonesia

2023 CORPORATE MILESTONES

JAN

6 JANUARY

Pharmaniaga Logistics Sdn Bhd (PLSB) opened its new distribution centre in Kawasan Perindustrian Prai, Fasa 4, Penang to cater for the increasing demand from the northern region.

FEB

8 FEBRUARY

Pharmaniaga LifeScience Sdn Bhd (PLS) successfully installed Malaysia's first fully automated pre-filled syringe filling line at its plant in Puchong, Selangor.

MAY

18 MAY

Pharmaniaga introduced SKYVaricella, a new chickenpox vaccine at the Vaccine Symposium 2023, Kuala Lumpur.

JUL

1 JULY

Pharmaniaga secured a new concession agreement to undertake the procurement, storage, supply and delivery of medical products to the Ministry of Health (MOH)-operated facilities for seven years until 30 June 2030.

13 JULY

Pharmaniaga undertook a private placement exercise, raising RM45.9 million to bridge the Group's working capital requirements.

26 JULY

Memorandum of Understanding (MoU) signed by Pharmaniaga LifeScience Sdn Bhd (PLS) and CSPC Holdings Company Limited to enhance the production of CSPC's biopharmaceutical portfolio, focusing on its advanced mRNA vaccines, leading towards the commercialisation of these products in Malaysia and other relevant territories.

27 JULY

Ravidasvir, a groundbreaking treatment for chronic Hepatitis C Virus infection registered by Pharmaniaga, received an approval for inclusion on the World Health Organisation's essential medicine list.

NOV

1 NOVEMBER

PT Millennium Pharmacon International Tbk (MPI) signed a Distribution Agreement with PT Marketama Indah (PT Marketama) for future market expansion of their products.

2 NOVEMBER

PLS successfully installed state-of-the-art cartridge filling line for insulin manufacturing at its plant in Puchong, Selangor.

29 NOVEMBER

Pharmaniaga released its Requisite Announcement that highlights the plan to raise sufficient funding to bolster its financial position.

DEC

20 DECEMBER

MPI signed a Distribution Agreement with PT Herbatama Indo Perkasa (PT Herbatama) and PT Bromo Pharmaceutical Industries (PT Bromo) for future product market expansion.

22 DECEMBER

MPI has made a land and building asset acquisition valued at Rp44 billion (approximately RM13 million). The acquired property will serve as a new warehouse center in Bekasi, West Java.

FOCUSING ON OUR CORE STRENGTHS

The PN17 classification sparked a process of rejuvenation that has ultimately positioned the Group on a much stronger footing to achieve sustained growth.

IZADDEEN DAUD
Chairman

Dear Shareholder,

The world economy managed to avoid a hard landing in 2023 with global growth forecasted to slow to 3% in 2023 from 3.5% in 2022, according to the International Monetary Fund (IMF). A key positive was the move towards monetary easing as many central banks stopped hiking interest rates as inflation rates started declining. Despite this, growth continues to tilt to the downside as global economic recovery remained slow.

In the case of Malaysia, its economy expanded by 3.7% in 2023 amid subdued external demand. The economy started relatively bright but ended the year with growth easing as the country grappled with a tough global economic environment. Nevertheless, Malaysia's diversified economy has been able to weather the headwinds during the year.

With the country moving back to normality in 2023 after the COVID-19 pandemic, business sentiment and activities across many sectors were firmly on the road to recovery.

Malaysia's economic growth proved to be resilient as supply chain disruptions, elevated cost pressures, and inflation eased significantly compared to 2022 even as central banks, including Bank Negara Malaysia, put a pause on their interest rate hiking cycle.

The economy also received a timely boost with the formation of the Unity Government at the end of 2022 following the 15th General Election. The broad-based Government was instrumental in stabilising the economy, and rolled out major business-friendly initiatives which provided a clear direction for economic growth and development.

During the year, we undertook a bold move to reset the Group by rejuvenating our businesses, operations, systems and governance.

The Group released its Requisite Announcement (RA) on 29 November 2023, with key components inclusive of a capital reduction, a rights issue with warrants, and a private placement.

We will continue to overcome any challenges and capitalise on market opportunities.

A YEAR OF REJUVENATION

For Pharmaniaga, 2023 has been a very challenging year. The Group fell under the Practice Note 17 (PN17) classification in February 2023 after taking a RM552.3 million provision for slow-moving inventories of COVID-19 vaccines in FY2022. Despite this unprecedented challenge, we did not let this weigh us down.

The silver lining in all this is that 2023 has been a year of reflection, recovery, and resurgence for Pharmaniaga. This trial sparked a process of rejuvenation that has ultimately positioned the Group on a much stronger footing to achieve sustained growth.

As we found ourselves in uncharted territory, Pharmaniaga nevertheless proved its mettle as we put our minds together to overcome the hurdles and unique challenges that come with being in the current situation. The leadership team came up with the right solutions to manage and resolve problems that arose from being in this predicament.

As a result, we managed to bounce back during the year with the losses reduced significantly. This stems from the steadfast dedication and hard work of both the management and our employees as we endeavoured to pull the company away from the financial setback. In addition, the unstinting support of our shareholders and stakeholders was instrumental in enabling us to weather an extremely challenging year.

On behalf of the Board of Directors, I would like to share an overview of Pharmaniaga's performance for the year ended 31 December 2023.

REFOCUSING STRENGTHS

During the year, we undertook a bold move to reset the Group by rejuvenating our businesses, operations, systems and governance.

We decided to go back to basics by focusing on our core strengths, that are, our logistics and manufacturing businesses. Despite the challenges in managing cash flow due to our current status, these two core businesses continued operating efficiently as always. This was crucial in helping us meet all the key performance indicators (KPIs) and requirements set by our clients especially the Ministry of Health (MOH).

We also redirected our focus towards enhancing operational efficiency to attain long-term sustainable growth and profitability for the Group. Our strategy to achieve this involved growing our revenue through strategic expansion, particularly by enlarging our foothold in the vibrant Indonesian market, striving for higher profit margins by focusing on high value products and services, as well as cost optimisation via implementing cost-saving measures and improving efficiencies.

This approach to enhancing operational efficiency laid the groundwork for our strategic roadmap, aimed at revitalising the Group and exiting PN17 status.

OUR STRATEGIC ROADMAP

The roadmap, underpinned by the Group's five strategic pillars, charts the way forward, transforming us into a more resilient and diversified group.

The five strategic pillars are strengthening the public sector business, building our biopharmaceutical capability, maximising cost optimisation, growing the private market and reinventing Indonesia business.

The roadmap further reinforces our efforts as the Group released its Requisite Announcement (RA) on 29 November 2023 as part of the requirements by Bursa Malaysia to exit PN17 status. The key components of the RA include a capital reduction, a rights issue with warrants, and a private placement.

Following the release of the RA, we have expended a lot of resources to formulate a Regularisation Plan (RP) which was submitted to Bursa Malaysia on 23 February 2024, marking a critical milestone in the Group's journey towards full recovery and profitability. With the RP projected to be fully implemented in the fourth quarter of the fiscal year ending 31 December 2024, the Group expects to exit the PN17 classification by third quarter of 2025.

VOTE OF CONFIDENCE

One of the bright spots in 2023 was the Government's decision to enter into the new concession agreement (CA) with Pharmaniaga to undertake the procurement, storage, supply and delivery of medical products to Ministry of Health (MOH)-operated facilities for seven years. The CA, signed with the MOH on 3 January 2024, took effect retrospectively from 1 July 2023 and will remain in force for seven years until 30 June 2030.

There was initially some concern whether the CA would be renewed given the current situation. However, the Government's decision to extend the agreement was a huge vote of confidence in Pharmaniaga. We believe this was primarily due to our track record of continuously meeting the requirements stipulated in the CA, and achieving an impressive Overall Service Performance of 98.75%.

ESG INITIATIVES

Pharmaniaga's commitment to the environmental, social, and governance (ESG) agenda has been further strengthened as we successfully rolled out a host of initiatives that promote sustainability.

Under the Pharmaniaga Decarbonisation Programme aimed at reducing our carbon footprint, we have embraced the use of renewable energy. We started implementation of the Pharmaniaga Solar Project for two logistics and four manufacturing sites, and these are targeted to be completed in 2024.

The Board continues to emphasise the importance of corporate governance and integrity, fair labour practices, diversity and inclusion at every level of the organisation. Throughout the year, we ran programmes for staff to reinforce a culture of integrity and adherence to ethical business practices.

Please refer to our Sustainability Statement on pages 66 to 127 of this Integrated Report for more details on our ESG initiatives.

OUTLOOK

We remain optimistic on Pharmaniaga's prospects even as we execute our plan to exit the current situation. Alongside the financial rejuvenation efforts, we aim to strengthen our presence within the public sector by further improving service levels, and ensuring efficient and timely delivery of critical medicines and medical supplies nationwide.

To support the concession business, we will be constructing or acquiring four new warehouses across Malaysia in the next 24 months to ensure a higher level of compliance, and swift delivery of medication to MOH facilities across the country.

We are seeking to increase profit margins in our concession business via cost cutting initiatives, and improving efficiency and productivity.

The Group places great importance on diversifying its business and revenue streams, and this is driving our investments in the field of biopharmaceuticals. We are establishing manufacturing facilities for vaccines and insulin to capitalise on the increasing needs in these therapeutic areas, primarily targeting vaccines under the National Immunisation Programme. We are progressing well with these initiatives, with commercialisation planned in 2025 for vaccines and 2026 for insulin.

Another key focus is to further grow our market share in Malaysia's private generic pharmaceutical market. We anticipate local private market growth will be fuelled by the introduction of new drug launches and the continued success of our market-leading brands. We are intensifying research and development to formulate new high-value pharmaceutical products and currently have 82 new products in our five-year product development pipeline.

To tap into the immense potential of Southeast Asia's largest economy, Pharmaniaga is expanding its network in Indonesia. Our subsidiary, PT Millennium Pharmacon International Tbk (MPI), is establishing new branches to strengthen logistics and distribution capabilities.

With a central warehouse in Jakarta and 35 branches throughout Indonesia, we are steadily gaining ground in both the pharmaceutical and over-the-counter product markets. The revenue generated from the logistics and distribution business under MPI is expected to grow at a compound annual growth rate (CAGR) of 14% from 2024 to 2028.

ACKNOWLEDGEMENTS

I wish to take this opportunity to express my gratitude to the Board members, senior management and our employees for enabling the Group to move in the right direction. Your wholehearted support has greatly contributed to Pharmaniaga's renewal and nascent resurgence.

I also wish to express my thanks to Independent Non-Executive Directors YB Senator Datuk Dr. Haji Azhar Ahmad, Datuk Lim Thean Shiang, and Dr. Mary Jane Cardosa as well as Non-Independent Non-Executive Director Puan Dayana Rogayah Omar who resigned from the Board during the course of the year. The Group is grateful for their dedication and service during their tenure.

In particular, I extend my appreciation to the Executive Committee headed by Encik Ahmad Shahredzuan Mohd Shariff for their sterling efforts in leading the Group in its toughest period.

I also wish to extend our heartfelt appreciation for the great support given by our shareholders, the Government, customers, business partners, financiers and employees during this challenging period.

Lastly, as a long-established government-linked company, our unwavering commitment to supporting the Government and contributing to Malaysia's progress remains our paramount goal. We remain dedicated to further strengthening this partnership, and being a catalyst for progress and positive change for all Malaysians.

IZADDEEN DAUD
Chairman

DEMONSTRATED REMARKABLE FORTITUDE IN OVERCOMING BUSINESS CHALLENGES

By realigning our business divisions, we concentrated our efforts on navigating the challenges associated with the current situation, paving the way for the Group's resurgence and recovery.

Dear Shareholder,

As the Group enters a transformative phase in its journey, I have been honoured with the trust of taking over the responsibilities and functions of the Executive Committee (EXCO) in running the Group's operations, effective 1 March 2024.

The EXCO, which I was privileged to be a part of and which has now been dissolved, played a key role in turning around Pharmaniaga during one of its most gruelling years.

The past year has undoubtedly presented its fair share of challenges, from macroeconomic uncertainties to regulatory hurdles. Yet, through resilience and a collective effort, Pharmaniaga demonstrated remarkable operational and business fortitude in overcoming these challenges.

We owe this shared achievement to the professionalism and commitment of the Pharmaniaga workforce and the Board, as well as the full support of our partners, shareholders, and the Group's technical capabilities built over a track record of more than 29 years across the pharmaceutical value chain.

I am pleased to share this review of the Group's performance for the financial year ended 31 December 2023 (FY2023).

ZULKIFLI JAFAR
Executive Director

We remained operationally resilient by meeting the stringent MOH KPI requirements and complying with all performance standards.

Drawing from the past year's lessons, we placed renewed emphasis on developing diverse streams of income within our core businesses.

The Group will continue the resurgence and capitalise on market opportunities to achieve our goal of becoming a competitive and innovative healthcare service provider.

A VISION OF RECOVERY AND RESURGENCE

Our resilient performance was driven by the collective efforts of our talented Pharmaniaga team, as guided by the then EXCO.

During the year, we were focused on strengthening our position in securing Government contracts, as well as making significant strides in the private sector. Identifying these key areas has allowed us to efficiently direct our organisational resources towards driving transformative change and achieving sustainable growth. By realigning our business divisions, we concentrated our efforts on navigating the challenges associated with the current financial situation, paving the way for the Group's resurgence and recovery.

In striving towards this vision, we laid out five strategic pillars translating the Group's broader organisational goals into actionable and quantifiable objectives on the ground. These strategic objectives included strengthening the public sector business, building up our biopharmaceutical capabilities, reducing costs, growing the private market, and repositioning the Indonesia business to drive sustainable growth.

The extension of our concession agreement with the Ministry of Health (MOH) for seven years is a testament to the Group's strong fundamentals and renewed focus in support of these strategic pillars. Other achievements include the establishment of manufacturing facilities for vaccines and insulin to expand our biopharmaceutical business, the implementation of comprehensive cost-optimisation exercises across our business divisions, and launch of diverse new products for the private market as well as building up our business operations in Indonesia, Southeast Asia's biggest market.

The success of these initiatives is a clear indicator we are on the right track, and undergirds our Regularisation Plan as submitted to Bursa Malaysia. Pharmaniaga's current financial situation has served to strengthen the Group's collective resolve to adapt and succeed, catalysing and accelerating our transformation journey as we reassess, reevaluate and reinvent our operations, with a resilient performance in FY2023 as a result.

VISION 525

5 KRAs to get back on-track by 2025

STRENGTHENING PUBLIC SECTOR BUSINESS	BUILDING BIOPHARMACEUTICAL CAPABILITY	OPTIMISING COST AGGRESSIVELY	GROWING THE PRIVATE MARKET	REINVENTING INDONESIA BUSINESS
• Secure sustainable growth through concession business • Increase product portfolio through strategic sourcing initiative	• Accelerate launch of high-value biologics • Expand network & medico-marketing initiatives	• Consolidate central warehouse • Enhance new product development (NPD) process • Rationalise & optimise SKUs at plant	• Strengthen in-licensing business • Focus on first-to-market generics	• Acquire more principals & expand more branches • Enhance sales & marketing capabilities with stronger product portfolio

OPERATIONAL OVERVIEW

This year's performance review highlights our journey of perseverance and adaptability. Despite being weighed down by the ramifications of our current financial status, Pharmaniaga significantly narrowed its losses in FY2023 by 87% to RM78.7 million from a loss after tax of RM627.7 million in the previous financial year. The loss was attributed to a provision for stock obsolescence from slow demand for pandemic-related consumables inventory, a write-off of new product development costs, and write-down of machinery equipment following the cessation of non-core and underperforming businesses.

The Logistics and Distribution Division reported a loss before interest, taxation, depreciation, and amortisation (LBITDA) in FY2023, primarily attributed to a one-off provision for stock obsolescence. Despite the financial loss, the division has remained operationally resilient, meeting stringent MOH key performance indicator (KPI) requirements and complying with all performance standards for the timely provision of critical medical supplies to MOH.

This excellent track record supported the Government's confidence in extending Pharmaniaga's logistics and distribution concession agreement by another seven years. The agreement, signed with MOH on 3 January 2024, took effect retrospectively from 1 July 2023, ensuring the Group's earnings visibility in the mid-term.

Our Manufacturing Division returned to profitability in FY2023 in an impressive improvement from LBITDA in FY2022 when there was a one-off provision on slow-moving inventories of COVID-19 vaccines.

Its business growth was driven by an expanded product portfolio and international business segment, increased capacity including the commissioning of pre-filled syringe filling line at Pharmaniaga LifeScience, as well as line efficiency improvements with digitisation and idle time reduction leading to a 20% increase in operational equipment effectiveness (OEE).

The private sector business segment continues to be a priority for Pharmaniaga. Overall, the business segment recorded sideways movement in operating profit compared to the previous year, attributed to a one-off provision for stock obsolescence from the slow demand pandemic-related consumables inventory. Measures to manage operating expenditure included restructuring of business units to optimise resources as well as deferring big-ticket marketing campaigns.

The Indonesia Division faced a host of challenges in 2023, creating a complex landscape for us to strengthen our presence there. Despite these obstacles, the Division was able to tap opportunities for expansion and growth.

This resulted in a return to the black for our Indonesia operations in FY2023 from a loss after tax the previous year in which there was a write-down of goodwill. This was attributed to enhanced operational efficiency through stock optimisation and assertive collection of payments.

Details of the respective business divisions' financial performance can be found in the Chief Financial Officer's statement on pages 24 to 27 of this Integrated Report.

RESILIENCE THROUGH DIVERSIFICATION

Drawing from the past year's lessons, we placed renewed emphasis on developing diverse streams of income within our core businesses to enhance resilience. This includes our expansion into biopharmaceuticals, with new manufacturing facilities underway to address growing demand for vaccines and insulin, particularly vaccines under the National Immunisation Programme.

Representing a significant investment over the past few years, this push aims to onshore vaccine and insulin production to reduce national dependence on imports.

All products are currently under development and will be manufactured locally for both Government and private markets, starting with pneumococcal conjugate vaccine (PCV), recombinant human insulin and insulin glargine in 2026, followed by hexavalent and human papillomavirus vaccines in 2027.

To accelerate the development of our PCV and hexavalent vaccine products, the Ministry of Science, Technology and Innovation (MOSTI) has approved a grant for a total of RM39.8 million.

Capacity development for analogue insulin and recombinant human insulin products has progressed with plant construction completed, while machine installation is progressing on track at 70%. Throughout its efforts, the Group will collaborate with strategic partners from South Korea, Thailand, China and India to facilitate technology transfer and reach.

Other milestones for the Group in 2023 included the opening of a new distribution centre in Penang in January, and the signing of a Memorandum of Understanding (MoU) with China's CSPC Pharmaceutical Group Ltd in July for the research, development, manufacture and commercialisation of pharmaceutical and biopharmaceutical products.

In line with the growing emphasis on environmental, social and governance (ESG) principles worldwide, we accelerated our sustainability journey through various initiatives. These ranged from decarbonisation through the Pharmaniaga Solar Project, ESG roadshows for employees to charitable community outreach programmes.

For more details on our ESG initiatives, please refer to our Sustainability Statement on pages 66 to 127 of this Integrated Report.

REGULARISATION AND REBUILDING

Pharmaniaga's current situation presented an opportunity to reflect on our operations with a view to value engineering, fortifying core businesses and optimising resources towards rebuilding and restoring the Group's financial health. These improvements resulted in strong operational performance in 2023, with all divisions reporting profitability despite an overall loss before tax for the Group.

We approached the Group's financial rejuvenation with transparency and accountability. MIDF Amanah Investment Bank Berhad (MIDF Investment) was appointed as the principal advisor for our proposed Regularisation Plan, favouring a proactive approach focused on capital reduction of approximately RM180 million issued share capital to reduce Pharmaniaga's accumulated losses, fundraising of RM354.6 million via rights issuance for shareholders to strengthen their investments, and RM300 million in private placement for potential investors to participate in our growth plans moving forward.

We also have support from our substantial shareholders, Lembaga Tabung Angkatan Tentera (LTAT) and Boustead Holdings Berhad (BHB), to ensure that their combined entitlements to the rights issue, totalling RM190 million, will be fully taken up. We have submitted the Regularisation Plan to Bursa Malaysia on 23 February 2024 and anticipate approval of the plan by the following quarter. With the plan well in place for execution, the Group anticipates exiting PN17 status by the third quarter of 2025.

In the interim, we undertook a private placement exercise in July 2023, raising RM45.9 million to bridge the Group's working capital requirements.

OUTLOOK

As we are addressing our financial challenges head-on, the Group remains committed to implementing prudent cost-saving measures, and pursuing viable revenue streams towards restoring the financial health of our organisation.

We expect these initiatives to assist the Group in navigating through macroeconomic headwinds in 2024, such as global currency fluctuations and higher labour costs following amendments in the Employment Act, with corresponding impacts on operational expenses and financial performance.

Moving forward, Pharmaniaga's strategic roadmap leverages on our track record of unparalleled service delivery with Government contracts while steering our trajectory toward the private sector.

The renewal of the logistics and distribution concession agreement with MOH affords strong earnings visibility for the Logistics and Distribution Division as it navigates short-term challenges to infrastructure investments and upgrades posed by the current situation, along with volume constraints as growth approaches distribution centre capacity.

Prospects for the Manufacturing Division remain positive despite risk factors such as currency fluctuations and entry of new Approved Product Purchase List (APPL) suppliers, driven by initiatives such as the expansion of the biopharmaceutical manufacturing business. We also optimised our manufacturing processes by employing multi-tip tooling in the tableting process, eliminated preliminary processes in tube preparation by transitioning from inkjet printing to embossing, and packed syrup products directly into the shipper without shrink wrap and paper tray.

Indonesia's dynamic business landscape presents immense potential for growth, with economic expansion projected at 5% in 2024. The Group is well-positioned to leverage on this growth, with the onboarding of new principals and the opening of two new branches.

Through our strong foothold in this market, we will continue to broaden our horizons, expand warehouse capacity and enrich our portfolio to cater to the unique demands of Indonesian consumers, with a view to capitalising on emerging opportunities in the Ibu Kota Nusantara development.

Acknowledging the integral role of our people in building resilience for the Group, we place strategic talent optimisation at the forefront of our efforts, while embracing the versatility of our workforce.

Accordingly, we foster an environment that thrives on adaptability and resilience, positioning us for continued success in an ever-evolving business landscape. Simultaneously, our robust succession planning ensures a smooth transfer of knowledge and skills, guaranteeing the Group's sustained growth and resilience.

I would also like to extend my heartfelt thanks to the Board of Directors in shaping the Group's trajectory. Their insight, dedication, and commitment to Pharmaniaga's mission have been integral to our rejuvenation and success. I also wish to record my appreciation to the members of the EXCO, namely EXCO Chairman and Board member Ahmad Shahredzuan Mohd Shariff, then Chief Operating Officer Mohamed Iqbal Abdul Rahman, and Chief Financial Officer Norai'ni Mohamed Ali for their exemplary leadership in overseeing the Group during the year.

Moving forward, I am confident the Pharmaniaga family will continue the resurgence evident in 2023 and capitalise on market opportunities to achieve our goal of becoming a competitive and innovative healthcare service provider.

ZULKIFLI JAFAR
Executive Director

CHIEF FINANCIAL OFFICER'S STATEMENT

PAVING THE WAY FOR PROFITABILITY AND SUSTAINABLE GROWTH

Dear Shareholder,

As your Chief Financial Officer, I am pleased to provide an overview of Pharmaniaga Berhad's financial performance for the financial year ended 31 December 2023 (FY2023).

FY2023 has undoubtedly been an extremely challenging year as we navigated through the negative repercussions arising from the Group's current financial situation after taking a one-off RM552.3 million provision on slow-moving inventories of COVID-19 vaccines in the financial year ended 31 December 2022 (FY2022).

Nevertheless, as a Group, we managed to undergo this trial by fire to emerge rejuvenated, more resilient and resurgent, having put in place the building blocks for sustained growth moving forward.

This was made possible due to the hard work and commitment of Pharmaniaga's employees, with the leadership of the Board members and management, along with the solid support of all financiers and stakeholders.

NORAI'NI MOHAMED ALI
Chief Financial Officer

FINANCIAL PERFORMANCE REVIEW

The Group has seen a marked improvement in our financial performance and reduced our losses in FY2023 as compared with FY2022. However, we still felt the lingering effects of the pandemic moving into the endemic phase as we had to undertake a one-off provision of RM68.5 million for stock obsolescence from the slow demand of pandemic-related consumables inventory such as personal protective equipment and needles.

There was also a write-off of new product development costs of RM12.8 million due to the non-commercial viability of the products. Additionally, the cessation of non-core and underperforming businesses also resulted in a write-down of machinery equipment of RM12.9 million.

The stigma of being classified as PN17 has had a measurable impact on our operations and cash flow position. Following our current status, certain banks froze some of our banking facilities, which subsequently affected our ability to make timely payments to suppliers.

Fortunately, with the unwavering support of our shareholders and stakeholders, we successfully tackled this issue and alleviated the cash flow constraints. This involved securing cash advances from our major shareholders amounting to RM50 million and conducting a private placement exercise in July 2023, which generated RM45.9 million in funds. Additionally, we obtained a bridging loan of RM75 million from a financial institution in December 2023 to address the Group's working capital requirements.

PERFORMANCE OF BUSINESS DIVISIONS

The Logistics and Distribution Division reported loss before interest, taxation, depreciation, and amortisation (LBITDA) of RM22.3 million for FY2023, a reduction from earnings before interest, taxation, depreciation and amortisation (EBITDA) of RM20.3 million in the previous year. The LBITDA was primarily attributed to a one-off provision of RM63.9 million for stock obsolescence from the slow demand of pandemic-related consumables inventory such as personal protective equipment and a write-down of RM4.1 million of plant and equipment.

Despite challenges, the Group upheld its commitment to the Ministry of Health (MOH) by ensuring efficient and timely delivery of critical medical supplies nationwide. The Division met MOH's stringent key performance indicator (KPI) requirements with an impressive score of 98.75%.

Leading the way in Pharmaniaga's recovery and resurgence in 2023 was the Manufacturing Division. The Division reported an EBITDA of RM19.1 million in FY2023, an improvement from LBITDA of RM520.1 million in FY2022.

In FY2023, the Group incurred several one-off charges, including a provision of RM4.6 million for stock obsolescence, a write-off of new product development costs totalling RM12.8 million due to the non-commercial viability of the products, and a write-down of RM8.8 million on plant and equipment. This latter charge stemmed from the cessation of non-core and non-performing businesses following the closure of such operations.

The long-term prospects of the Manufacturing Division remain bright, driven by continuous expansion of the vaccine manufacturing business alongside sustained demand in the market.

During the year, the Indonesia Division experienced a significant rebound, characterised by a notable increase in EBITDA. In FY2023, the division recorded an EBITDA of RM35.5 million, showcasing a significant improvement compared to the previous year's LBITDA of RM21.7 million. It is worth noting that the previous year's results were impacted by a goodwill write-down of RM50.3 million.

The Division's impressive improvement in EBITDA was attributed to several factors, including increased revenue and improved operational efficiency. This was achieved through optimised stock management practices and proactive efforts in collecting payments. Given Indonesia's substantial population and market size, we firmly believe that our Indonesia business will play a crucial role in the Group's future growth trajectory and serve as a significant revenue generator moving forward.

A major positive from our current financial situation was that it resulted in us improving operational efficiencies, fortifying core businesses, and optimising resources towards restoring Pharmaniaga's financial well-being. These enhancements resulted in strong operational performance for all business divisions during the year.

Stripping out the provisions made in FY2023, the Group would have registered EBITDA, as our business divisions demonstrated improved performance throughout the year, as illustrated in the table below.

Segment	FY2023 (RM million)		FY2022 (RM million)	
	Audited	Without provisions	Audited	Without provisions
Logistics and Distribution	**(22.3)**	**61.1**	20.3	20.3
Manufacturing	**19.1**	**45.3**	(520.1)	32.2
Indonesia	**35.5**	**35.5**	(21.7)	28.6

OUTLOOK

As we move into 2024, it is critical for us to put behind us the negative impact of the post-COVID-19 pandemic which resulted in huge write-downs on unsold stocks of COVID-19 vaccines, and pandemic-related consumables inventory. We have responsibly bitten the bullet and do not anticipate further impact moving forward.

By taking decisive steps to streamline operations, including the cessation of non-core and underperforming businesses, and redirecting our focus towards enhancing operational efficiency, implementing cost-saving measures, and striving for higher profit margins, we are confident that the Group is paving the way for profitability and sustainable growth.

This calculated move is a pivotal element in Pharmaniaga's commitment to reset its business through optimisation of its portfolio, fortifying core business operations, and restoring profitability for the Group.

We have intensified our efforts to introduce cost-saving initiatives across the Group, aligning with our objective of enhancing efficiencies and profit margins. In FY2023, these initiatives yielded total cost savings amounting to RM7.9 million. The major savings were achieved through the implementation of cost containment measures throughout the Group, as well as improvements in our manufacturing processes.

These initiatives were complemented by an 8.5% reduction in cost of goods sold (COGS) through concerted value engineering efforts, including a 3.7% headcount reduction, and e-labelling to reduce physical information leaflet usage, with annual cost savings of RM1.2 million.

We are also continuously engaging with investors and fund managers to reassure them and provide insight into our efforts to rejuvenate the Group while getting their feedback and support.

The leadership has also put in place a clear roadmap to chart the way forward. Underpinned by our five strategic pillars, this plan aims at strengthening the public sector business, building up biopharmaceutical capabilities, growing the private market, optimising cost and repositioning the Indonesia business to drive sustainable growth and unlock value creation opportunities.

Pharmaniaga's resilience and fortitude has shone through this difficult period. Challenges still remain as we seek to exit from the current financial situation by the third quarter of 2025, but we are optimistic that we have turned the corner and now on an upward trajectory.

NORAI'NI MOHAMED ALI
Chief Financial Officer

FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL SUMMARY

All figures are in RM million unless otherwise stated		2023	2022 Restated**	2021	2020	2019
FINANCIAL PERFORMANCE						
Revenue		**3,404.5**	3,480.9	4,815.0	2,725.1	2,820.5
Earnings/(Loss) before interest, taxation, depreciation and amortisation		**23.9**	(535.0)	342.3	101.2	130.6
(Loss)/Profit before zakat and taxation		**(78.2)**	(610.6)	277.1	35.8	(191.9)
(Loss)/Profit after taxation		**(78.7)**	(627.7)	172.2	26.3	(149.4)
Net attributable (loss)/profit		**(80.2)**	(629.9)	172.1	27.5	(149.2)
(Loss)/Earnings per share*	sen	**(5.86)**	(48.09)	13.15	2.10	(11.44)
Return on equity***	%	**-**	-	43.7	8.1	(35.2)
Return on assets	%	**(0.9)**	(27.8)	16.1	4.3	(8.7)
Return on revenue	%	**(0.5)**	(15.0)	6.4	2.5	(5.4)
DIVIDENDS						
Dividend payout	%	**-**	(4.1)	70.4	104.7	(14.9)
Dividend payment		**-**	24.9	121.8	28.8	22.2
Net dividend per share*	sen	**-**	1.9	9.3	2.2	1.7
Dividend yield	%	**-**	3.5	12.6	2.2	4.1
Dividend cover	times	**-**	(25.3)	1.4	1.0	(6.7)
GEARING						
Borrowings		**1,187.1**	1,158.9	855.2	669.6	565.3
Gearing	times	**(4.0)**	(3.1)	1.9	2.0	1.7
Interest cover	times	**(0.3)**	(13.0)	9.3	2.0	(3.8)
OTHER FINANCIAL STATISTICS						
Net assets per share*	sen	**(20.8)**	(28.2)	26.9	25.8	25.9
Price earning ratio times	times	**(6.6)**	(1.1)	5.6	47.6	(3.6)
Paid up share capital		**200.0**	154.2	154.1	153.3	151.9
Shareholders' equity		**(299.1)**	(369.7)	352.1	337.5	337.9
Total equity		**(274.1)**	(348.3)	372.1	355.0	356.9
Total assets		**1,914.9**	1,847.3	2,288.4	1,580.2	1,592.3

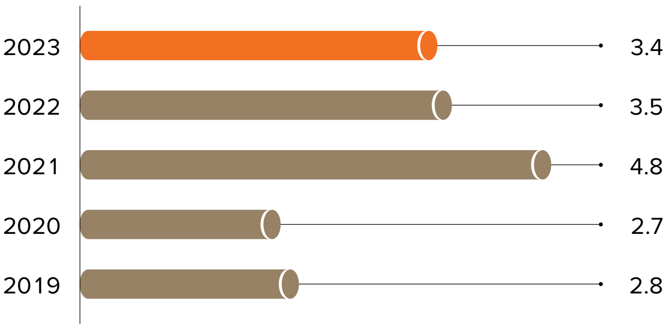
* For comparative purpose, (loss)/earnings per share, net dividend per share and net assets per share for FY2019 - FY2020 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

** As stated in Note 37 to the financial statements, the Group restated the comparatives in FY2022 to reflect the estimated amount of penalties specified in the contract with its customer as a form of variable consideration in determining the transaction price at the inception of the contract. For FY2021, the restatement was adjusted to the opening balance retained earnings, hence, affected the shareholders' equity, total equity and total assets.

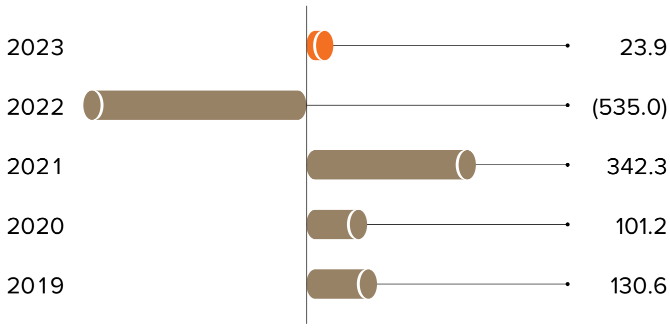
*** Not applicable for FY2022 and FY2023 due to negative shareholders' equity.

FINANCIAL REVIEW
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

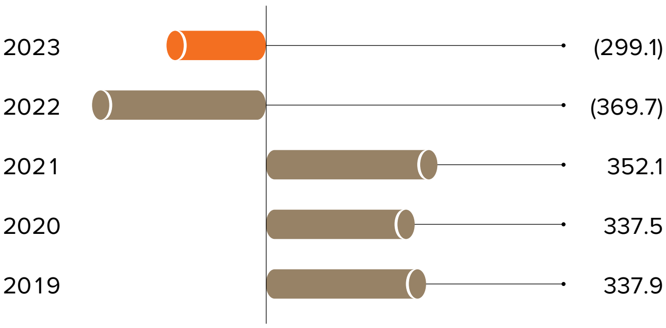
REVENUE (RM BILLION)



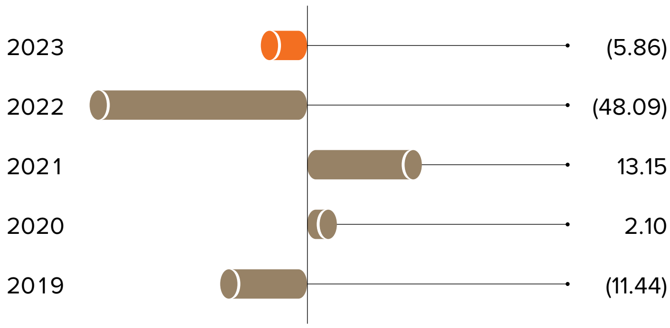
EARNINGS/(LOSS) BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (RM MILLION)



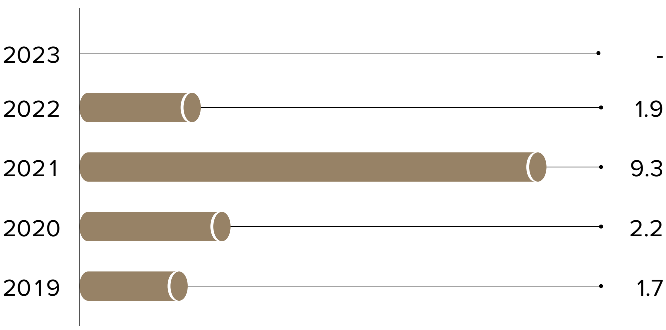
SHAREHOLDERS' EQUITY (RM MILLION)



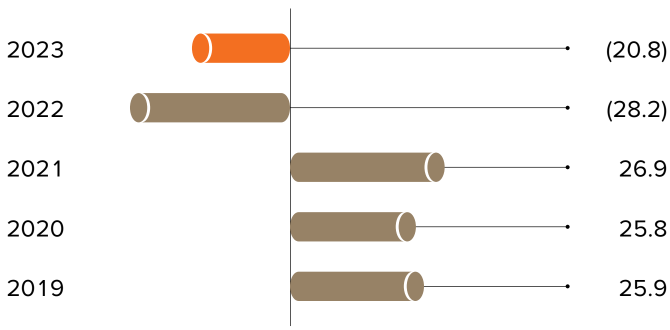
(LOSS)/EARNINGS PER SHARE (SEN)



NET DIVIDEND PER SHARE (SEN)



NET ASSETS PER SHARE (SEN)



FINANCIAL REVIEW

GROUP QUARTERLY PERFORMANCE

2023

RM'000	Q1	Q2	Q3	Q4	YEAR
FINANCIAL PERFORMANCE					
Revenue	880,454	848,734	885,486	789,807	**3,404,481**
Profit/(Loss) before zakat and taxation	9,193	6,342	(56,259)	(37,439)	**(78,163)**
Net profit/(loss)	2,766	2,324	(49,047)	(34,787)	**(78,744)**
Net profit/(loss) attributable to owners of the Parent	2,648	1,961	(49,339)	(35,430)	**(80,160)**
Earnings/(Loss) per share (sen)	0.20	0.15	(3.67)	(2.54)	**(5.86)**

2022

RM'000	Q1	Q2	Q3 Restated*	Q4	YEAR Restated*
FINANCIAL PERFORMANCE					
Revenue	962,174	761,102	894,939	862,720	**3,480,935**
Profit/(Loss) before zakat and taxation	37,439	4,521	(14,153)	(638,395)	**(610,588)**
Net profit/(loss)	28,856	914	(13,227)	(644,197)	**(627,654)**
Net profit/(loss) attributable to owners of the Parent	27,734	722	(13,987)	(644,390)	**(629,921)**
Earnings/(Loss) per share (sen)	2.11	0.06	(1.07)	(49.19)	**(48.09)**
Net dividend per share (sen)	0.8	0.5	0.6	-	**1.9**

* As stated in Note 37 to the financial statements, the Group restated the comparatives in FY2022 to reflect the estimated amount of penalties specified in the contract with its customer as a form of variable consideration in determining the transaction price at the inception of the contract.

FINANCIAL REVIEW
FINANCIAL CALENDAR

FINANCIAL YEAR

- 1 January 2023 to 31 December 2023

RESULTS

- **1st Quarter**
  Announcement date **18 May 2023**
- **2nd Quarter**
  Announcement date **11 August 2023**
- **3rd Quarter**
  Announcement date **29 November 2023**
- **4th Quarter**
  Announcement date **29 February 2024**

OUR KEY RESOURCES

Our key resources are the building blocks that are foundational to Pharmaniaga Berhad's growth and success. Our resources consist of six capitals that we leverage on to create value. Each capital is essential to our operations and are interrelated. In managing these capitals, we therefore need to make strategic decisions to ensure optimal outcomes.

F FINANCIAL CAPITAL

Our financial capital comprises the financial resources available to us, from shareholder funds and profits derived from business units to borrowings and financing from credit suppliers. Our goal is to strengthen our balance sheet by managing our debts and cash flow, whilst safeguarding stakeholder value by strategically investing in research and development, digitalisation and modernisation.

MARKET CAPITALISATION

RM511.6 million

as at 31 March 2024

BORROWINGS

RM1,187.1 million

M MANUFACTURED CAPITAL

All the physical assets essential to running our business activities collectively make up our manufactured capital. These include our five manufacturing plants (four in Malaysia, one in Indonesia), and 50 distribution centres (15 in Malaysia and 35 in Indonesia). We ensure compliance with all applicable industry standards whilst driving business growth by continuously expanding the capacity and capabilities of our physical assets.

TOTAL INVESTMENT IN VACCINE PROJECT

RM130 million

GRANT FROM MOSTI

RM40 million

for the development, clinical trial and process validation of hexavalent and PCV vaccines

INVESTMENT IN INSULIN PROJECT

RM40 million

5 DISTRIBUTION CENTRES IN MALAYSIA

Fully Compliant with Good Distribution Practices

I INTELLECTUAL CAPITAL

We have accumulated significant intellectual capital, encompassing our proprietary and licensed products, brands, dossiers, technologies, software, licences and standard operating procedures. We continue to innovate with new product lines driven by our proprietary research and development efforts. Leveraging on our partnerships with biotech organisations worldwide, we foster collaborative technology transfer and resource sharing.

OVER 20 STRATEGIC PARTNERSHIPS

With Global and Local Pharmaceutical Companies, and Academic Institutes

H HUMAN CAPITAL

Our people are our greatest asset in driving Pharmaniaga's growth and resilience. Our current workforce comprises 3,476 employees throughout our Malaysian and Indonesia operations. We strive to continue attracting and retaining top talent, enhancing their skills through ongoing training and development to maintain operational excellence whilst empowering the Group's success in alignment with our values and goals.

3,476 Employees

99.7% are Local

INVESTMENT IN EMPLOYEE TRAINING & DEVELOPMENT

RM0.9 million

S SOCIAL & RELATIONSHIP CAPITAL

Our stakeholders, from customers and investors to suppliers and local communities, make up the social and relationship capital driving our sustainable growth. We focus on cultivating strong, trust-based relationships across our stakeholder groups through targeted corporate and social initiatives. For example, we engage with and support small- and medium-sized enterprises (SMEs) via our Vendor Development Programme.

6,540 Customers

Including MOH Hospitals and Health Centres, Pharmacies, Private Hospitals and Clinics

96

APPL Suppliers

N NATURAL CAPITAL

We utilise a range of natural resources, such as water and fuel, both directly and indirectly, for the purposes of packaging material, raw products and electricity throughout our operations. We acknowledge the scarcity of the world's natural resources and endeavour to utilise them efficiently. We recognise the need to fight climate change and contribute through responsible waste management and reduction of our carbon footprint.

ACCELERATED THE PHARMANIAGA SOLAR PROJECT

Empowering Our Decarbonisation Programme Via Solar Power Purchase Agreement (SPPA)

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.

INPUTS

F FINANCIAL CAPITAL
- Shareholders' Equity: **(RM299.1 million)**
- Borrowings: **RM1,187.1 million**
- Net Liabilities Value: **RM274.1 million**

M MANUFACTURED CAPITAL
- **5** Manufacturing Plants: • **4** in Malaysia • **1** in Indonesia
- **50** Logistics & Distribution Sites: • **15** in Malaysia • **35** in Indonesia
- **200** Delivery Vehicles Owned
- New State-of-the-art Pre-filled Syringe Filling and Insulin Manufacturing & Packaging Facilities
- Hexavalent Vaccine Project: **RM80 million**
- PCV Project: **RM50 million**
- Insulin Project: **RM40 million**

I INTELLECTUAL CAPITAL
- **1** Research & Development (R&D) Centre
- **5** Manufacturing Plants
- **218** Scientists and Technical Experts at Manufacturing Plants

STRATEGIC PILLARS

- Strengthening Public Sector Business
- Optimising Cost Aggressively
- Reinventing Indonesia Business
- Building Biopharmaceutical Capability
- Growing the Private Market

MANUFACTURING

LOGISTICS & DISTRIBUTION

INDONESIA OPERATIONS

KEY MARKET TRENDS

- Global Pharmaceutical Market
- Potential of Biopharmaceuticals
- Rapid Growth of Private Sector
- Growing the Indonesia Market

KEY RISKS

- Cybersecurity Risk
- Environmental Sustainability Risk
- Financial Risk
- Legal and Regulatory Risk
- Business Risk
- Corruption Risk

MATERIAL MATTERS

1. Business Continuity
2. Technology & Innovation
3. Customer Satisfaction
4. Sustainable Products & Services
5. Corporate Governance & Business Ethics
6. Environmental Compliance
7. Resource Efficiency
8. Greenhouse Gas & Climate Change
9. Talent Management
10. Health & Safety
11. Supporting Local Businesses
12. Corporate Responsibility

H HUMAN CAPITAL
- **3,476** Employees: • **60.5%** Male • **39.5%** Female
- Invested **RM0.9 million** in Employee Training and Development

S SOCIAL & RELATIONSHIP CAPITAL
- **80.2% Local** procurement
- **19.8% International** procurement

N NATURAL CAPITAL
- Total water withdrawal: **288.85 megalitres**
- Total electricity consumption: **140,542 GJ**
- Total grey black carton use: **229.44 tonnes**
- Solar energy generated: **749.50 GJ** generated

SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK....

HIGHEST STANDARDS OF GOVERNANCE AND EFFECTIVE BOARD LEADERSHIP

GUIDED BY....
OUR VISION & MISSION

UNDERPINNED BY....
OUR CORE VALUES

OUTPUTS	OUTCOMES	RELATED STAKEHOLDERS

OUTPUTS

PRODUCTS

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

- Cardiovascular system
- Anti-diabetic/Insulin
- Biopharmaceuticals/ Vaccines
- Supplements
- Anti-infectives
- Central Nervous System
- Analgesics
- Anticoagulants
- Medical Device

WASTE

Waste generation are inevitable consequences of the Group's operations, production and distribution. The following activities were conducted throughout the year:

- 959.37 tonnes of non-hazardous waste recycled
- 4.629 tonnes of hazardous waste recycled into alternative raw material for the cement industry
- 397.38 tonnes of hazardous waste directed to disposal

OUTCOMES

F FINANCIAL CAPITAL

- Total Revenue: **RM3.4 billion** (2022: RM3.5 billion)
- Loss Before Zakat and Taxation: **RM78.2 million** (2022: RM610.6 million)
- Loss After Zakat and Taxation: **RM78.7 million** (2022: RM627.7 million)

M MANUFACTURED CAPITAL

- **A diversified portfolio of nearly 500 products** registered locally and internationally in multiple dosage forms and therapeutic categories
- **Providing high-quality, affordable medicines and products** - Revenue: **RM296.0 million**

I INTELLECTUAL CAPITAL

- **2 Projects in clinical development**
- Registered **16 new products internationally**

H HUMAN CAPITAL

- Number of **employees trained: 3,160** (2022: 3,129)
- Number of **technical professionals developed: 42** (2022: 48)
- Employee Engagement Index: **84.8%** (2022: 84.4%)

S SOCIAL & RELATIONSHIP CAPITAL

- Total **Corporate Investment**:
  - Malaysia **RM3,081,809**
  - Indonesia **IDR 2,027,714,560**
  (inclusive of wakalah zakat contribution)

N NATURAL CAPITAL

- **GHG Emissions Reduction of 4.92%** against 2019 performance data
- Energy savings of **749.50 GJ** resulting in **157.81 tCO_2e** of GHG emissions from utilisation of renewable energy
- Accelerated the **Pharmaniaga Solar Project**

STAKEHOLDER ENGAGEMENT

We are committed to take actions that will positively impact our stakeholders, including patients, consumers, employees, communities and shareholders. It is paramount in our business strategy to take into account the interests of our stakeholders. Our business growth and resilience are powered by our strong synergy with our stakeholders. We believe that it is essential to maintain open and regular communication with them because this will enhance mutual understanding, foster strong relationships, drive partnerships, and create shared values.

We engage with our stakeholders throughout the year to ensure that their needs are responded to in a timely manner. The frequency of communication varies for each stakeholder and their needs; it can be daily, monthly, quarterly, seasonal, annually, yearly, and as and when necessary. The table below shows our main stakeholder groups, their interests and concerns, our proposed solutions, and engagement platforms.

GOVERNMENT AGENCIES & REGULATORY AUTHORITIES

Key Concerns	How We Responded
• Timely access to affordable healthcare products and services • Regulatory compliance, including environmental and occupational safety and health, the Anti-Bribery Act, and the Medical Device Act • Best practices and policies	• Met industry and regulatory standards by certification and consistently monitoring, implementing stringent quality control, internal audits and adopted a cautious business approach. • Actively held compliance and awareness training on regulations and Acts to ensure best practices and policies are being attended. • Actively held dialogue sessions with the Ministry of Health, Pusat Tanggungjawab (PTJ) and Jabatan Kesihatan Negeri to build long-term business relationships between pharmacists and Contact Care Agents (CCAs). • Engaged in policy advocacy by providing input to government agencies during the development of policies, regulations, and guidelines.

EMPLOYEES

Key Concerns	How We Responded
• Business environment volatility and uncertainty • Talent recruitment, selection and retention • Salary and benefits • Employee welfare • Health and safety	• Established open and transparent communication channels to keep employees informed about company updates, initiatives, and performance. • Adopted a Business Continuity Plan. • Carried out training and skills development programmes. • Recognised and acknowledged employees for their contributions, achievements, and milestones. • Invested in employee training and development programmes to support skill enhancement, career growth, and personal development. • Encouraged employee participation in professional bodies and association memberships. • Organised employee social, sports and health engagement activities. • Enacted anti-discrimination and anti-harassment policies. • Maintained Occupational Health and Safety Management (OHSMS) certification. • Conducted Hazard Identification, Risk Assessment and Risk Control/Hazard Identification, Risk Assessment and Determining Control (HIRARC/HIRADC). • Expanded product portfolio through technology and knowledge transfer across multiple disciplines.

CUSTOMERS

Key Concerns	How We Responded
• Product & service quality • Product responsibility • Regulatory compliance • Customer complaints and grievances • Halal-certified products	• Continued the development and production of high-value generics and expansion into biopharmaceuticals, primarily the production of vaccines and insulin. • Carried out cost and productivity optimisation exercise for all products and services. • Adopted an object and text recognition Graphic User Interface (GUI) system for product traceability. • Maintained ISO 9001:2015 and Systems and ISO 18295-1:2017. • Provided a customer complaints and grievances platform. • Conducted internal audits benchmarking our performance and compliance against the guidelines and industry standards. • Continued initiatives to expand Halal-certified products, by working closely with industry experts and authorities.

SUPPLY CHAIN PARTNERS

Key Concerns	How We Responded
• Procurement practices and policies • Business integrity • Financial stability • Environmental conservation and preservation • Vendor performance	• Carried out Vendor Accreditation Process and performance assessment. • Established due diligence and site inspection procedure for partner/vendor selection. • Formed strategic partnership with registered local independent pharmacies (LIPs). • Conducted internal and external audits to ensure that our material and waste management practices meet the ISO 14001: 2015 Environmental Management Systems certification standards. • Provided skills, knowledge training and grant consultation under the Vendor Development Programme (VDP). • Put in place Vendor Development and Evaluation Programmes to ensure continuous improvement of product and services.

PROVIDERS OF FINANCIAL CAPITAL

Key Concerns	How We Responded
• Business performance • Economic contribution • Regulatory compliance • Quality, timely and transparent communication • Governance	• Conveyed clear business and operational strategy. • Updated on business performance through press conferences and analyst briefings. • Developed a broad range of choices and a preference for local suppliers. • Monitored strictly to ensure compliance with relevant rules and regulations. • Organised AGM, EGM and investor meetings. • Upheld good corporate governance through policies such as the Code of Conduct and Anti-Bribery and Corruption (ABC) Policy to ensure regulatory compliance.

MEDIA

Key Concerns	How We Responded
• Information disclosure through media release, events, advertisement and product placements	• Conducted media interviews. • Updated news releases. • Responded to media queries. • Prioritised advertising expenditure on key brands through more aggressive advertising and marketing. • Local media covering digital and print platforms. • Invested continuously in brand building activities in relevant media. • Increased investment and consumer engagement across social media platforms, media conferences, analyst briefings and quarterly results of the Group are also made available on the website.

COMMUNITIES

Key Concerns	How We Responded
• Community service • Job creation • Community welfare • Environmental conservation and preservation	• Made charitable contributions through multiple outlets especially in educational improvement. • Provided graduate employment opportunities and development such as training, internship and collaboration with NGOs with similar development programmes. • Provided our talents with the necessary skills to specialise in biopharmaceutical fields. • Initiated various philanthropic, volunteering and communication activities with NGOs and the local government. • Implemented and monitored initiatives for waste, water, energy, GHG emissions, and material management to conserve and preserve the environment.

MATERIAL SUSTAINABILITY MATTERS

Pharmaniaga consistently conducts materiality assessments involving key internal and external stakeholders. These assessments aim to identify current and emerging sustainability issues that could significantly affect our company and stakeholders. This process has enabled us to understand our risks and opportunities, anticipate challenges and align our strategies and action plans with the evolving sustainability landscape to ensure continued relevance.

MATERIALITY ASSESSMENT PROCESS

In FY2022, we selected 12 sustainability issues that are aligned with our key focus areas. During FY2023, we conducted a review of our material issues, confirming their continued relevance to our current activities. Moreover, as there have been no significant changes to our business scope, our materiality issues have remained unchanged in the current reporting period.

STEP

01

IDENTIFICATION AND PRIORITISATION

Material sustainability matters were identified and reviewed for their relevance to the current sustainability risks and opportunities. The process involved benchmarking the material matters against local and regional industry peers and considering the sustainability developments within the industry, including aligning with relevant reporting frameworks and Economic Environmental Sustainability Governance (EESG) indices. The material issues were prioritised following a reassessment by the Sustainability Working Group (SWG) to determine their significance and impact on the business and stakeholders.

02

STAKEHOLDER ENGAGEMENT

Feedback and insights from internal and external stakeholders were sought to incorporate the influence of sustainability matters on each individual stakeholder group.

03

VALIDATION AND APPROVAL

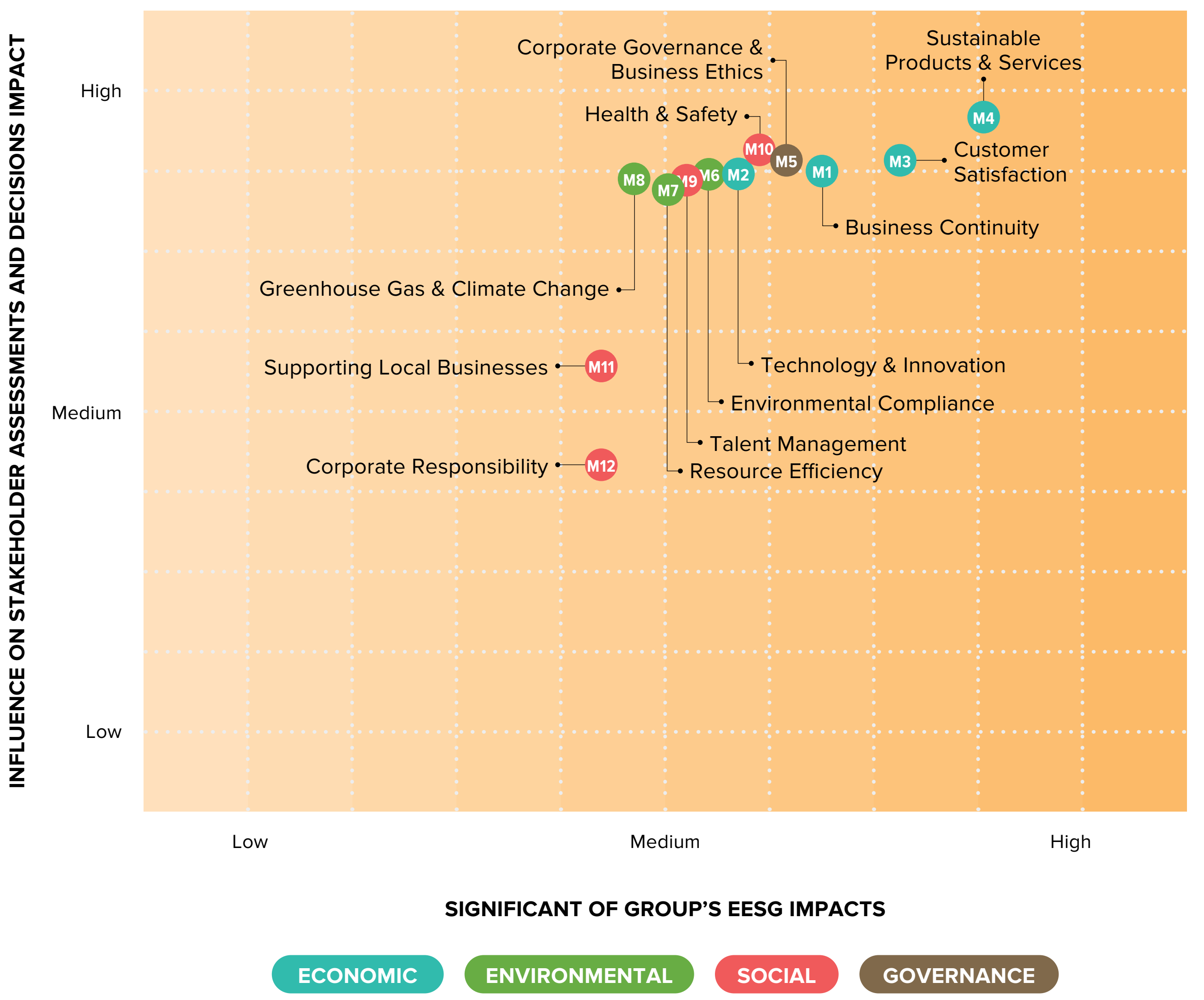
The findings from the assessment process were plotted on a materiality matrix and deliberated on and validated by the Sustainability Management Committee before they were presented to the Board for endorsement.

THE MATRIX

The matrix below displays the 12 Economic, Environmental, Social and Governance (EESG) issues that have been deemed most important to the Group and our stakeholders. Mapped on the top right-hand quadrant are those of the highest significance to both the Group and the stakeholders. The top sustainability issues are Sustainable Products and Services, Customer Satisfaction, Business Continuity, Corporate Governance and Business Ethics, and Health & Safety. These matters are directly related to our core business and operations.

Meanwhile, the matrix suggests that Corporate Responsibility is of the most minor importance. Nevertheless, we have carried out various philanthropic, charitable and volunteering activities in the communities where we operate because we recognise their significance.

MATERIALITY MATRIX



SUSTAINABILITY RISK MANAGEMENT STRATEGY

The Group has adopted a sustainability risk management strategy that integrates our material matters into our value chain and organisational performance. In managing our risks, we consider our corporate strategy as the foundation from which we build business decisions based on the obtained sustainability-related information. It also improves the performance of our five Goals alongside our material matters.

MATERIAL MATTERS	RISK	OPPORTUNITIES
M1 BUSINESS CONTINUITY	• Disruptions, disasters or unforeseen events that could impact business operations.	• Implementing business continuity management through: – Policy and procedure development/enhancement. – Coordinate testing on critical business functions. – Provide continuous training and awareness to all staff.
M2 TECHNOLOGY & INNOVATION	• Rapid technological changes may lead to obsolescence or vulnerabilities. • Increase in cyber threats.	• Embracing innovation can lead to competitive advantages and improved operational efficiency. • Continuous monitoring and enhancing of cybersecurity defence.
M3 CUSTOMER SATISFACTION	• Dissatisfied customers may lead to reputation harm and loss of business.	• Conduct customer satisfaction surveys to identify any gaps/weaknesses for future improvement. • High customer satisfaction can foster customer loyalty, generate positive word-of-mouth, and sustain business continuity.
M4 SUSTAINABLE PRODUCTS & SERVICES	• Increasing demand for sustainability may impact businesses that do not adopt ESG practices.	• Adherence to rules and regulatory requirements related to the business environment. • Meeting the demand for sustainable products/services that could attract environmentally conscious consumers and enhance brand reputation.
M5 CORPORATE GOVERNANCE & BUSINESS ETHICS	• Ethical lapses or governance failures can result in legal, financial and reputational consequences.	• Continuous monitoring through compliance and audit functions. • Strong governance and ethical practices can build stakeholder trust and enhance the organisation's reputation.
M6 ENVIRONMENTAL COMPLIANCE	• Non-compliance with environmental regulations can lead to legal issues and reputational damage.	• Meeting or exceeding environmental standards demonstrates corporate responsibility and compliance, positively affecting reputation. • Certified with ISO 14001:2015 Environmental Management System for Manufacturing and Logistics Sites.

MATERIAL MATTERS	RISK	OPPORTUNITIES
M7 RESOURCE EFFICIENCY	• Inefficient use of resources can result in increased costs and environmental impact.	• Implementing resource-efficient practices through continuous initiatives such as reducing energy, carbon emission, water consumption and waste management, as well as increasing the use of renewable energy sources.
M8 GREENHOUSE GAS & CLIMATE CHANGE	• Regulatory changes, physical risks and market shifts related to climate change.	• Reducing GHG emissions through decarbonisation programmes, such as energy efficiency, renewable energy (solar) and electric vehicles.
M9 TALENT MANAGEMENT	• Difficulty attracting, retaining and developing skilled employees.	• Effective talent management could improve workforce productivity, innovation and overall business performance. • Provide work-life balance and engagement activities. • Established a succession plan, especially on key talent positions. • Provide training and competency enhancement.
M10 HEALTH & SAFETY	• Workplace accidents, injuries, or health-related issues may result in penalties.	• Certified with ISO 45001:2018 Occupational Safety & Health Management System for Manufacturing and Logistics Sites. • Prioritising health and safety by inculcating training and awareness to all staff.
M11 SUPPORTING LOCAL BUSINESSES	• Ensuring the quality and safety of products and services from local businesses may be challenging, and any lapses could lead to product recalls, penalty, legal issues, and damage to the Group's reputation.	• Offer capacity-building programmes such as soft skills and technical training, and industry engagement for local businesses to enhance their competitiveness, efficiency and ability to adapt to changing market conditions. • Diversify the Group's network of local suppliers to minimise the impact of economic challenges faced by any single partner.
M12 CORPORATE RESPONSIBILITY	• Challenges in providing affordable and equitable access to medicines, particularly in underserved communities, may raise ethical concerns and damage the Group's reputation. • Safety and quality of pharmaceutical products can jeopardise public health and undermine the Group's commitment to corporate responsibility.	• Develop access programmes, collaborate with healthcare organisations and explore innovative pricing models to ensure broad availability of essential medicines. • Implement stringent quality control measures, adhere to Good Manufacturing Practices (GMP), and invest in technologies for product traceability.

STRATEGIC REVIEW
KEY MARKET TRENDS

The global healthcare market has been experiencing steady growth and is anticipated to expand at a compound annual growth rate (CAGR) of 5.1% between 2023 and 2027, with emerging markets particularly poised for significant growth.

GLOBAL PHARMACEUTICAL MARKET

Capitals F M I

Strategic Pillars

Trend Description

The pharmaceutical sector has likewise grown in recent years, with global pharmaceutical industry spending projected to reach USD1.9 trillion by 2027, growing at a CAGR of 5.3%.

This is driven primarily by an increasing aging population, rising prevalence of non-communicable diseases, increasing healthcare expenditure and access to healthcare services, unhealthy lifestyle and food intake, rising health insurance coverage, and increasing expectations on quality of life. The pharmaceutical sector remains a vital component of Malaysia's healthcare market and its healthy growth is due to increased demand for medical services and pharmaceutical products.

How Does It Impact Us	How We Responded
With global trends pointing to the pharmaceutical industry continuing to grow, and this will inevitably mean more competitors seeking to be part of the industry. We anticipate more pharmaceutical players will enter the Malaysian market over time.	To ensure we maintain relevant and grow our market share, we will continue developing more products and aim to be one of the first to market generics. In addition, Pharmaniaga's strategic decision to venture into biopharmaceutical products reflects its commitment to be one of the market leaders in the industry. To remain competitive, key matrices such as operational efficiencies will be a top priority to ensure the Group produces quality products at the most competitive rates. Strategic collaborations with various multinationals (MNCs) could also present opportunities to grow our product portfolio.

Outlook

The pharmaceutical industry's growth rate has slowed down marginally from over 6% to around 5%. This stems from the post-COVID-19 pandemic slowdown as the industry stabilised after a higher-than-average growth experienced during the pandemic period. Nevertheless, the 5.3% growth still provides a positive outlook for the industry given the inelastic demand for healthcare services.

With our extensive portfolio of high-quality assets, our expertise and talented people, Pharmaniaga is well placed to take advantage of opportunities arising from the growth in the healthcare market, both in Southeast Asia and Malaysia.

POTENTIAL OF BIOPHARMACEUTICALS

Capitals F M I **Strategic Pillars**

Trend Description

The USD708 billion biopharmaceutical market remains the bright spot in the pharmaceutical sector, growing at a CAGR of 11.9%. It is expected to make up 40% of the total industry by 2027.

This accelerated increase in demand is due to diseases becoming more complex and requiring a targeted and personalised approach. In addition, the rising demand also springs from biotechnology in precision medicine that is tailored to patient's genetic make-up for more effective treatment. However, generic pharmaceuticals are expected to grow slower but biosimilars will grow faster at 17.8% CAGR. Notably, growth for the biosimilars market is higher than overall biopharmaceuticals growth.

How Does It Impact Us	How We Responded
Global trends are suggesting that the biopharmaceutical industry is growing twice as fast than the industry average and will soon make up almost equal halves with the small molecules segment.	Given its huge potential, Pharmaniaga will continue focusing on this segment by further investing in Pharmaniaga LifeScience Sdn Bhd's (PLS) biopharmaceutical plant in Puchong, Selangor. The Group is set to complete its pre-filled syringes and cartridges line for vaccines and insulin in 2024, and commercialisation of these products is expected to begin in late 2025.

Outlook

Though there are several companies trading such products through their strategic partnership with MNCs, there is currently no locally-owned manufacturer for vaccines and insulin in Malaysia. This is likely due to the significant investment costs associated with the manufacturing of biopharmaceutical products, which means the barrier to entry is high. This puts Pharmaniaga in an ideal position to capitalise on the growing demand for these products, especially generics, moving forward.

RAPID GROWTH OF PRIVATE SECTOR

Capitals F M I **Strategic Pillars**

Trend Description

The Malaysian pharmaceutical market was valued at about RM10.3 billion in 2022 and expected to reach RM15.1 billion by 2027, with a CAGR of 8%. This robust growth is being driven primarily by the private market rather than the public sector, where growth is constrained by annual government budgets.

The rise in spending is largely driven by the rapid growth within the private sector, particularly on over-the-counter and originator drugs. Notably, 53% of the spending is on originator drugs, which are not produced locally. There is also a limited number of local players with sufficient capabilities to produce biologics, hence the dependency on MNCs.

How Does It Impact Us	How We Responded
Undeniably, the rapid growth in the private sector of Malaysia's pharmaceutical market offers huge potential, and the Group should leverage on this as the way forward.	Pharmaniaga aims to expand its presence in the private sector, and this aligns perfectly with the Group's diversification policy. We remain optimistic that with our strong product portfolio and innovative medico-marketing approaches, we can capture a larger market share from the private segment. Continuous cost optimisation programmes have been put in place to ensure our products are competitively priced in the market.

Outlook

Amongst the top 10 pharmaceutical companies (ranked by total sales) in Malaysia, there are only two local companies including Pharmaniaga, and this denotes heavy reliance on MNCs. With more originator products passing their patent expiry, more generic products will appear in the market. Local manufacturers such as Pharmaniaga are well placed to capture a higher market share.

GROWING THE INDONESIA MARKET

Capitals F M I

Strategic Pillars

Trend Description

As Southeast Asia's most populous country and largest economy, Indonesia offers a significantly bigger opportunity given its pharmaceutical market is four times the size of Malaysia's market. Projected to grow to USD4.3 billion (RM20.6 billion) by 2027, Indonesia's pharmaceutical market is appealing due to its much larger customer base, increasing middle class, rising burden of non-communicable diseases, and huge demand for halal products.

How Does It Impact Us	How We Responded
This means there is significant potential for us to grow our Indonesia business given that Pharmaniaga is already present in the market through its subsidiaries.	Pharmaniaga has the strategic advantage of being able to tap into the Indonesia market through its subsidiary – PT Millennium Pharmacon International Tbk with its large logistics and distribution (L&D) presence across Indonesia and PT Errita Pharma, a manufacturing plant in Bandung. The Group is also strengthening its sales and marketing team to market its products as branded generics and will further strengthen its L&D coverage through expansion of new branches and the acquisition of more principals.

Outlook

The operating environment for pharmaceutical players in Indonesia is relatively challenging. More than 77% of pharmaceutical products are from 220 local manufacturers while the remaining 23% are from 144 MNCs. The local companies are dominating the market due to the existence of trade barriers that restricts MNCs from entering the Indonesia market.

STRATEGIC REVIEW

OUR KEY RISKS AND MITIGATION

INTRODUCTION

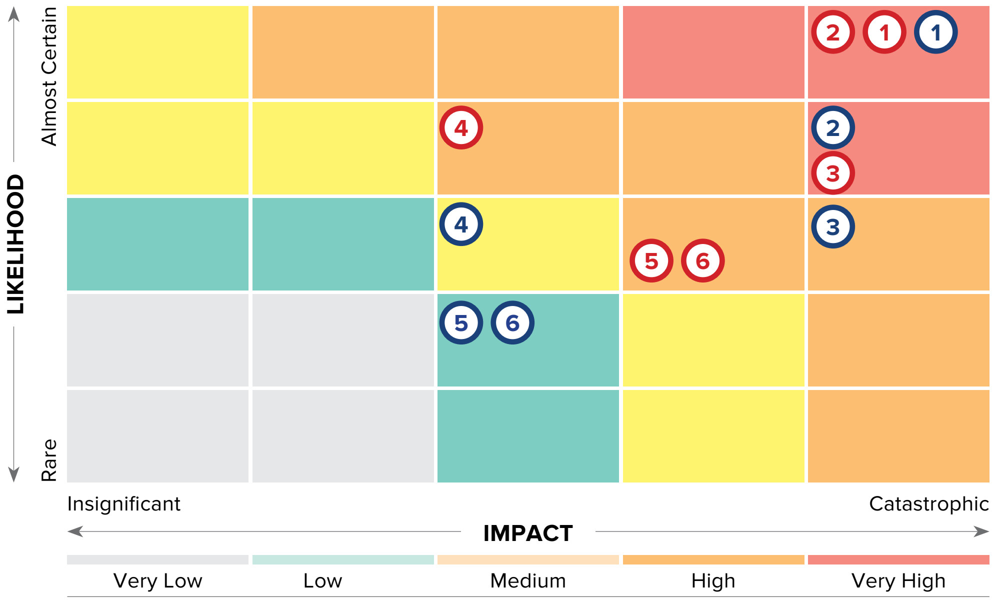
The evolving business landscape that Pharmaniaga operates in presents a set of risks that can have significant impact on our business operations and financial performance. As such, risk management has become an integral part of the Group's business strategy and we have implemented a comprehensive system dedicated to identifying, evaluating and mitigating any risks that may pose a threat to our business operations.

Our Risk Management Unit is entrusted with the responsibility of ensuring that risks are kept within acceptable appetite. We are fully focused on preventing or limiting risks from derailing us achieving our business goals, and ensuring we can continue creating sustainable value for our stakeholders.

Risk Description:

1. Cybersecurity Risk
2. Financial Risk
3. Business Risk
4. Environmental Sustainability Risk
5. Legal and Regulatory Risk
6. Corruption Risk

Gross Risk
Residual Risk



CYBERSECURITY RISK

Risk Description

The Group experienced a cyberattack that prompted us to take immediate and comprehensive measures to strengthen our protection mechanisms.

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 remains steadfast with effective controls to mitigate major business disruptions caused by cyberattacks.

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 Measures

- Compliance with the ISO/IEC 27001:2013 Information Security Management Systems (ISMS) standard.
- Securing critical systems and processes via continuous monitoring and deployment of various controls and strategies to protect the Group from cyberthreats.
- Periodically conducting Vulnerability Assessment and Network Penetration Test (VANPT).
- Conducting training and awareness initiatives for all employees, so they understand and recognise cyberthreats and develop a cybersecurity mindset.

Results of Mitigation Measures

- Successfully conducted Disaster Recovery Plan (DRP) testing exercise on critical business functions with no major findings.
- Strengthened cybersecurity control functions through Multi Factor Authentication, Secure Link and Sender Policy Framework.

Impact

Capitals

F M I H

Strategic Pillars

Stakeholders

Material Matters

M1 M2 M5

FINANCIAL RISK

Risk Description

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

Risk Trends and Impact

The Group's financial position has been stabilising with close monitoring on the cash flow.

Potential Impact

- Difficulty in obtaining funding mainly due to PN17 status.
- Inappropriate financial management may materially affect the Group's financial position and business operations.
- Limited access to future borrowings.
- Key stakeholders i.e. vendors, suppliers and customers may reassess their relationship with Pharmaniaga.

Mitigation Measures

- Established PN17 Task Force to lead the development of the Regularisation Plan (RP).
- Appointed financial, legal and corporate advisers to assist on the development of RP.
- Reviewing and assessing the performance of all subsidiaries for the purpose of business rationalisation.
- Implementing and continuous monitoring on cost containment.
- Negotiating with bankers to secure funding and financing.
- Negotiating with suppliers on payment terms.
- Implementing stock optimisation to reduce handling cost.

Results of Mitigation Measures

- To uplift from PN17 status. The RP was submitted to Bursa Malaysia on 23 February 2024.
- Continuous business operations despite the challenges. The Group obtained renewal of the concession business on 3 January 2024.

Impact

Capitals: F S

Strategic Pillars

Stakeholders

Material Matters: M1 M2 M4 M5

BUSINESS RISK

Risk Description

This risk has the potential to impact the development and execution of our business strategies and plans. It includes increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policies, and availability of supplies.

Risk Trends and Impact

The challenging business environment arising from geopolitical tensions and economic slowdown did not affect execution of business strategies due to the close monitoring of product/project progress and business results.

Potential Impact

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

Mitigation Measures

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

Results of Mitigation Measures

- Product and project developments are monitored rigorously through various committees for better solution and more informed decisions.
- Maintain customers' confidence by consistently meeting their business requirements.

Impact

Capitals: F I S

Strategic Pillars

Stakeholders

Material Matters: M1 M2 M3 M4 M5 M7 M9 M10 M11

ENVIRONMENTAL SUSTAINABILITY RISK

Risk Description

Regulators, investors and other stakeholders increasingly expect the Group to reduce and mitigate the environmental impacts of its operations across its value chain.

Risk Trends and Impact

There is growing demand to increase Environment, Social and Governance (ESG) initiatives.

Potential Impact

- Water shortage may disrupt our operations and supply chain.
- Environmental damage (air/water pollution, soil contamination and hazardous gas emission).
- Reprimand, imposition of penalty, or license suspension by regulators/authorities.
- Financial loss from higher operating expenditure due to inability to manage efficient consumption of utilities.
- Loss of reputation.
- Contributing to climate change and environmental degradation due to heavy reliance on non-renewable energy.
- Improper disposal of pharmaceutical waste can lead to environmental contamination and harm ecosystems.

Mitigation Measures

- Enforcing Safety, Health and Environmental Policy and adhering to local environment rules and regulations while maintaining ISO 14001:2015 Environmental Management Systems certification throughout our subsidiaries.
- Installation of air pollution control systems to ensure emissions from our manufacturing plants are within permissible limits.
- Minimising Greenhouse Gas (GHG) emissions through energy saving initiatives such as energy management and building management systems, LED retrofits in our buildings, and installation of solar panels.
- Recording and monitoring our buildings' energy consumption, GHG emissions, water consumption, and waste and effluent management.
- Conducting regular energy audits and daily inspection of main systems.
- Establishing Sustainability Roadmap (2016-2030) to provide strategic direction, decision making and management of sustainability in our daily operations.
- Observing a waste mitigation hierarchy in daily operation, involving thorough inventory planning, incorporation of recycled input material, and monitoring waste-related impact activities.
- Continuous education and awareness initiatives to employees and other stakeholders on the importance of environmental stewardship.

Results of Mitigation Measures

- Maintaining good rating in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index.
- Achieving 4.92% reduction of GHG emission against the 2019 baseline.
- Energy savings of 749.50 GJ and avoided 157.81 tCO_2e of GHG emission from the utilisation of renewable energy.

Impact

Capitals: F H S N

Strategic Pillars

Stakeholders

Material Matters: M2 M4 M6 M7 M8

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.

Risk Trends and Impact

The risk trends remain unchanged. Status of risk factors, events or occurrences are mainly the same.

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.
- Interrupts business operations.
- Affects Company's cash-flow.

Mitigation Measures

- Operational and technical teams work closely to ensure compliance with industry and regulatory standards.
- Monitoring and renewing relevant license/permits in a timely manner.
- Establishing and regularly updating relevant policies and procedures.
- Periodical sites inspection by accredited regulatory bodies.
- Continuous monitoring and review by Regulatory Compliance, Quality and Safety and Internal Audit to ensure all regulatory requirements are met.
- Continuous awareness, training and 'Do It Right Always' (DIRA) campaign to heighten employees' awareness and ensure regulatory compliance.

Results of Mitigation Measures

There were no suspension/revocation of licenses/permits by the authorities in 2023.

Impact

Capitals: F M I H S N

Strategic Pillars

Stakeholders

Material Matters: M1 M3 M4 M5 M10

CORRUPTION RISK

Risk Description

Potential exposure of corruption risk based on the nature of business that exposes dealings with the Government and private business through concession, purchase order, tendering and engagement with suppliers.

Risk Trends and Impact

The risk trends remain unchanged. Status of risk factors, events or occurrences is mainly the same.

Potential Impact

- Interrupts business operations.
- Affects Company's cash-flow.
- Director may be charged under 17A MACC Act.
- Loss of reputation and image.
- Loss of business potentials and opportunities.
- Legal action / proceedings will be costly.

Mitigation Measures

- Established dedicated department to manage integrity matters.
- Appointed 1 Certified Integrity Officer (CeIO) and sending 2 additional employees for the CeIO course to monitor potential corruption risk, conduct investigation and reporting.
- Established whistleblowing channels for reporting on corruption.
- Obtained ISO37001:2016 Anti Bribery Management Systems (ABMS) certification for Logistics & Distribution, Manufacturing and Research Divisions.
- Established Anti-Corruption Policy for Pharmaniaga Group.

Results of Mitigation Measures

No fines or any other related actions taken (e.g. charged for offences under MACC Act, freeze order by MACC, etc.) or suspension of licences/permits by relevant authorities.

Impact

Capitals: F H S

Strategic Pillars

Stakeholders

Material Matters: M1 M5

STRATEGIC REVIEW

OUR STRATEGIC PROGRESS

VISION 525 STRATEGIC FRAMEWORK

Pharmaniaga's Board of Directors introduced Vision 525 in 2023 as a short-term strategic framework (FY2023-2025) to realign our efforts to rejuvenate the Group in the face of challenges posed by its current financial situation.

Underpinning the vision is the Five Strategic Pillars which emphasises a "back to basics" ethos, prioritising its core businesses and resources. The prime focus is on the five key responsibility areas (KRAs) to ensure Pharmaniaga gets back on track by 2025, hence the name Vision 525.

The key priorities are streamlining operations, enhancing productivity and efficiencies, leveraging synergies within core business, and re-prioritising investment strategies for sustainable growth.

This initiative reflects our commitment to disciplined decision-making, prudent investments, and strategic partnerships that are aligned with our core objectives. The goal is to maximise our competitive advantage and deliver superior value to stakeholders.

It also symbolises our dedication to delivering excellence and creating long-term value amidst the challenges posed by being in the current financial situation, and marks a transformative journey towards sustained success and prosperity.

Vision 525 moves on from the 7 Focus Strategies launched in 2021 to guide the Group's direction in tackling the challenges and opportunities presented by the COVID-19 pandemic. Under this strategic framework, the Group achieved various successful milestones, including:

- **Securing a seven-year concession for logistics services to deliver pharmaceutical and non-pharmaceutical products to the Ministry of Health until 30 June 2030;**
- **Pharmaniaga becoming the first company in Malaysia to successfully fill-finish manufacture a vaccine, delivering over 20 million doses of Sinovac CoronaVac vaccines to the government during the pandemic as part of the National Immunisation Programme (NIP). This has solidified the foundation for the Group to continue its focus on developing its Biopharma capabilities;**
- **Successfully registered 29 in-house generic products and 18 third party products from FY2021 to FY2023;**
- **Pharmaniaga achieving record-high revenue in 2021 at RM4.8 billion and profit before zakat and taxation (PBT) at RM277.1 million amid the successful commercialisation of the COVID-19 vaccines; and**
- **Growing its Indonesia business from RM893 million in 2021 to RM1.05 billion in 2023 (CAGR: 8.2%).**

While these accomplishments underscore Pharmaniaga's ability to adapt and innovate, the PN17 classification limited the Group's resources to continue its expansion mode, hence necessitating a reassessment of the strategic approach.

VISION 525

5 KRAs to get back on-track by 2025

STRENGTHENING PUBLIC SECTOR BUSINESS	BUILDING BIOPHARMACEUTICAL CAPABILITY	OPTIMISING COST AGGRESSIVELY	GROWING THE PRIVATE MARKET	REINVENTING INDONESIA BUSINESS
• Secure sustainable growth through concession business • Increase product portfolio through strategic sourcing initiative	• Accelerate launch of high-value biologics • Expand network & medico-marketing initiatives	• Consolidate central warehouse • Enhance new product development (NPD) process • Rationalise & optimise SKUs at plant	• Strengthen in-licensing business • Focus on first-to-market generics	• Acquire more principals & expand more branches • Enhance sales & marketing capabilities with stronger product portfolio

Accelerate Digitalisation & ESG

Reinforce Human Capital Development

STRENGTHENING PUBLIC SECTOR BUSINESS

2023 KEY INITIATIVES

- Secure sustainable growth through the concession business.
- Expand services to non-Ministry of Health (MOH) government entities.
- Grow the non-concession public sector business.

2023 ACHIEVEMENTS

- **Signed concession agreement** to provide logistics services to **MOH for the next 7 years until 30 June 2030**.
- **Successfully achieved 98.75%** of overall concession compliance rate for 2023, which comprise of 20 different KPIs set by MOH, demonstrating high quality of services.
- Despite recording lower revenue for Government non-concession business (RM639.2 million in 2022 versus RM597.1 million in 2023), the **gross profit has improved from RM25.7 million to RM30.0 million** (from 4.0% gross profit margin to 5.0%).

2024 PRIORITIES

- Leverage concession business for expansion by exploring other logistics and distribution (L&D) businesses through collaboration with strategic partners.
- Expand product portfolio through strategic sourcing & technology transfer.
- Replicate similar products under concession to be offered to non-MOH institutions.

IMPACT

Material Matters

- M1 Business Continuity
- M3 Customer Satisfaction
- M4 Sustainable Products & Services

Capitals

F M I

Stakeholders

BUILDING BIOPHARMACEUTICAL CAPABILITY

2023 KEY INITIATIVES

- Complete the construction of vaccines and insulin halal manufacturing plants.
- Strengthen product portfolio with first-to-market strategy and biological drugs.
- Build vaccines formulation and bulk manufacturing capabilities through strategic partnerships.
- Market biopharmaceutical products as part of our growth strategy.

2023 ACHIEVEMENTS

- **Received grant offers** from the **Ministry of Science, Technology and Innovation (MOSTI)** for two projects:
  i. Hexavalent Vaccine Development Containing Novel Acellular Pertussis & Inactivated Polio Antigens.
  ii. Development and Technology Transfer for Malaysia's First Pneumococcal Conjugated Vaccine.
- **Launched biopharmaceutical product, SKYVaricella**, in March 2023.
- **Current biopharma product portfolio** includes Pneumosil, EuvaxB and SKYVaricella, which **contributes to about RM6 million in sales**.

2024 PRIORITIES

- Focus on high value products (new, niche and high barrier to entry).
- Trusted partner for the Malaysian Vaccine Development Project Management Office under MOSTI.
- Establish strong partnerships with renowned multinational companies as biopharmaceutical principals, and local institutions for clinical studies.
- Explore innovative ways to develop product portfolio in a shorter timeframe through strategic collaboration.
- Accelerate launch of biologics to support the NIP.

IMPACT

Material Matters

- M1 Business Continuity
- M2 Technology & Innovation
- M3 Customer Satisfaction
- M4 Sustainable Products & Services
- M9 Talent Management

Capitals

F M I H

Stakeholders

OPTIMISING COST AGGRESIVELY

2023 KEY INITIATIVES

- Optimisation / efficiency initiatives for manufacturing sites.
- Optimisation / efficiency initiatives for logistics operations.
- Relook into private sector product pricing.
- Overall group cost optimisation.

2023 ACHIEVEMENTS

- **Pilot implementation of e-labelling** in all manufacturing plants. **Full implementation in 2024** with potential cost-saving of **RM1.2 million savings per annum**.
- **Reduction of 8.5% on average of cost of goods sold at manufacturing plants** through 55 active projects and cost control tactics.
- **Cost reduction of RM1.1 million** by implementing the **cross-docking method effectively in our warehouses**.
- **Capacity growth** at the Northern distribution centres **increased local deliveries** and **cut transport costs** for Sales & Distribution **at 0.9%**.

2024 PRIORITIES

- Continuous cost optimisation efforts across all divisions.
- Consolidation of warehouses in central region to optimise costs (long-term).
- Enhancement of product development processes and cost efficiencies.
- Rationalisation and optimisation of SKUs at our manufacturing plants.

IMPACT

Material Matters

M1 Business Continuity

M4 Sustainable Products & Services

Capitals

F M H

Stakeholders

GROWING THE PRIVATE MARKET

2023 KEY INITIATIVES

- Capture market share through robust product portfolio marketing within focused TA.
- Focus on first-to-market generics.
- Strengthening the in-licensing business.
- Marketing our products through evidence-based branding.

2023 ACHIEVEMENTS

- **Launched 11 new products** including Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril and Omeprazole inj.
- **Conducted more than 150** engagements via symposiums, seminars and conferences.
- **Sales in private sector** increased from RM164.3 million (2022) to **RM172.1 million in 2023**, a rise of 4.7%.

2024 PRIORITIES

- Early launches to drive growth of focus therapeutic areas including cardiovascular, diabetes, pain management and respiratory (8 products targeted for approved registration in 2024).
- Focus on marketing through science and data.
- Penetration into the private hospitals chain.
- Expand in-licensing business through strategic partnership.

IMPACT

Material Matters

M1 Business Continuity

M2 Technology & Innovation

M4 Sustainable Products & Services

Capitals

F M I

Stakeholders

REINVENTING INDONESIA BUSINESS

2023 KEY INITIATIVES

- Expand L&D coverage through branch expansion.
- Product positioning of PTE to penetrate different market segments.
- Transfer products from Malaysia.

2023 ACHIEVEMENTS

- **Branch expansion in two locations** i.e. Mataram (West Nusa Tenggara) and Purwakarta (West Java) was completed in Q4 2023.
- **Signed up partnerships with new principals** to diversify product range, i.e. cosmetics, consumer goods, etc.
- Successfully **launched an All-In-One pharmacy management system (OLIN)**.
- **High level engagement with healthcare professionals** through clinic projects and coverage of general practitioners doctors **to market in-house products**.

2024 PRIORITIES

- Strengthen the commercial team in Indonesia to boost sales and marketing of in-house products, particularly high-margin branded generics.
- Transfer and register more products from Malaysia to Indonesia through in-house technology transfer.
- Continuous improvements in operations to enhance cost optimisation efforts.
- Expansion of two more branches in 2024 to acquire more principals and cover a larger footprint.

IMPACT

Material Matters

- M1 Business Continuity
- M2 Technology & Innovation
- M3 Customer Satisfaction
- M4 Sustainable Products & Services

Capitals

F M H

Stakeholders

MANUFACTURING

World-class Halal-compliant Manufacturing Facilities

WHAT WE DO

Our Manufacturing Division is integral to Pharmaniaga's mission to deliver quality products and superior services as the preferred pharmaceutical brand in Malaysia and the region. Producing a diverse range of pharmaceuticals and biopharmaceuticals, our facilities include four advanced manufacturing plants spread across Malaysia and one in Indonesia, with capacity and technology to produce a range of dosage forms from tablets, capsules and powders to liquids, creams and small-volume injections.

- Pharmaniaga Manufacturing Bhd (PMB), Bangi, Selangor
- Pharmaniaga LifeScience Sdn Bhd (PLS), Puchong, Selangor
- Idaman Pharma Manufacturing Sdn Bhd, Sungai Petani (IPMSB SP), Kedah
- Idaman Pharma Manufacturing Sdn Bhd, Seri Iskandar (IPMSB SI), Perak
- PT Errita Pharma (Errita), Bandung, Indonesia

The manufacturing plants under the Division are compliant with international Good Manufacturing Practice (GMP) and quality standards. This includes adherence to Pharmaceutical Inspection Co-operation Scheme (PIC/S) GMP certified by the National Pharmaceutical Regulatory Agency (NPRA) for our facilities in Malaysia. Our plant at Indonesia is also compliant with the PIC/S GMP issued by Badan Pengawas Obat dan Makanan (BPOM), Indonesia. Additionally, Pharmaniaga LifeScience is also certified by EU GMP (Infarmed, Portugal).

In line with the Group's focus on resilience and resurgence, we are expanding our biopharmaceutical capabilities to include pre-filled syringe (PFS) and cartridge dosage forms as well as developing expertise for the manufacture of vaccines, insulin and biosimilars. This strategic initiative will help establish Pharmaniaga as a regional biopharmaceutical player, while developing alternate streams of income to support financial performance.

BUSINESS ENVIRONMENT

Malaysia in the endemic phase saw a steady recovery for the pharmaceutical industry, with increased spending in the private sector for originator drugs driven by stable household income, rising health awareness and faster-than-projected population ageing. In addition, a robust recovery was seen in the medical tourism segment, with a pick-up in international patient visits drawn by Malaysia's regulated fee structure, cost-effective treatments and low language barriers.

Coupled with renewed interest in healthcare post-pandemic, a growth trajectory is projected for pharmaceuticals overall, with Malaysia outpacing global trends. This comes despite bottom line challenges associated with current external reference pricing (ERP) measures, which benchmark local prices against equivalent products in markets overseas.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Accelerating business growth	• Expanded product portfolio • Expansion of the international business segment • Expanded manufacturing capabilities	• 8 new product registrations have been submitted to NPRA for evaluation • Commissioning of new PFS line at PLS
Sustaining and increasing profitability	• Increased capacity to support growth in Government and private market • Reduced cost of goods sold (COGS) via Lean Manufacturing • Achieved competitive pricing for raw materials and packaging materials	• New liquid filling line at IPMSB SP & PMB • Awarded 20 additional products under APPL scheme • Reduction of COGS for top products • Completed pilot e-labelling initiative to reduce usage of physical product information leaflets

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Continuous improvement and operational excellence	• Improved efficiency and cost optimisation • Pharma 4.0 • Accelerated sustainability programme	• Line efficiency improvement resulting in enhanced operational equipment effectiveness (OEE) • Implementation of online paperless solutions such e-SOP, e-Gate Pass, E-Attendance, Power BI & Qlik Sense dashboards and online OEE monitoring for packing lines • Energy consumption savings for Malaysian plants

KEY ACHIEVEMENTS

New liquid filling line at
IPMSB SP & PMB

Line efficiency improvement resulting in
20%
enhanced OEE from baseline

Reduction of
8.5%
on average for COGS for top products

Implementation of cost containment measures throughout the Manufacturing Division amounting to
RM4.1 million

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Increase in price of raw materials from overseas due to depreciation of ringgit	• Sourced alternate suppliers who can provide goods with equivalent quality at cheaper price • Prioritised local sourcing	• More than 10 new suppliers identified, locally and internationally
Entry of new manufacturers resulting in shrinking market share	• Ventured into manufacturing of vaccines, insulin and biosimilar products	• Completion of vaccine and insulin manufacturing facilities

OUTLOOK

We believe that mid-term and long-term prospects for Pharmaniaga's core manufacturing business remain buoyant, despite global headwinds from geopolitical tensions, ERP pressures on margins closer to home, and the Group's current financial situation.

Aside from macroeconomic factors such as rising affluence, renewed healthcare spending and inelastic demand trends in the industry, the launch of Malaysia's New Industrial Master Plan 2030 is set to promote the integration of value chains towards enhanced local production of biologics such as vaccines, insulin and biosimilars among others.

Our Manufacturing Division is well-positioned to benefit from this national drive to explore synergies between complementary sectors, given Pharmaniaga's presence across the pharmaceutical value chain as well as its strategic investments into the onshoring of vaccines, insulin and biosimilars production over the years.

The Division will continue its cost optimisation and value engineering initiatives, building on improvements in OEE, COGS and overall energy savings in 2023. These complemented a productive year for the Division, with 20 additional new products in the Approved Product Purchase List (APPL) range, seven products certified halal by Department of Islamic Development Malaysia (JAKIM), and three pharmaceutical products commercialised – Xynoz, Levozal and SKYVaricella.

Cognisant of slower growth for generic drugs as well as uptake challenges due to brand loyalty, we adopt a market-driven approach. Products will be developed, registered and manufactured based on demand, taking into account requests from government, private, international and contract manufacturing sources.

Looking ahead, we will continue upholding Pharmaniaga's commitment to delivering quality products and superior services at competitive price points for our customers.

LOGISTICS AND DISTRIBUTION

Extensive Logistics and Distribution Network across Malaysia

WHAT WE DO

Building on a track record of more than 29 years in supply chain solutions, our Logistics & Distribution Division specialises in the distribution of pharmaceutical and healthcare products to public and private hospitals, clinics and healthcare facilities.

Established to ensure a seamless flow of critical medical supplies to the nation, it has evolved into a trusted partner for healthcare providers, pharmaceutical manufacturers, and other stakeholders in the healthcare ecosystem.

The Division manages the sale, marketing and distribution of Pharmaniaga's product portfolio, ranging from pharmaceuticals, medical devices and dental products, to Government and private healthcare establishments.

BUSINESS ENVIRONMENT

Tasked by the Ministry of Health (MOH) with the procurement, storage, supply and delivery of medical and healthcare products to MOH-operated healthcare facilities via our subsidiary Pharmaniaga Logistics Sdn Bhd, our concession agreement with MOH was renewed for seven years, retrospectively effective from July 2023.The agreement was signed on 3 January 2024.

Recognising the need to grow capacity in line with rising business volume, we aggressively grew our warehouse capacity, increasing storage in our central distribution centre for the private market. As part of our concession renewal with MOH, we are also planning to launch satellite distribution centres in strategic locations across Malaysia, covering Northern and East Coast Peninsular Malaysia, as well as East Sabah and East Sarawak. These initiatives will facilitate the growth of Pharmaniaga's concession and private business activities in the mid-term.

While driving our business forward, we implemented value engineering strategies, including cost analysis and supply chain optimisation in order to enhance resilience and navigate short-term financing gaps. The resulting cost reduction in selling and distribution expenses contributed to the Division's continuing profitability in 2023.

CONCESSION

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Securing renewal of MOH concession	• Articulated performance track record and capabilities	• Achieved 98.75% compliance with MOH performance standards for provision of medicine and medical supplies • Scored 4.50 on customer satisfaction survey for the Division
Growing private market presence	• Penetrated private healthcare market to develop trust in our Non-Concession capabilities	• Promoted our Warehouse & Distribution (W&D) services to potential principals by leveraging our comprehensive logistics network & satellite DCs • Secured 4 principals
Enhancing operational efficiencies	• Promoted and extended ongoing collaborations with academia/ research bodies to improve our business processes	• Undertook Phase 2 of algorithm development for product auto sampling based on text recognition, image matching for sampling exercise, object-oriented programming (OOP) sample submission and tender sample exercise • Collaborated with UTM KL to develop a supply chain management system with artificial intelligence (AI) for predictive stock forecasting, stock holding and pallet capacity planning
Accelerating Fourth Industrial Revolution (4IR) technology innovation and automation	• Implemented Robotic Processing Automation (RPA) as an Internet of Things initiative	• Deployed autoboots in data integration of product activation/deactivation codes in ePerolehan
	• Implemented operational dashboards on cloud network	• Developed more operational dashboards as tools to monitor performance and efficiency using Power BI

KEY ACHIEVEMENTS

Recorded **RM1.58 billion** Concession sales

Attained **98.75%** compliance with MOH performance standards

Achieved **RM254.1 million** in-house products contribution to concession sales

Expanded central distribution centre for the private market with capacity up to **4,395** pallets

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Impact of current financial situation on infrastructure investment and system upgrades	• Initiated a comprehensive cost-cutting initiatives, identified areas of excess to free up capital	• Cost reduction on Selling & Distribution (S&D) of RM2.4 million for the Division
Pressure from upfront investments on short-term profitability	• Conducted a detailed cost analysis to identify areas where cost reductions can be achieved without compromising service quality	

NON-CONCESSION

Our Sales & Marketing activities are focused on Pharmaniaga's generic pharmaceuticals, dental products and medical devices either in local government and private sector markets for Pharmaniaga.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Expanding and growing generic pharmaceutical portfolio in focused therapy ranges, namely cardiovascular, diabetes, anti-infectives, pain management and respiratory products	• Launched new products in focused therapeutic categories to grow business portfolio	• Positioned market-leading brands in all five focused therapeutic categories • Rabirox, a pain management product, captured over 30% market share within two years of launch
Expanding into new business areas with vaccines, insulin and ophthalmological products	• Engaged key opinion leaders for new business growth areas	• Attained market penetration of over 500 paediatric specialists with Pneumosil, our first private market vaccine
Expanding product portfolio with new launches	• Accelerated business development with new product introductions and launches	• Launched new products such as Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril and Omeprazole inj
Developing integrated marketing channels and digital platforms	• Undertook digitalisation and automation initiatives • Deepened customer engagement and relationships • Introduced value added service and products, such as educational and loyalty platforms	• Conducted more than 150 engagements such as symposiums, seminars and conferences

KEY ACHIEVEMENTS

Recorded sales at
RM773 million

Achieved operating profit of
RM12.2 million
through growth in the private market and higher product margin

Attained market penetration of over
500 paediatric specialists with Pneumosil, the Group's first private market vaccine

Launched numerous products such as Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril and Omeprazole inj

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Fewer new launches developed in-house	• Launched new products in key areas such as vaccines and cardiovascular, diabetes and pain management products	• Visible growth recorded in key therapy areas
Capabilities in digitalisation and automation tool	• Arranged sales force effectiveness (SFE) training sessions to enhance digitalisation and automation tool expertise	• Completed SFE training to prepare for the incoming automation tool
Financial challenges due to current financial situation	• Negotiated for extended temporary credit period from key suppliers • Increased effort to sell existing stocks • Minimised operating expenditure by reducing big campaigns activity	• Increased sales and profits in private and Non-concession business

OUTLOOK

The renewal of our concession with MOH for seven years is a testament to Pharmaniaga's commitment to delivering quality products, services and value to our customers, partners and stakeholders. Moving forward, we seek to further grow our non-concession business by leveraging on our warehouse and distribution network as well as strategic partnerships, to uphold our role in building a healthy nation.

Looking ahead, we believe in the potential applications of artificial intelligence (AI) and machine learning in demand and stock forecasting, as well as storage and capacity planning, towards enhancing operational efficiency and optimising supply chains. We continue to foster collaborations with academic and research institutes in developing these capabilities, ensuring the Group's resilience and future growth.

The Group's expansion into the private sector continues apace with encouraging take-up of our vaccine, insulin and blood products for the private market. We will capitalise this momentum with new vaccine launches and products in our focus therapy areas, especially on penetrating private hospital chains through science and data mining marketing.

INDONESIA OPERATIONS

Strong Presence with 35 Distribution and Logistics Branches, and General and Penicillin Pharmaceutical Plants

WHAT WE DO

Pharmaniaga's foothold in the Indonesia market is spearheaded by the Group's subsidiaries: PT Errita Pharma (Errita), comprising our manufacturing operations in Bandung; and PT Millennium Pharmacon International Tbk (MPI), tasked with sale and distribution activities in Indonesia. Established in 1973, Errita produces over 60 generic pharmaceuticals as well as over-the-counter (OTC) products, in compliance with Good Manufacturing Practices (CPOB), ISO 9001:2015 and ISO 14001:2015 standards.

MPI is a public listed company on the Indonesia Stock Exchange with 35 distribution and logistics branches nationwide. It serves over 30 principals across Indonesia, including Errita, providing more than 4,150 different products to over 25,000 customers nationwide. MPI specialises in the sale and distribution of ethical drugs, OTC products, medical devices and health-related consumer goods.

BUSINESS ENVIRONMENT

As the largest pharmaceutical market in Southeast Asia, Indonesia remains a key focus for Pharmaniaga. Key growth factors include a growing middle class and increasing health awareness, as well as improving access to healthcare driven by infrastructure investments and prevalent digital e-commerce platforms.

Specific challenges include significant market fragmentation, with more than 2,400 distribution players and over 200 pharmaceutical manufacturing companies. In expanding our operations, we favoured an aggressive growth strategy, with high engagement of healthcare professionals to market in-house products, coupled with product portfolio and warehouse expansion as well as digitalisation initiatives. This saw the onboarding of new principals and healthy financial performance in 2023, including a 5% increase in revenue for our Logistics & Distribution operations.

BUSINESS PERFORMANCE REVIEW

Manufacturing

Key Priorities	Key Initiatives	Achievements
Establishing standing as a leading generic brand pharmaceutical manufacturer	• Built credibility with regulatory authorities and consumers	• Received Nomor Ijin Edar (NIE) for five products from Badan Pengawasan Obat dan Makanan (BPOM)
Driving business growth and growing market share across Indonesia	• Expanded product portfolio with the launch of three new products	• Achieved sales of IDR 1.5 milyar for the three newly launched products despite disruption to syrup products supply

Logistics and Distribution

Key Priorities	Key Initiatives	Achievements
Enhancing sales reach	• Onboarded new principals	• Grew our revenue by 5%, despite stiff market competition
	• Expansion of new branches • Expanded warehouse capacity at several branches	• Two new branches completed, in Purwakarta and Mataram • Increased availability of products at branches in Banda Aceh, Palembang, Samarinda, Tasikmalaya, Purwokerto and Surabaya
Improving operational efficiency	• Enhanced sale and distribution processes with integrated digital platform	• Launched All-In-One pharmacy management system called OLIN
	• Stock optimisation exercise	• Maintained stock-holding below 60 days

KEY ACHIEVEMENTS

Errita **launched three products** and **received NIE** for five products by BPOM

MPI grew its revenue by **5%** despite stiff competition, driven by the onboarding of new principals/suppliers with potential revenue contribution of IDR150 milyar annually

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Fixed and low distribution margins	• Held continuous discussions with existing principals/suppliers • Practised selectivity when collaborating with new principals/suppliers	• Reached agreements with selected principals/suppliers
Stiff market competition	• Closely managed discounts distributed to customers	• Achieved win-win resolutions between MPI and selected customers
Mandatory annual increase in Regional Minimum Salary (UMP) up to 7%	• Engaged in cost reduction initiatives and business operational efficiency enhancement	• Maintained manageable and controllable operating expenditure (OPEX) in line with increase in sales volume
Sales and marketing capabilities	• Established stronger marketing team	• 20 new medical representatives appointed to bolster the sales and marketing team

OUTLOOK

Indonesia remains a key priority for the Group moving forward, with stable growth projections for the market buoyed by rising private spending and fixed investment. Demand for our product portfolio is expected to remain strong in 2024, driven by affluent middle class and improving accessibility to healthcare and pharmaceuticals, including the country's national health insurance system as well as online platforms.

We aim to build on the robust momentum of our Indonesia operations, as seen in their healthy financial performance in 2023, with a continued growth strategy. These include the establishment of a marketing team, the registration of products from Malaysia through knowledge transfer, ongoing cost optimisation as well as branch expansion.

Errita's launch of three new products and NIE issuance for five products in 2023 set an encouraging precedent for future product development, with strengthening compliance fostering a sense of trust with both consumers and regulatory authorities. The expansion of MPI's principal base marks a new chapter for the company, further expanding its product portfolio and positioning the Group to meet the evolving needs of the country's huge and diverse customer base.