pharmaniaga®

(A member of Boustead Group)

Our Ref : PHARMA/SD/PB/MSWG/2025/016/FWM
Date : 17 June 2025

Minority Shareholders Watch Group
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur.

**(Attn : Dr. Ismet Yusoff, Chief Executive Officer)**

**27th ANNUAL GENERAL MEETING (AGM) OF PHARMANIAGA BERHAD (Pharmaniaga) TO BE HELD ON WEDNESDAY, 18 JUNE 2025**

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We thank you for your letter which was received via email on 9 June 2025. Our response to your enquiries are set out below:

**A. Operational & Financial Matters**

1. The Regularisation Plan (RP) is targeted for completion by Quarter 2 of 2025 and exiting PN17 status by Quarter 1 of 2026 following two consecutive profitable quarters for the Group. (Source: Page 27 of Integrated Report (IR) 2024).

   The company auditors issued a going concern regarding Pharmaniaga's financial stability, particularly the significant capital deficiency and current liabilities exceeding current assets by RM748.8 million as of 31 December 2024 (Source: Page 227 of Integrated Report (IR) 2024).

   Additionally, we note that Bursa Securities on 22 May 2025 granted the Company a 3-month extension up to 29 August 2025, to implement the Regularisation Plan.

a. What is the progress of the Regularisation Plan to date, and how confident is the Board in meeting the financial and regulatory requirements needed to facilitate the Group's exit from PN17 status by Q1 2026?

   **Our response:**
   As at to date, the Group has made significant headway in implementing its Regularisation Plan ("RP"), which remains on track for completion by Quarter 3 2025, in line with the recent approval granted by Bursa Securities on 22 May 2025 for a three-month extension until 29 August 2025. The Group is in the final stages of completing the private placement exercise and other key components of the RP.

   The Board is committed to ensuring that all required corporate proposals under the RP are executed in a timely manner and in full compliance with regulatory requirements. The RP is designed to address the Group's capital deficiency and liquidity.

The Group has also undertaken operational improvements and cost optimisation initiatives aimed at restoring profitability. Subject to the successful completion of the RP and the achievement of two consecutive profitable quarters, the Board remains cautiously confident of meeting the financial and regulatory conditions necessary to facilitate the Group's exit from PN17 status by Quarter 1 of 2026.

The Board, together with Management, will continue to closely monitor the execution of the RP and maintain transparent communication with all stakeholders on material developments to ensure the Group's recovery objectives are achieved as planned.

b. Considering that RM190.1 million has been secured from LTAT and Boustead Holdings through letters of undertaking, how confident is the Board in raising the remaining capital from potential investors? Are these specific timelines in place to ensure these arrangements are completed before the deadline?

**Our response:**
The Group has successfully secured commitments amounting to RM190.1 million from Lembaga Tabung Angkatan Tentera (LTAT) and Boustead Holdings Berhad via letters of undertaking, demonstrating strong shareholder support and confidence in the Group's recovery prospects.

In respect of the remaining capital to be raised from potential investors through the private placement exercise, the Board remains confident based on positive feedback received during preliminary engagements with prospective institutional and strategic investors. The Board views this as a critical component of the Regularisation Plan and has prioritised its timely execution.

Clear timelines have been established to ensure that the necessary fundraising activities are completed within the extension period granted by Bursa Securities, i.e. by 29 August 2025. The Group is currently in advanced stages of finalising the terms of the private placement and expects to launch and complete the exercise within the stipulated timeframe.

The Board is therefore confident that the remaining capital required will be secured as planned, enabling the Group to fulfil its obligations under the Regularisation Plan and facilitate its intended exit from PN17 status by Q1 2026.

c. As the exit from PN17 status requires two consecutive profitable quarters, what are the Group's financial targets for the coming quarters through Q1 2026, particularly in terms of revenue, margins and debt management? How do these projections support the PN17 regularisation plan and what risk mitigation measures are in place?

**Our response:**
To support the Group's exit from PN17 status, the Board and Management have set clear financial targets aimed at ensuring sustainable profitability over the coming quarters through Q1 2026. The Group is targeting consistent revenue growth and profit margins over the coming quarters, driven by operational efficiencies, cost rationalisation initiatives, and ongoing stock optimisation exercises.

**Revenue and Margin Targets**
The Group is targeting stable revenue growth driven by its core pharmaceutical business, supported by new contract wins, enhanced product offerings, and strategic market expansion. Efforts are also being made to optimise operational efficiency, reduce production costs, and improve supply chain management to preserve and potentially enhance gross profit margins.

**Debt and Capital Management**
As part of the Regularisation Plan, the Group is implementing capital raising exercises such as the private placement to reduce gearing levels and improve liquidity. The objective is to gradually reduce the Group's net debt position and improve the current ratio to a sustainable level.

**Risk Mitigation Measures**:
Recognising the inherent risks in the execution of the RP and market uncertainties, the Board has instituted several mitigation measures, including:

- Strengthening cost control and operational efficiency;
- Engaging proactively with financial institutions and investors to secure funding support;
- Closely monitoring market and regulatory developments that may impact the Group's performance;
- Ensuring strong governance and risk management practices across all business units.

The Board remains vigilant of the potential challenges ahead and is committed to taking necessary actions to safeguard the Group's financial stability and to ensure successful implementation of the Regularisation Plan within the targeted timeframe.

2. The expansion into biopharmaceuticals is further supported by the securing of a grant from the National Institutes of Biotechnology Malaysia under the Ministry of Science, Technology, and Innovation (MOSTI) for the development of pneumococcal conjugated (PCV13) and hexavalent vaccines. (Source: Page 22 of Integrated Report (IR) 2024).

a. Could the Group explain how the MOSTI grant contributes to Pharmaniaga's strategic priorities in biopharmaceuticals, specifically for PCV13 and hexavalent vaccine development?

**Our response:**
The MOSTI grant plays a significant role in advancing Pharmaniaga's strategic priorities in the biopharmaceutical sector, particularly in the development of our PCV13 and hexavalent vaccines. The funding supports the formulation, research, clinical and manufacturing activities to facilitate the execution of the following high impact Research & Development (R&D) projects under the Dana Penyelidikan dan Pembangunan Vaksin Negara (DPVN) scheme:

- Hexavalent Vaccine Development Containing Novel Acellular Pertussis & Inactivated Polio Antigens Project; and
- Development and Technology Transfer for Malaysia's First Pneumococcal Conjugated Vaccine Project.

These projects are central to our mission of enhancing national vaccine security and strengthening Malaysia's capabilities in biopharmaceutical innovation.

b. How does the production of PCV13 and hexavalent vaccines at the Puchong facility contribute to the Group's overall revenue projections for the upcoming five years?

**Our response:**
The production of PCV13 and hexavalent vaccines at our Puchong facility is expected to serve as a significant revenue driver for the Group in the medium to long term. These vaccines rank among the most in-demand globally, with PCV13 specifically addressing pneumococcal infections—a leading cause of morbidity and mortality among children and the elderly.

Upon commencement of commercial production, the Group anticipates robust revenue streams from:

- Public sector channels, including government tenders and National Immunisation Programmes (NIP); and
- Private market sales, driven by increasing awareness and demand for both paediatric and adult immunisations.

Over a five-year horizon, the production of PCV13 and hexavalent vaccines is projected to contribute approximately RM80 million annually to the Group's total revenue, with expected gross margins in the range of 30–35%.

c. Given the challenging conditions of the biopharmaceutical sector, what strategies does the Group have to position its PCV13 and hexavalent vaccines in the market?

**Our response:**
Pharmaniaga is strategically positioning itself as the first local manufacturer of both PCV13 and Hexavalent vaccines — a move that is aligned with national priorities for healthcare resilience and localisation.

Currently, the Hexavalent vaccine market in Malaysia is valued at approximately RM150 million annually, dominated by only two multinational players: GlaxoSmithKline and Sanofi-Pasteur. The PCV13 market stands at around RM50 million per year, with three key players: GlaxoSmithKline, Pfizer Biotech, and Merck Sharp & Dohme. Both vaccines are critical components of the National Immunisation Programme, where the government segment remains the primary procurer.

Pharmaniaga's localisation strategy offers several strategic advantages:

1) Priority in Government Procurement
   As a local manufacturer, Pharmaniaga is better positioned to compete under the Approved Products Purchase List (APPL), which governs the government's 3-year tender procurement cycles. This increases our opportunity to secure long-term contracts.
2) National Support for Localisation
   Recognising the strategic importance of local vaccine manufacturing, the government has extended support through development grants, reinforcing our role in strengthening national vaccine supply security.
3) Cost-Effective and Resilient Supply Chain
   Local manufacturing reduces dependency on imports, mitigates foreign exchange risks, and ensures more agile response to public health needs.

Despite the global challenges in the biopharma sector, Pharmaniaga is confident that our first-mover advantage, strong government alignment, and commitment to high-quality local production will enable us to establish a competitive and sustainable presence in the vaccine market.

3. The private sector business has seen exciting developments, as the registration of 19 new products with the NPRA and launch of Lyzorca at the Malaysian Medical Association (MMA) Congress 2024 will result in new streams of revenue in FY2025. (Source: Page 23 of Integrated Report (IR) 2024).

a. To what extent is the Group confident that the 19 newly registered products and Lyzorca will contribute to diversifying revenue streams and reducing dependency on the public sector?

**Our response:**

These new products expand our portfolio across six focused therapeutic areas, enabling us to provide a more comprehensive offering aligned with Clinical Practice Guidelines (CPG). A broader portfolio enhances our ability to serve private general practitioners, retail pharmacies, and hospitals, supporting market penetration beyond government tenders.

In addition, a larger and more diverse product base enables us to:

- Optimise our manufacturing plant utilisation, improving overall production efficiency and unit cost competitiveness;
- Leverage synergies in sales, marketing, and distribution, which will improve margins in the private segment; and
- Position ourselves as a reliable, high-quality generic player as an alternative to expensive originators, especially as cost pressures mount in the private healthcare sector.

The new launches reflect our strategic shift towards margin-accretive products in the private sector, laying the foundation for long-term sustainability and reduced public-sector dependence. Going forward, we will continue building on this momentum with an aggressive pipeline, targeting new product registrations and private sector penetration to further accelerate revenue diversification.

b. If the projected revenue from these offerings is not achieved, what contingency plans does the Group have in place to maintain its FY2025 financial stability?

**Our response:**
The registration of 19 new products with the NPRA and launch of Lyzorca at the Malaysian Medical Association (MMA) Congress 2024 is projected to contribute approximately 1.5% of the Group's total revenue in FY2025.

The Group is mindful of market uncertainties and has established multiple contingency measures to ensure financial resilience in the event the projected revenue from these offerings is not achieved:

1) Leveraging Government Tender Volume
As a leading generic player, we remain well-positioned to capture large-volume tenders from the Ministry of Health (MOH), teaching hospitals, institutional buyers, and other government-linked entities. These segments continue to offer stable, predictable revenue streams, even during slower private market growth.
2) Flexible Manufacturing & Portfolio Agility
Our manufacturing plants are designed to accommodate portfolio shifts, allowing us to pivot quickly based on product demand. This gives us the agility to scale up high-performing SKUs or reallocate capacity as needed.
3) Cost Discipline & Operational Efficiency
In parallel, we have strengthened our cost control initiatives — optimising raw material sourcing, improving plant utilisation, and reducing overheads to preserve margins and ensure bottom-line resilience.
4) Private Market Expansion & Export Market
We are actively expanding our footprint in the private sector through GP clinics, retail pharmacies, and hospitals, while also exploring strategic collaborations that can fast-track access to new and existing export markets.
5) Diversified Product Pipeline
Our pipeline includes a steady flow of new registrations, reducing reliance on any single product or segment. This broad-based approach provides downside protection and supports long-term growth.

Taken together, these proactive strategies give us confidence in maintaining financial stability, even if certain products underperform in the short term.

**B. Sustainability Matters**

1. "In line with the National Pharmaceutical Regulatory Agency's (NPRA) initiative, we have started rolling out e-labelling in 2023. The QR code will improve the accessibility of medical information, encourage better patient care management, and disseminate information in an eco-friendly manner". (Source: Page 82 of Integrated Report (IR) 2024).

a. As Pharmaniaga transitions to e-labelling, how is the Group ensuring that patients without access to digital platforms can still obtain essential product information? Will printed labels continue to be available for these individuals?

**Our response:**
Pharmaniaga is progressively adopting e-labelling in line with the NPRA Guideline on Electronic Labelling, issued in April 2023. This initiative currently applies only to scheduled poison products that are dispensed by healthcare professionals. Over-the counter (OTC) products are not included at this stage. With e-labelling, the Patient Information Leaflet (PIL) will no longer be printed out and placed inside the product packaging. Instead, product information can be accessed digitally through QR code on the packaging, which links to NPRA's QUEST3+ system.

However, upon request, Pharmaniaga will provide printed copies of the PIL. This dual-access approach is in full compliance with NPRA guidelines as it supports both digital advancement and patient inclusivity. Pharmaniaga remains committed to improving access to product information while supporting national efforts in digital transformation and sustainable practices.

b. What actions is the Group taking to increase the current e-labelling adoption rate beyond 53.84% in the near future?

**Our response:**
Pharmaniaga remains committed to supporting NPRA's e-labelling initiative. We have increased the number of e-labelling submissions from 13 products in 2023 to 78 products in 2024, with 42 products already commercially in use with new artwork, demonstrating our strong commitment to expanding adoption of e-labelling. Implementation is carefully managed based on existing inventory to avoid unnecessary disposal and wastage.

Despite operational constraints, we remain focused on progressively achieving 100% e-labelling adoption across all eligible products. To accelerate adoption, we are:

- Prioritising e-labelling for high-volume and new products;
- Engaging closely with regulatory bodies and suppliers to streamline updates; and
- Conducting regular inventory reviews to optimise transition timelines.

Should there be any further enquiries or clarification, please do not hesitate to contact our Puan Wan Intan Idura Wan Ismail (idura@pharmaniaga.com) or Encik Syaruzaimi Yusof (syaruzaimi@pharmaniaga.com) at 03-3342 9999 ext. 262.

Thank you.

Yours faithfully,
For and on behalf of,

**PHARMANIAGA BERHAD**

**ZULKIFLI JAFAR**
Managing Director