

Our Ref : PHARMA/SD/PB/MSWG/2026/016/FWM

Date : 18 May 2026

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)

**28TH ANNUAL GENERAL MEETING (AGM) OF PHARMANIAGA BERHAD (“Pharmaniaga”) TO BE HELD ON THURSDAY, 19 MAY 2026**

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We thank you for your letter which was received via email on 12 May 2026. Our response to your enquiries are set out below:

**A. OPERATIONAL AND FINANCIAL MATTERS**

1. In FY2025, the Group recorded improved financial performance, with revenue increasing to RM3.9 billion from RM3.8 billion in FY2024, representing an 8.1% year-on-year growth based on adjusted figures. This growth was primarily driven by stronger demand within the concession segment, supported by the expansion of the Approved Products Purchase List (“APPL”). (Source: Page 25 of Integrated Report 2025)

Order volumes from government hospitals rose by 9% in 2025 compared to the previous financial year, largely due to the continued expansion of the APPL which is expected to increase from approximately 850 to over 1200 products. This expansion has contributed to higher sales volumes and supported overall profitability. (Source: Pharmaniaga’s website, Pharmaniaga-Q4FY2025-Press-Release-v17.pdf).

The Group’s revenue growth appears to be largely driven by higher volumes, with significant reliance on the expansion of the APPL and increased orders from government hospitals, rather than improvements in pricing or margin enhancement. This raises concerns regarding the sustainability and quality of earnings, particularly if margin expansion does not keep pace with the growth in volumes.

- a. **Could the Board provide the percentage breakdown of revenue between high-margin products and low-margin concession-based products, including their respective margin contributions and explain how this revenue and margin mix has evolved over the past three financial years?**

**Our response:**

As a concession logistics and distribution service provider, revenue from concession segment is recognised on a pass-through basis, where the cost of goods sold (COGS)

represents procurement costs paid to suppliers, while the Group earns a fixed handling fee per Stock Keeping Unit (SKU) delivered to government hospitals. Accordingly, gross profit essentially reflects the fixed handling fee.

As such, the distinction between “high-margin” and “low-margin” products is not directly applicable to the concession logistics and distribution service provider, given that fixed handling fee under the concession arrangement.

At the same time, the Group’s manufacturing subsidiaries participate in APPL tenders and supply products to government hospitals under the concession segment. The Group’s in-house manufacturing contributes relatively higher margins and is a key driver of overall profitability, as these products are not subject to the same fixed-fee concession structure and therefore provide a greater value-added contribution to the Group’s earnings mix.

Over the past three financial years, the Group’s margin mix has progressively shifted towards higher-margin in-house manufactured products, supported by continued participation in APPL tenders and operational optimisation initiatives. As a result, the Group’s margin from in-house manufactured products has increased from an average of 20% to above 30% in FY2025.

- b. What is the average lifecycle of products included in the APPL that contributed to FY2025 revenue growth, in terms of their duration on the list, volume sustainability and margin profile? Further, how does the Group assess the product displacement or price revisions from the APPL over time?**

**Our response:**

Products listed under the APPL generally follow a 3-year supply cycle, subject to Ministry of Health (MOH) procurement requirements, demand patterns and periodic reviews. Once listed, products typically continue into subsequent cycles, aligned with Clinical Practice Guidelines (CPG) classifications and government demand.

In terms of volume sustainability, demand is generally driven by government budget allocation. From a margin perspective, as a concession logistics and distribution service provider, the Group earns a fixed handling fee per SKU delivered to government hospitals.

Any product displacement or price revisions within the APPL are communicated by the MOH through official updates, tender documentation, and procurement notices.

- c. **Given that growth is largely driven by APPL expansion and concession demand, how dependent is the Group's profitability on continued list expansion and what measures are in place to sustain margins if such growth slows?**

**Our response:**

The expansion of APPL remains an important revenue growth driver for the Group. However, the Group's profitability is mainly derived from its manufacturing segment, as the APPL concession business only earns a fixed handling fee per SKU delivered to government hospitals.

Management's strategic focus is increasingly directed towards diversifying revenue streams and enhancing margin resilience through:

- increasing contributions from in-house manufactured products,
- growing the biopharmaceutical segment,
- strengthening higher-margin specialty offerings, and
- improving operational efficiencies across the Group.

2. **The Manufacturing Division recorded an EBITDA of RM88.0 million, an increase from RM53.4 million in the previous year. This improvement was primarily driven by stronger demand for in-house manufactured products. In contrast, the Logistics and Distribution Division reported a decline in EBITDA to RM48.1 million from RM70.4 million in the prior year. The decrease was attributed to lower contributions from the private sector and higher logistics costs arising from new product awards in East Malaysia. Meanwhile, the Indonesian Division also saw lower contributions mainly due to foreign exchange impacts. (Source: By theedgemalaysia.com dated 23 Feb 2026, Pharmaniaga 4Q profit triples on lower costs and taxes, FY2025 earnings more than halve).**

- a. **Is the lower performance in the private sector due to fewer customers or reduced ordering frequency, and what is the trend in order volumes compared to the previous year?**

**Our response:**

The lower performance in the private sector was mainly attributable to reduced order volumes in selected therapeutic segments, coupled with increased market pricing pressure. The number of active customers remained relatively stable during the period, indicating that the decline was primarily driven by softer purchasing patterns rather than a reduction in the customer base.

- b. **To what extent has foreign exchange volatility reduced the Indonesian Division's EBITDA contribution, and how much of the decline is solely due to currency conversion impacts rather than operational results?**

**Our response:**

The Indonesia Division recorded an EBITDA of RM34.2 million in FY2025 compared to RM35.8 million in FY2024. The decline was solely attributable to foreign currency translation impact, rather than underlying operational performance.

In local currency terms, the Division's EBITDA increased to IDR129.1 billion in FY2025 from IDR122.0 billion in FY2024, representing a growth of 5.8%. This reflects an improvement in the Division's operational performance on a year-on-year basis.

- 3. Recent industry reports highlight increasing global drug prices, persistent supply chain disruptions, and rising active pharmaceutical ingredient ("API") cost inflation, all contributing to pressure in domestic procurement systems. In this context, Pharmaniaga Berhad, as a key government concessionaire and distributor in Malaysia's public healthcare supply chain, remains significantly exposed due to fixed-price contracts and dependence on government procurement. This raise concerns over the Group's ability to maintain long-term financial stability. (Source: By Business Today Editorial dated 13 April 2026, Surging Drug Prices And Prolonged Disruption Threaten Domestic Supply Stability, MBSB).**

- a. Given the significant increase in API and logistic costs, how sustainable is the Group's model under the APPL framework, and what percentage of the Group's product portfolio is currently not subject to price adjustments despite ongoing cost inflation?**

**Our response:**

There is no significant increase in logistics costs at present, as fuel prices continue to be subsidised for logistics companies, while the increase in API costs is also not significant at this juncture.

The Group's product portfolio is currently not subject to price adjustments, as product pricing remains fixed throughout each contract cycle, which typically spans three years.

The Group continues to closely monitor the impact of rising API and logistics costs under the APPL framework. Management continues to engage closely with APPL suppliers and maintains ongoing discussions with the MOH to provide updates on escalating logistics and raw material costs arising from geopolitical tensions and global supply chain disruptions.

- b. Which product categories in the Group's portfolio are most affected by raw material shortages, and do they relate to essential medicines or high-volume generics required by the Ministry of Health (MOH)?**

**Our response:**

There are no products in the Group's portfolio affected by raw material shortages.

- c. What is the estimated impact on the Group's EBITDA for every 10% rise in API and logistics cost under existing contract terms?**

**Our response:**

Every 10% increase in API costs is estimated to reduce the Group's EBITDA by approximately RM9 million, while a 10% increase in logistics costs would reduce EBITDA by approximately RM6 million per annum.

- 4. As disclosed in the Group's audited financial statements on investment in subsidiaries, the Group's cumulative investment in PT Errita Pharma is approximately RM104 million, comprising RM74 million recognised as of 31 December 2014, RM12 million as of 31 December 2016, and RM18 million recognised as of 31 December 2017 via PT MPI.**

In the Group's audited financial statements, significant impairments have been recorded in respect of PT Errita Pharma, including the full impairment of goodwill and its investment. These impairments reflect sustained weak performance and raise concerns over PT Errita's financial viability and ability to generate cash.

- a. Could the Board disclose the total cumulative amount of funds, loans, advances, guarantees, or other financial support provided to PT Errita Pharma since acquisition in 2014, whether directly by the Group or through its subsidiaries, as well as the outstanding balance as at the latest financial year end?**

**Our response:**

As at 31 December 2025, the Group has provided a total of RM7.9 million in advances to PT Errita Pharma since acquisition. The outstanding balance, including interest charged to PT Errita Pharma, amounted to RM9.5 million as 31 December 2025.

- b. Given the full impairment of goodwill and the impairment of investment in PT Errita Pharma recognised in the Group's audited accounts, together with recurring impairments as the subsidiary level, how does the Board assess PT Errita's ability to repay any outstanding loans or advances, and has Management evaluated whether these amounts remain recoverable or require further impairment?**

**Our response:**

Operationally, PT Errita Pharma recorded improvements in FY2025 following the resolution of prior regulatory-related matters and the commencement of new contract manufacturing activities.

The Board continues to closely monitor the performance of PT Errita Pharma and is currently evaluating strategic options for PT Errita Pharma.

- c. **Has the board capitalised, restructured, or converted any loans or advances to PT Errita Pharma into equity, or does it intend to do so? If so, how does the Board ensure that such actions do not lead to repeated impairments or further erosion of shareholder value, and what clear exit or turnaround timelines have been set to limit ongoing financial exposure?**

**Our response:**

There has been no capitalisation, restructuring, or conversion of loans or advances to PT Errita Pharma into equity to date.

Management is undertaking an ongoing strategic review of PT Errita Pharma. The Board remains committed to ensuring that any decisions are carefully evaluated to safeguard shareholder value and aligned with prudent financial and risk management principles.

**B. SUSTAINABILITY MATTERS**

1. **As disclosed on page 87 of the Sustainability Report 2025, we note that the Group's Employee Health and Safety Performance show mixed trends over the three-year period. While certain indicators improved in 2024, most key metrics including Frequency Rate and Accident Rate worsened in 2025.**

**The Group also recorded one (1) contractor accident case and three (3) cases of occupational ill health during the year, while no fatalities were reported for employees or contractors across the period.**

- a. **What specific operational or workforce-related factors contributed to this decline in safety performance in 2025, and how will the Board ensure these issues are effectively addressed going forward?**

**Our response:**

The decline in safety performance in 2025 was mainly due to increased operational activities and workforce movement across sites, as well as several occupational ill health cases due to inadequate early detection measures.

In response, the Group implemented various targeted interventions, including Safety, Health and Environment (SHE) Week initiatives, enhanced workplace inspections, refresher training, safety awareness programmes, and strengthened operational controls.

The Group also established a Group Safety, Health and Environment Meeting platform to facilitate the sharing of incident learnings and safety improvement initiatives across operational sites and divisions. In line with the Group's commitment to employee health

and well-being, mandatory health screenings were also implemented to support the early detection and prevention of potential health issues.

These efforts have shown positive improvements, with lower incident cases recorded in Quarter 4 FY2025 and no incidents reported across the Group as at Quarter 1 FY2026.

- b. **The report does not disclose the underlying causes of incidents recorded during the year, including the three (3) occupational illness cases.**

**Could the Board explain the main contributing factors identified, whether they are linked to workplace exposure risks and outline how it assesses the effectiveness of corrective actions and existing controls in preventing similar incidents from recurring?**

**Our response:**

The identified cases were mainly associated with workplace exposure and ergonomic-related factors arising from operational activities.

Following the investigations, the Group implemented the necessary corrective and preventive measures, including workplace exposure reviews, Hazard Identification, Risk Assessment and Determining Control (HIRADC), reinforcement of Personal Protective Equipment (PPE) compliance, employee awareness and refresher programmes, medical surveillance, and strengthened operational controls where relevant.

The Board and Management remain committed to continuously strengthening workplace health and safety practices to provide a safe and healthy working environment for employees, contractors, and other stakeholders across the Group.

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

Thank you.

Yours faithfully,

For and on behalf of,

**PHARMANIAGA BERHAD**

  
**DATUK ZULKIFLI JAFAR**  
Managing Director