

PRESS RELEASE
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**PHARMANIAGA CLARIFIES MISLEADING CLAIMS ON
EXCLUSIVE CONCESSION AND DOMINANT GRIP ON
HEALTHCARE SYSTEM IN MALAYSIA**

SHAH ALAM, 21 APRIL 2023 – We refer to the article entitled "Pharmaniaga Concession Renewal Decision Major Setback On Health Reforms" posted on CodeBlue's official website on 19 April 2023, and also published by several media organisations.

In the article, Galen Centre for Health & Social Policy Chief Executive Officer Azrul Mohd Khalib stated misleading claims towards Pharmaniaga as below:

- 1. "The government's practice of exclusive concessions which grant individual companies such as Pharmaniaga and other GLCs (government-linked companies), a dominant grip, and major influence over large portions of our healthcare system, including hospital services, has created an unhealthy over-dependence in the belief that these companies will be considered indispensable and become 'too big to fail'"***

The Government is not solely dependent on Pharmaniaga Berhad (Pharmaniaga) as all measures are taken to ensure a diversified supply chain to avoid overreliance on a single company.

Contrary to the claims, the Ministry of Health (MoH) spent approximately only 35% of its pharmaceutical spending via Pharmaniaga, with the Group's role limited to managing the logistics and distribution of the products, as well as holding the drug stockpile in the tune of RM400 million as of 31 December 2022.

The selection of suppliers, products and prices is determined by the MoH after concluding an open tender exercise.

We believe that making a blanket statement that a single company, such as Pharmaniaga, has a dominant grip and major influence over large portions of our healthcare system in Malaysia is baseless.

- 2. Azrul said the decision will send a signal to all pharmaceutical players that there is no point in building, investing, and growing its business here in Malaysia to compete for the provision of medicines under the concession arrangement, as Pharmaniaga has practically locked it up for another decade.***

This is a flawed argument because the supply for APPL products is a competitive tender-based system that allows any qualified suppliers to participate and win tenders. All winning tenders are decided by the MoH.

The concession given to Pharmaniaga is merely for the logistics and distribution of APPL products. Currently there are 729 APPL products, supplied by 96 companies that are selected via open tender.

- 3. “Despite being included into Bursa Malaysia’s Practice Note 17 classification of financially distressed companies, found by the Auditor General to have provided faulty ventilators to the Ministry of Health (MOH) during a public health emergency which threatened the lives of many, and problematic business decisions regarding COVID-19 vaccines costing more than half a billion ringgit which cost the former CEO his job, this decision is baffling, disappointing, and will be seen as rewarding the company regardless of its performance or the risk it represents. Will this be the approach whenever this GLC runs into financial trouble?”***

Faulty ventilators

In reference to the case of the faulty ventilators supplied during the pandemic as reported in the Auditor General's report 2021 (Series 2) published on 16 February 2023, the Group wishes to emphasise that the emergency procurement of the ventilators was in accordance with the instructions and guidelines set by the Government.

Due to the spike in the global demand for ventilators and the lockdown throughout the world during the pandemic, neither the Government nor any parties could inspect the ventilators at the handover site overseas before they were sent here. The selection of the vendors and the specifications of the machines were all made by the Government and Pharmaniaga’s role was merely facilitating the Government to purchase the machines without any other obligation and without imposing any additional charges.

Practice Note 17 Status

Supplies of COVID-19 vaccine is a one-off activity by Pharmaniaga to assist the Government in managing the pandemic. When the pandemic subsided, provision has to be made on the slow-moving COVID-19 vaccine stocks in the inventory which is in accordance with the Malaysia Financial Reporting Standards requirements and

Pharmaniaga's good governance practice. This has inevitably triggered the criteria of PN17 for the Group.

Despite being under PN17 status, Pharmaniaga's operations and services to the MoH health facilities continue to remain intact and uninterrupted. The Group's core businesses in logistics and distribution, private sector and Indonesian operations are also solid and in fact, continue to register encouraging business growth.

Concession Agreement

The concession has expired in December 2019 and it has been extended until June this year. During the period, Pharmaniaga has been negotiating with the MoH on the new concession agreement.

The Group is confident of its capabilities and expertise to carry out the responsibilities given by the Government to manage the logistics and distribution of medicines and medical supplies to the MoH's health facilities.

- 4. *"It will force companies like Pharmaniaga to improve and not take their business for granted. A renewal of a concession agreement lasting for a decade will unlikely have that effect," Azrul said.***

Pharmaniaga was selected for the concession based on its successful track record in meeting the MoH's stringent KPIs, achieving more than 98% score consistently. Heavy monetary penalties are imposed by MoH for any non-conformances.

To date, Pharmaniaga operates 15 pharma grade warehouses and distribution centres at strategic locations throughout the country, supported by a fleet of more than 300 vehicles. The warehouses keep approximately RM300-RM400 million worth of drugs and medical supplies at any time, acting as the national drug stockpile that provides continuous and adequate supplies of drugs to the country.

The Group has invested approximately more than RM600 millions over the years, in developing the whole logistics infrastructure that supports an extensive and efficient distribution network throughout the country. This includes the RM400 million Pharmacy Information System (PhIS), as well as substantial investments in human capital, digitalisation and ESG based activities which are part of the Group's continuous improvement initiatives to enhance operational efficiency.

As a Government Linked Company, the Group gives utmost importance and priority to the *rakyat*, supporting the Government in providing the best healthcare facilities and services for the *rakyat*.

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About Pharmaniaga Berhad

Pharmaniaga is the leading pharmaceutical company of Boustead Holdings Berhad Group of Companies, which together with the Armed Forces Fund Board, are the major shareholders of the Company. Listed on the Main Board of Bursa Malaysia, Pharmaniaga's core businesses are generic pharmaceuticals manufacturing; research and development; marketing and sales; warehousing and distribution of pharmaceutical and medical products; supply, trading and installation of medical and hospital equipment as well as community pharmacy. With a vision to be the premier Malaysian pharmaceutical company, Pharmaniaga is guided by its philosophy of 'Do It Right Always' and is empowered by its motto of Passion for Patients. Strengthened by nine manufacturing plants, nationwide logistics and distribution in Malaysia and Indonesia as well as products registered in 15 countries, Pharmaniaga Group is positioned to be a regional player in the international pharmaceutical arena. For more information, please log on to <https://pharmaniaga.com/>

Issued for Pharmaniaga Group by Corporate Communication Division, Pharmaniaga Berhad. For media enquiries, please contact Dato' Zuhri Iskandar Kamarzaman at 03-3342 9999 ext 434 or email zuhri@pharmaniaga.com