

*Hanoi, 09 April 2025*

**REPORT
ON SUMMARY OF WORK IN 2024 AND PLAN FOR 2025**

To: The General Meeting of Shareholders of Central Pharmaceutical CPC1.JSC

PART I. 2024 PERFORMANCE RESULTS

1. Situational characteristics

In 2024, Vietnam's economy took place in the context of the world economy gradually recovering, global trade was still unstable, facing many risks and uncertainties. Geopolitical instability and military conflicts caused fluctuations in gasoline prices, raw material prices, freight rates, prolonging transportation and delivery times, creating pressure on inflation, slowing growth.

Our country's economy achieved a growth rate of 7.09%, exceeding the set target of 6 - 6.5%, the production of goods and services maintained a stable growth direction, ensuring to meet the consumption needs of the people and exports. The State Bank has coordinated monetary policy tools, flexibly and appropriately managed exchange rates, stabilized the foreign exchange market, contributed to maintaining macroeconomic stability and controlling inflation. The Government continued to implement policies to reduce, extend, and postpone taxes, fees, and land rents to support businesses to overcome difficulties, stabilize and develop production.

After a bright year in 2023, the growth momentum of the pharmaceutical industry slowed down in the first 10 months of 2024, especially in the first and second quarters. According to the survey results of Vietnam Report, the revenue of many enterprises did not fluctuate too much compared to the same period in 2023, but the rate of enterprises with declining profits increased significantly (from 21.1% to 37.5%).

Changes in some legal documents have a major impact on pharmaceutical businesses, including CPC1: (1) Circular 08/2023/TT-BYT, effective from 14 April 2023, abolishes Circular 14/2020/TT-BYT regulating some contents in bidding for medical equipment at public medical facilities, leading to European goods as well as Indian and Chinese goods being able to bid in the same group for one item, so the winning bid price will be the lowest price. The Company's goods are mainly European goods that cannot compete with cheap goods from India or China. (2) The 2023 Law on Bidding takes effect from 1 January 2024, but hospitals cannot implement it immediately due to the lack of guiding documents. The new bidding law also does not mention that medical facilities are allowed to purchase an additional 20% if the bidding packages do not apply the "additional purchase option" right from the planning stage of contractor selection. Therefore, the signed contracts for additional purchase of 20% are not implemented, greatly affecting the sales results in 2024.

The Company's business results are largely influenced by the source of goods and bidding activities: (1) The company won the ARV negotiation package for 2 years 2023 - 2024, however, before the package ended in March 2024, the supplier did not supply enough goods, causing a decrease in sales and affecting the Company's responsibility to supply goods to treatment facilities. The Company did not continue to participate in bidding for the ARV package for the next 02 years because the low bid did not cover the

costs; (2) The national drug procurement packages ended in August 2024, so the revenue of the 4th quarter did not grow as strongly as usual every year. During the supply process, some items were interrupted because the manufacturer did not supply enough goods.

Competition in terms of goods sources and sales policies among enterprises is increasingly fierce. In this competition, enterprises that are not public or unlisted companies and small and medium-sized enterprises are gradually gaining more advantages over CPC1 due to flexible policies and low distribution costs. In addition, revenue from some of the Company's key products has decreased due to price competition with similar products in subgroup V.

In the first 06 months of 2024, foreign currency exchange rates increased by 3%-5% compared to the beginning of the year. The Company's business sources are mainly imported, accounting for nearly 70%, due to frequent transactions in foreign currencies such as USD, EUR, SGD, the fluctuating exchange rates have affected the Company's financial resources and business results.

2. Business results in 2024

Unit: Million VND

ITEM	Actual 2023 ¹	Plan 2024	Actual 2024	Actual 2024/ Actual 2023	Actual 2024/ Plan 2024
Revenue from goods sold and services rendered	2,158,359	2,250,000	2,025,737	93.86%	90.0%
Revenue deductions	-		-		
Net revenue	2,158,359	2,250,000	2,025,737	93.86%	90.0%
Cost of goods sold	1,815,765		1,714,611	94.43%	
Gross profit	342,594		311,126	90.81%	
Financial revenue	16,601		22,834	137.54%	
Financial expenses	57,545		41,445	72.02%	
In which: Interest expense	17,780		12,426	69.89%	
Selling expenses	130,825		131,079	100.19%	
Administration expenses	36,385		42,377	116.47%	
Net operating profit	134,440		119,059	88.56%	
Other profits	(3,183)		25,160		
Profit before tax	131,257	120,568	144,219	109.88%	119.62%
Current CIT expense	32,184		26,581		
Deferred CIT expense	(3,879)		3,879.17		
Profit after tax	102,953	96,454	113,759	110.50%	117.94%

Assessment:

- Net revenue in 2024 reached VND 2,025.7 billion, equivalent to 90% of the 2024 plan, decreased by 6.1% compared to 2023 (adjusted).

- Profit before tax reaching 144.2 billion VND, equivalent to 119.6% of the 2024 plan, increased by 9.9% compared to 2023 (adjusted).

¹ Restated figures according to the Financial Statements ended 31 December 2024 audited by Ernst & Young Vietnam Limited.

- Profit after tax: reaching 113.8 billion VND, equivalent to 117.9% of the 2024 plan, increased by 10.5% compared to 2023 (adjusted).

The Company's business situation in 2024 is more difficult than in 2023 according to the analysis of the influencing factors above. Revenue from some of the Company's key products decreased due to price competition with similar products in group V, imported goods were not on schedule, and there were some times in 2024 when there was a shortage of goods. Inventory at the end of the year increased due to imported goods being pushed back in the fourth quarter while the national drug procurement packages ended in August 2024, the source of revenue decreased, making it difficult for the Company to balance cash flow. Profit before tax and Profit after tax increased compared to 2023 because in 2024 the company received compensation from the insurance company for the shipment for which the company had set aside in 2023.

3. Results of performing key tasks

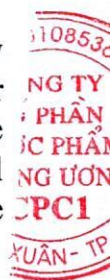
- **Expanded cooperation and exploiting and developing product sources:** In 2024, the company successfully negotiated and conducted centralized national drug bidding for 04 antibiotic products of 01 domestic manufacturing company for 02 years 2024-2026; Distributed 02 new products of foreign pharmaceutical companies. Continued to negotiate and work with 01 Korean company and 01 Japanese company to cooperate in product distribution in 2025.

- **Regarding finance:** (1) Managed receivables well, strictly implemented monthly debt reporting regulations, reconciled and collected debt reconciliation records; (2) For payables to suppliers, especially foreign partners, limited the risk of exchange rate increases, the Company regularly monitored the market, discussed with financial consultants to obtain information, forecast future exchange rate fluctuations and chose good exchange rates at the time of payment.

- **Ensured compliance:** (1) Reviewed and controlled transactions between the Company and related parties according to the provisions of law to ensure efficiency, no conflicts of interest and disadvantages for the company; (2) Participated in contributing opinions to draft changes to legal documents affecting the Company's operations such as: Draft amended Circulars of the Ministry of Health, and draft amendments and supplements to the Law on Pharmacy...; (3) Issued a set of model contracts applicable to units with key provisions ensuring compliance with legal regulations; (4) Organized dissemination, training, and participate in dissemination sessions of departments and branches to update new changes in legal documents, thereby proposing measures/solutions, issuing and amending internal regulations, rules, and procedures suitable for the Company's operations.

- **Regarding assets, facilities, machinery and equipment:** (1) Implemented the repair of the foundation of warehouse No. 1 of Ho Chi Minh Branch, scheduled to be completed in March 2025; relocated the electrical cabinet system of warehouse No. 2 as requested by the authorities to ensure fire and explosion prevention and additional camera installation at the warehouse; (2) Repaired some damaged items at the Headquarters warehouse after storm Yagi; (3) Renovated the Nghe An branch warehouse to ensure that it meets the requirements for distributing narcotic drugs, psychotropic drugs, and precursors; (4) Equiped and replaced computers for some units with the goal of upgrading to be compatible with new software... (5) Continued to adjust the legal entity for land use and register assets attached to land at address 356 - 356A Giai Phong Street.

- Officially deployed Oracle Netsuite software to replace BFO ERP software, the operational time from 1 January 2025 is slower than planned due to the complexity of the operations during the implementation process. In the coming time, the software will continue to be refined to be more complete.



- Disclosed information fully and promptly in accordance with regulations.
- In 2024, the Company continued to be honored in the list of Top 10 prestigious Vietnamese Pharmaceutical Companies - the distribution and trading industry of pharmaceuticals, equipment and medical supplies organized by Vietnam Report.

PART II. BUSINESS PLAN FOR 2025

1. Business plan targets for 2025

In 2025, some changes in state institutions, policies and legal documents will affect the company's operations: (1) The 2020 Law on Environmental Protection stipulates "Recycling responsibilities of organizations and individuals producing and importing", CPC1 must review and study to make annual payments to the Environmental Protection Fund; (2) Changes in the merger of state management agencies and administrative locations, therefore, the company needs to review and update, proactively carry out procedures for changing administrative management agencies in the fields of business locations, tax management... to avoid delays affecting business operations; (3) Changes in the US Government's aid policy: In early March 2025, the administration of US President Donald Trump announced the cancellation of most foreign aid contracts of the US Agency for International Development (USAID) and the decision to dissolve USAID seriously affected humanitarian programs around the world. It is necessary to assess the impact of this change on a number of contracts that have been signed and are being implemented at CPC1 to come up with a quick solution, minimizing damage to CPC1 due to objective impacts, specifically the Contract with Pepfar..., promoting the rapid resolution of outstanding issues.

Business operations face certain difficulties: (1) Competition from distribution enterprises is increasing and exchange rate pressure is affecting sales and profits, distribution fees tend to decrease, some partners stop distributing through CPC1; (2) Some of the Company's key products are out of stock or suppliers do not continue to produce, some have increased prices or price competition; (3) Revenue has decreased due to the end of large bid packages in 2024 and early 2025, creating huge pressure to compensate for revenue right from the beginning of the year, the newly won bid package at the end of 2024 can only partially compensate.

Some costs will increase in 2025 due to: (1) Changes and additions to the Board of Management; (2) Increase in land rent at 356, 356A Giai Phong due to the state increasing the unit price; (3) Costs of repairing the warehouse foundation of the Ho Chi Minh branch and repairing the warehouse and office in Hanoi; (4) Foreign currency exchange rates and interest expenses tend to increase compared to 2024; (5) Costs of implementing new ERP software and some other costs with increased unit prices such as electricity, water costs....

The Company and businesses are waiting for support from authorities on changes in policy mechanisms and more specific guidance documents when implementing the revised and supplemented Law on Pharmacy approved in November 2024, the Law on Bidding, along with the 2023 Law on Prices in a more appropriate direction.

Given the above situation, the Company has set a number of key business targets for 2025 as follows:

No.	Item	Unit	Actual 2024	Plan 2025	Comparing Plan 2025 with Actual 2024 (%)
1	Revenue	Million VND	2,025,737	2,87,551	108.0

No.	Item	Unit	Actual 2024	Plan 2025	Comparing Plan 2025 with Actual 2024 (%)
2	Profit before tax	Million VND	144,219	128,785	89.3
3	Profit after tax	Million VND	113,759	103,028	90.6
4	Dividend	%	Expected 20%	20	100.0

2. Key targets:

- Continue to expand cooperation with domestic and foreign partners. Develop new products: Register 5 - 8 products under the CPC1 brand.

- Develop KPIs, review, evaluate and restructure personnel.

- Develop and deploy sales channels and OTC products.

- Look for partners to rent warehouse A - warehouse no.1, Ho Chi Minh City branch to optimize resources.

- Continue to review professional regulations, processes and regulations on professional expertise to ensure full compliance with GSP, GDP and corporate governance requirements.

- Organize training courses to improve professional skills for employees of units. Organize updates and training on new legal documents to meet the business activities of the Company.

Above is the report of the Board of Management on the performance results in 2024 and the plan for 2025 of Central Pharmaceutical CPC1.JSC.

Respectfully submitted to the General Meeting of Shareholders for consideration and approval.

Sincerely,

Recipients:

- Above;
- Board of Directors;
- Archives: VT, TCHC.

ACTING GENERAL DIRECTOR



Ta Van Dung