

**DRAFT**

REPORT ON THE 2025 PERFORMANCE RESULTS AND THE 2026 BUSINESS PLAN

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

PART I. BUSINESS PERFORMANCE RESULTS IN 2025

1. Overview

1.1. General economic and social situation

The year 2025 is regarded as a successful “pivotal” year for Vietnam’s economy, creating momentum for a new phase of development with impressive figures: (1) Economic growth (GDP) in 2025 reached 8.02%, with the size of the economy exceeding 514 billion USD, ranking 32nd globally. (2) The average CPI was well controlled (increasing by 3.31%), while the financial and stock markets were upgraded, strengthening investor confidence. (3) The restructuring and streamlining of the administrative apparatus was implemented comprehensively from the central to local levels, and is considered a thorough reform of national governance methods.

However, risks remain regarding costs, international supply chains, and imported raw materials. Prices of raw materials, logistics, and operating expenses all fluctuated upward, leading suppliers to increase prices or reduce distribution margins, thereby affecting overall business performance.

1.2. Overview of the pharmaceutical industry

In 2025, Vietnam’s pharmaceutical industry continued to develop steadily and remained among the countries with the highest pharmaceutical market growth rates in Asia. The total market size reached approximately 8 billion USD, with a compound annual growth rate of around 8%. Domestic pharmaceutical production maintained a growth rate of 12-15% per year, meeting 70% of demand in volume and nearly 50% in value.

Alongside this growth, 2025 marked many positive achievements in state management of pharmaceuticals and cosmetics, particularly in administrative reform and digital transformation.

Accordingly, the total number of administrative procedures in the pharmaceutical and cosmetics sectors was reduced from 124 to 75, equivalent to a nearly 40% reduction, contributing to lower compliance costs and creating more favorable conditions for citizens and businesses. In 2025, the Ministry of Health submitted to the Government for the issuance of Decree No. 163/2025/ND-CP, and also issued 08 Circulars guiding the implementation of the Law on Pharmacy and 03

Circulars on decentralization and delegation of authority, thereby establishing an important legal framework for industry management.

1.3. Key factors affecting CPC1's business operations

As a company primarily engaged in the import and distribution of pharmaceuticals, Central Pharmaceutical CPC1.JSC (CPC1) faced significant pressure related to exchange rate fluctuations. Movements in EUR and USD exchange rates in 2025 impacted import costs and financial expenses, placing pressure on overall operational efficiency.

Competition in sourcing and sales policies among enterprises has become increasingly intense. Non-public or unlisted companies, as well as small and medium-sized enterprises, are gaining advantages over CPC1 due to their flexible policies and competitive distribution costs. In addition, revenue from several of CPC1's key products continued to decline due to price competition from similar products in Group 5.

In early March 2025, the administration of U.S. President Donald Trump announced the cancellation of most foreign aid contracts of the United States Agency for International Development and decided to dissolve USAID. This decision affected humanitarian programs worldwide, including the contract between CPC1 and PEPFAR related to supporting Vietnam's HIV/AIDS response.

Changes in policies and procedures related to payment for centralized ARV drug procurement packages prior to 2025, although guided by certain documents issued by the Ministry of Health, have in practice still encountered difficulties among healthcare facilities and insurance agencies. This has caused challenges in data reconciliation, payment execution, as well as receivables collection for implemented tender packages.

2. Business performance results in 2025

Unit: Million VND

ITEM	Actual 2024	Plan 2025	Actual 2025	Actual 2025/ Actual 2024	Actual 2025/ Plan 2025
Revenue from sales and services	2,025,737	2,187,551	2,134,450	105.4%	97.6%
Revenue deductions					
Net revenue	2,025,737	2,187,551	2,134,450	105.4%	97.6%
Cost of goods sold	1,714,611	1,864,000	1,845,612	107.6%	99%
Gross profit	311,126	323,551	288,838	92.8%	89.3%
Financial income	22,834	16,000	32,645	143%	204%
Financial expenses	41,445	43,500	42,380	102.3%	97.4%
- Of which: Interest expenses	12,426	14,500	19,463	156.4%	134.2%
Selling expenses	131,079	149,161	140,235	107%	94%
General and administrative expenses	42,377	48,606	36,820	86.9%	75.8%

ITEM	Actual 2024	Plan 2025	Actual 2025	Actual 2025/ Actual 2024	Actual 2025/ Plan 2025
Operating profit	119,059	98,285	102,048	85.7%	103.8%
Other profit	25,160	30,500	38,492	153%	126.2%
Profit before tax	144,219	128,785	140,540	97.5%	109.1%
Current CIT expense	26,581	25,757	25,371	95.5%	98.5%
Deferred CIT expense	3,879.17		2,087.09		
Profit after tax	113,759	103,028	113,082	99.4%	109.8%

Assessment:

- Net revenue in 2025 reached 2,134.45 billion VND, equivalent to 97.6% of the 2025 plan, representing an increase of 5.4% compared to the 2024 actual results.

- Profit before tax in 2025 reached 140.54 billion VND, equivalent to 109.1% of the 2025 plan, decreasing by 2.5% compared to the 2024 actual results.

- Profit after tax reached 113.08 billion VND, equivalent to 109.8% of the 2025 plan, decreasing by 0.6% compared to the 2024 actual results.

In addition to the aforementioned external factors, in 2025 the Company also faced certain challenges, including delays in imported goods arriving on schedule, resulting in temporary supply shortages at certain times during the year. At the same time, the concentration of imported goods arriving in large volumes in the fourth quarter led to higher ending inventory levels. As a result, although full-year revenue increased compared to 2024, it only achieved 97.6% of the planned target.

However, thanks to the proactive implementation of cost control measures, operational optimization, and enhanced cash flow management efficiency, the Company still exceeded the profit targets assigned by the General Meeting of Shareholders, thereby reaffirming its flexible and effective management capability in the context of ongoing market volatility.

3. Key Results in Implementing Core Tasks

- Expanding partnerships and developing supply sources

With the support and guarantee of Vietnam Pharmaceutical Corporation - JSC (Vinapharm), in 2025 CPC1 successfully negotiated and signed an exclusive distribution agreement with Celltrion – the leading pharmaceutical group in South Korea - for biosimilar products. Celltrion’s monoclonal antibody products were imported into Vietnam by CPC1 at the end of 2025 and successfully won bids for supply to numerous hospitals nationwide. This is expected to create strong growth opportunities in 2026 and the following years.

In 2025, CPC1 also engaged in discussions and explored cooperation opportunities with several foreign pharmaceutical companies, including Tomita (Japan), Promomed (Russia), and Herb-Pharma (Slovakia).

At the same time, CPC1 continued to maintain and expand cooperation with existing international partners such as PanPharma, Hyphens, Angeion, Aguetant, as well as domestic manufacturers including Imexpharm, OPC, Tenamyd, and Vidipha.

- Reorganization and restructuring of the workforce

To enhance corporate governance efficiency and streamline the organizational structure, in 2025 the Board of Management completed a comprehensive review and restructuring of the workforce across the Company. This initiative ensured appropriate personnel allocation aligned with the functions and responsibilities of each unit, standardized job positions, and established a foundation for job descriptions and competency frameworks, thereby improving human resource utilization.

During the implementation process, the Company conducted a comprehensive review of workforce utilization, assessed actual staffing needs, and carried out contract terminations, transfers, and reassignments at certain units in line with business requirements. At the same time, CPC1 promptly addressed employees' feedback and complaints related to the restructuring, ensuring compliance with internal regulations and applicable laws.

As a result, the workforce was reduced by 28 employees, contributing to an estimated reduction of approximately 7.5% in labor costs in 2026. This restructuring not only improved operational efficiency but also enhanced motivation, productivity, and opportunities for higher income among existing employees.

- Implementation of the BSC-KPI Project and remuneration system

The BSC-KPI project and remuneration system were launched by CPC1 in October 2025, completed, and scheduled for phased implementation starting from Quarter II of 2026.

KPIs were specifically developed for each unit, department, and individual, ensuring measurable performance outcomes and close alignment with the Company's business plan. The application of BSC-KPI not only improves labor productivity but also enhances accountability and proactiveness among employees.

The salary, bonus, and benefits policies are designed based on KPI evaluation results, thereby creating incentive mechanisms to improve performance and attract as well as retain high-quality personnel.

Through these initiatives-from workforce restructuring to the implementation of the BSC-KPI project and remuneration system-the Company expects to enhance human resource management efficiency, optimize costs, strengthen employee motivation and accountability, attract talent, and ultimately improve productivity and competitiveness in the coming period.

- Development of the OTC sales channel

To diversify CPC1's distribution channels in line with resolutions approved by the General Meeting of Shareholders and the Board of Directors, in 2025 the Company initiated the development of its OTC marketing and sales team.

The OTC product portfolio includes domestically manufactured pharmaceuticals; health supplements, medical devices, and cosmetics from reputable international manufacturers such as Morinaga (Japan) and Herb-Pharma (Slovakia).

In parallel with the OTC channel development, CPC1 recruited personnel responsible for product registration to source products for both ETC and OTC channels.

- **Financial management:** (1) Effective management of receivables, with strict adherence to monthly debt reporting, reconciliation, and collection of confirmation minutes; (2) Regarding payables, especially to foreign suppliers, to mitigate exchange rate risks, the Company continuously monitors the market and consults financial experts to forecast exchange rate movements and select favorable rates at the time of payment.

- **Exchange rate risk control:**

As a pharmaceutical distribution company with a high proportion of imports, exchange rate fluctuations and borrowing costs are identified as key financial factors that may directly impact cost of goods sold, profit margins, and overall financial performance. In the context of volatile financial and monetary markets, the Board of Management prioritizes strengthening exchange rate risk management through a combination of natural hedging strategies and selective use of financial instruments such as forward contracts. These measures aim to stabilize import costs, enhance cash flow predictability, and ensure proactive financial planning.

At the same time, to mitigate the impact of rising interest rates and capital costs, the Board of Management continues to optimize the capital structure and strengthen working capital management, including reviewing and restructuring credit limits, diversifying funding sources, tightening inventory control, shortening receivables collection cycles, and optimizing the cash conversion cycle. Relevant management indicators have been integrated into the Company's BSC/KPI system and assigned to responsible units for implementation and periodic monitoring.

- **Ensuring compliance:** (1) Reviewing and controlling transactions with related parties in accordance with legal regulations to ensure efficiency, avoid conflicts of interest, and prevent adverse impacts on the Company; (2) Organizing training sessions and participating in regulatory updates from authorities to stay informed of new legal developments, thereby issuing and revising internal policies, regulations, and procedures in alignment with the Company's operations.

- Ensuring full and timely disclosure of information in compliance with applicable regulations.

- In 2025, the Company was once again honored among the Top 10 Reputable Pharmaceutical Companies in Vietnam in the distribution, trading of pharmaceuticals, medical equipment, and supplies category, as ranked by Vietnam Report.

PART II. BUSINESS PLAN FOR 2026

1. Business targets for 2026

1.1. Forecast of the socio-economic situation and Vietnam's pharmaceutical industry in 2026

The year 2026 is expected to remain highly volatile as the global economy continues to face prolonged uncertainties. Unpredictable economic policies of U.S. President Donald Trump, together with escalating geopolitical tensions in the Middle

East-particularly conflicts involving the United States and Israel with Iran-are adding pressure to commodity markets and global growth prospects.

Vietnam’s economy is forecast to maintain positive growth momentum, driven by increased public investment, foreign direct investment (FDI), and exports. However, it still faces risks from global geopolitical fluctuations, tariff pressures from the United States, and exchange rate volatility.

For Vietnam’s pharmaceutical industry, the continued improvement of the legal framework-such as the amended Law on Pharmacy, the amended Law on Health Insurance, Decree No. 24/2024/ND-CP on contractor selection, Resolution No. 72-NQ/TW, and Circular No. 40/2025/TT-BYT-along with the reduction of administrative procedures in the pharmaceutical sector, is creating favorable conditions for industry development.

Nevertheless, the Vietnamese pharmaceutical industry still lacks strong and sustainable competitiveness. Most enterprises focus on simple formulations, while investment in research and development (R&D) and high technology remains limited. Nearly 90% of pharmaceutical raw materials are still imported, making the industry vulnerable to international market fluctuations, epidemics, exchange rate volatility, and risks related to origin fraud.

1.2. Key factors affecting CPC1’s business operations

In 2026, CPC1 is expected to continue facing several challenges, including: (1) Increasing competitive pressure from distribution companies, along with exchange rate fluctuations affecting sales activities, profitability, and a downward trend in distribution fees; (2) Certain products may experience declining or lost volumes due to suppliers discontinuing production, as well as impacts from price increases or market price competition; (3) Rising foreign exchange rates and borrowing costs compared to 2025, putting pressure on the Company’s financial expenses.

With continued expansion of partnerships with both domestic and international partners, along with the rollout of new products for distribution in 2026, CPC1 aims to enhance overall operational efficiency. At the same time, cost optimization through workforce restructuring implemented in 2025 and the completion of the BSC–KPI system in 2026 will serve as key foundations. On this basis, CPC1 is confident in maintaining its growth momentum in 2026 and building a solid foundation for sustainable development in the years ahead.

1.3. Key Business Targets for 2026

No.	Item	Unit	Actual 2025	Plan 2026	Plan 2026 vs. Actual 2025 (%)
1	Revenue	Million VND	2,134,450	2,363,642	110.74%
2	Profit before tax	Million VND	140,540	154,587	110.00%
3	Profit after tax	Million VND	113,082	123,669	109.36%
4	Dividend	%	Expected 25%	27%	100.00%

2. Key Objectives:

- Continue expanding cooperation with both domestic and international partners; develop new products across both ETC and OTC channels.
- Complete and implement the BSC–KPI system and the new remuneration system, establishing a governance framework to enhance employee performance and efficiency.
- Develop the sales network and expand the OTC product portfolio.
- Research and develop plans to seek and receive technology transfer from international pharmaceutical corporations in order to develop high value-added product lines, thereby improving product portfolio quality, enhancing competitiveness, and strengthening the Company’s market position.
- Continue reviewing professional regulations, processes, and procedures to ensure full compliance with GSP, GDP, and corporate governance requirements.
- Organize training programs to enhance professional expertise for employees across all units; conduct updates and training on new legal regulations to support business operations.
- Seek partners to optimize the utilization and efficiency of the Company’s assets, warehouse system, and facilities.

The above is the report of the Board of Management on the business results for 2025 and the business plan for 2026 of Central Pharmaceutical CPC1.JSC.

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

Sincerely./.

Recipients:

- As above;
- Board of Directors;
- Archives: Admin, Company Secretary.

GENERAL DIRECTOR

Ta Van Dung