

Julphar INTEGRATED REPORT 2024



Julphar GOVERNANCE REPORT 2024



Governance Report of Gulf Pharmaceutical Industries - Julphar P.J.S.C. for the Year Ended 31/12/2024

This report provides an overview of Gulf Pharmaceutical Industries - Julphar P.J.S.C.'s commitment to high standards of corporate governance in accordance with best practices and regulatory requirements. As a listed company on the Abu Dhabi Securities Exchange, Julphar recognizes the importance of transparency, accountability, and ethical conduct in enhancing stakeholder trust and increasing long-term value.

In this report, we highlight our governance framework, including the roles and responsibilities of the Board of Directors, key committees, and management. We also showcase our policies and practices that ensure compliance with applicable laws and regulations, along with our commitment to sustainability and social responsibility.

Julphar aims to demonstrate its commitment to effective governance, which is essential for adapting to the challenges in the healthcare sector and achieving our strategic objectives.

Founded in 1980 under the guidance of the late Sheikh Saqr bin Mohammed Al Qasimi, Julphar is one of the largest pharmaceutical manufacturing companies in the Middle East and North Africa. Over four decades, Julphar has strengthened its leading position by providing innovative and high-quality medical solutions and medicines at affordable prices for families worldwide.

Julphar manufactures & distributes a wide range of medical products in over 40 countries and owns 11 internationally accredited manufacturing facilities.

Our business is centred around General Medicines in the retail pharmacy channel and hospitals as well as Speciality Products. Our medicines target major therapeutic segments including Diabetes, Gastrointestinal Tract (GIT), Respiratory, Pain Management, Wounds and Scars, Anti-infectives, Anemia, Gynecology, Dermatology, Erectile Dysfunction and Cardiology.

Measures taken to complete the Corporate Governance system in 2024

In 2024, Julphar took proactive steps to strengthen its corporate governance system, ensuring alignment with global best practices and regulatory requirements. One key action was digitalizing the Human Resources function through the successful implementation world-class technologies, streamlining HR processes, and improving overall efficiency.

Additionally, the company is in the process of adopting the Internal Control-Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), reaffirming its commitment to global best practices and local legislation, including compliance with the Securities and Commodities Authority's (SCA) Corporate Governance regulations. Furthermore, Management has introduced a Control Self-Assessment Program empowering individual departments to assess and monitor their own controls, enabling them to tackle emerging challenges while staying ahead of potential risks, and capitalizing on new opportunities. These initiatives, along with various other strategic actions across different departments, reflect Julphar's continuous effort to enhance its governance framework and operational performance.

Ownership and transactions of Board Members and their families

Transparency and credibility are fundamental pillars of corporate governance, as they help to build trust between the company and its investors. In 2024, there were no transactions involving the company's shares by any members of the Board of Directors, their spouses, or children in the company's securities. Additionally, they do not hold any securities in the company.

Formation of the Board of Directors

Board members are committed to performing their roles in accordance with applicable laws and regulations while promoting the principles of sound governance. Julphar's Articles of Association stipulate that the company shall be managed by a Board of Directors composed of nine members elected by the General Assembly of shareholders through cumulative secret voting.

The composition of the Board complies with Federal Law No. 32 of 2021 concerning Commercial Companies and its amendments, as well as relevant decisions issued accordingly. It also aligns with the vision for gender equality by ensuring representation of women on corporate boards.



Current Board members overview

Below is an overview of the current Board members, each possessing extensive experience in administrative, financial, and industrial fields.



Chairman **Shaikh Saqer Humaid Alqasimi**

Shaikh Saqer Humaid Alqasimi serves as the Chairman of the Board of Julphar. Sheikh Saqer is a Non-Executive and Non-Independent Member. He holds a Bachelor's degree in Finance from California State University, USA, and has over 25 years of experience in stock markets, commodities, and foreign exchange. In addition to his financial expertise, he has significant experience in private equity management across various sectors, including logistics, education, healthcare, real estate, and F&B management. Sheikh Saqer also has a background in the military. He has been a member of the Board since 2005. He does not hold any memberships or positions in other publicly listed companies or regulatory entities in the UAE.



Vice Chairman
Rabih Khouri

Mr. Rabih Khouri serves as the Vice Chairman of the Board of Julphar. Mr. Khouri is a Non-Executive and Independent Member. He holds a Master's degree in Engineering from Centrale Paris and an MBA from Cambridge University. A Certified Public Accountant (CPA), Mr. Khouri has over 25 years of experience in investments and consulting. He has been a member of the Board since 2021. In addition to his role at Julphar, Mr. Khouri holds several positions in other companies, including Board Member at Ras Al Khaimah Gas and Ras Al Khaimah Economic Zones (RAKEZ), as well as an Executive Committee Member at Ras Al Khaimah Ports, RAKEZ, and Stephen Rock. He holds no memberships in other publicly listed companies. He also serves as Chief Investment Officer, Investment and Development Office (IDO), Ras Al Khaimah.



Board of Directors Member
Abdulaziz Abdullah Al Zaabi

Mr. Abdulaziz Abdullah Al Zaabi serves as a Board Member of Julphar. Mr. Al Zaabi is a Non-Executive and Independent Member. He holds a Bachelor's degree in International Business from San Jose State University, USA, and has over 30 years of experience in business management within the real estate and banking sectors, as well as in real estate and banking investments. He also has experience in matters related to the Federal National Council. Mr. Al Zaabi has been a member of the Board since 2017. In addition to his role at Julphar, he serves as the Chairman of RAK Properties. He has held significant positions in other important regulatory and governmental entities, including serving as the former Second Deputy Chairman of the Federal National Council and currently as the Chairman of the Ras Al Khaimah Charity Foundation.



Board of Directors Member
Hamody A.H. Al Limy

Dr. Hamody A.H. Al Limy serves as a Board Member of Julphar. Dr. Hamody is a Non-Executive and Independent member. He holds a Ph.D. in Chemistry and brings over 40 years of experience in the pharmaceutical industry. Dr. Al Limy has been a member of the Board since 2022. In addition to his role at Julphar, he holds several significant positions, including Board Member at the Arab Company for Drug Industries and Medical Appliances (ACDIMA) in Jordan, Chairman of the Arab Pharmaceutical Company in Sudan, and Chairman of the Arab Pharmaceutical Company Taseeli in Algeria. He does not hold any memberships or positions in other publicly listed companies or regulatory entities in the UAE.



Board of Directors Member
Raman Garg

Mr. Raman Garg serves as a Board Member of Julphar. Mr. Garg is a Non-Executive and Independent Member. He has 30 years of experience in global and private investment funds, as well as multinational companies such as Sequoia Capital, Max New York Life Insurance, The Coca-Cola Company, PepsiCo, Akzo Nobel, and others. Mr. Garg is a certified Chartered Accountant from the Institute of Chartered Accountants of India, a Company Secretary from the Institute of Company Secretaries of India, and a Cost Accountant from the Costs and Works Accountant of India. He has been a member of the Board since 2020. In addition to his role at Julphar, he is the General Manager of RAPCO Investment PJSC. He also serves as the Chief Financial Officer of Al Hamra Group in Ras Al Khaimah.



Board of Directors Member
Olfa Gam

Ms. Olfa Gam serves as a Board Member of Julphar. Ms. Olfa is a Non-Executive and Independent Member. She brings over 25 years of experience in the pharmaceutical and biotechnology sectors, particularly in Europe, with a focus on operations. Ms. Gam is an Industrial Engineer with an MBA and holds a Black Belt certification. She has been a member of the Board since 2021. Ms. Gam does not hold any memberships or positions in other publicly listed companies or regulatory entities in the UAE.



Board of Directors Member
Abboud Bejjani

Mr. Abboud Bejjani serves as a Board Member of Julphar. Mr. Abboud is a Non-Executive and Independent Member. He has completed Advanced Management studies at Harvard Business School in Boston and holds a Master of Finance from Saint Joseph University of Beirut, Lebanon. Mr. Bejjani is the CEO of GEN-MEA and the Global Managing Partner at Infomed International for Events Company, Healthcare and Life Sciences. He is also a Certified Principal Consultant for multinational healthcare consultancy companies. He has been a member of the Board since 2020. In addition to his role at Julphar, Mr. Bejjani is a Board Member in several private equities. He does not hold any memberships or positions in other publicly listed companies or regulatory entities in the UAE.



Board of Directors Member
Medhat Abouelasrar Al Gamal

Mr. Medhat Abouelasrar Al Gamal serves as a Board Member of Julphar. Mr. Medhat is a Non-Executive and Non-Independent Member. He holds a Bachelor's degree in Pharmaceutical Sciences and brings over 45 years of experience in the field of sale, distribution and management of various departments in drugs and pharmaceutical companies. Mr. Medhat has been a member of the Board since 2019. He does not hold any memberships or positions in other publicly listed companies or regulatory entities in the UAE.



Board of Directors Member
Mr. Jean Maroun Diab

Mr. Jean Maroun Diab serves as a Board Member of Julphar. Mr. Diab is a Non-Executive and Independent Member. He holds a Bachelor's degree in Economics from the American University of Beirut and a Master's degree in Finance from the University of Durham. Mr. Diab's professional experience includes roles as a Consultant at Ernst and Young (2004-2008), Vice President at Eastgate Capital (2008-2015), Director at Kamco (2015-2020), and Senior Director at the Investment and Development Office of Ras Al Khaimah. He has been a member of the Board since 2023. In addition to his role at Julphar, Mr. Diab serves as a Board Member at Planet Pharmacies LLC, Arabian Healthcare Group, the American University of Ras Al Khaimah, and Ras Al Khaimah University of Medical and Health Sciences. He does not hold any positions in other publicly listed companies.

Female representation on the Board for 2024

The representation of women on the Board reflects the company's commitment to diversity and inclusion, which are essential factors for business success and sustainable development. It also promotes gender balance, positively impacting society by enhancing social equity.

At the General Assembly meeting held on April 13, 2023, Ms. Olfa Gam was re-elected as a non-executive and independent Board Member.

Remuneration and fees for Board Members

Board Member remuneration for the Year 2023

The Remuneration and fees granted to Board Members are essential elements that reflect the appreciation of their leadership roles and contributions to achieving the company's goals. In 2023, no remuneration was paid to Board Members. However, according to Article 38 of the company's bylaws, conditions related to the payment of fees were established. This article allows for the payment of a fixed fee to Board Members not exceeding AED 200,000 at the end of the financial year, subject to the approval of the General Assembly in cases where the company does not achieve profits.

In the General Assembly meeting held on April 22, 2024, it was approved to pay a total of AED 1,800,000 in fees to Board Members.

Proposed Board member remuneration for the year 2024

The item regarding Board Member remuneration will be presented and discussed on the agenda of the General Assembly meeting scheduled for 2025, as it had not been determined by the time this report was prepared.

Details of attendance fees for committee meetings paid to Board Members for the financial year 2024

No attendance fees for committee meetings arising from the Board were paid to any of its members during the year 2024.



Details of additional fees or salaries received by Board Members beyond committee attendance fees

Planet Pharmacies LLC is a fully owned subsidiary of Gulf Pharmaceutical Industries (Julphar). In 2024, Sheikh Saqer bin Humaid Alqasimi received an amount of 720,000/- AED for representing Planet Pharmacies LLC and its branches before government, commercial, and health authorities. This representation was necessary to meet the legal representation requirements of these entities and was essential for Planet Pharmacies, as per the regulations in the United Arab Emirates and Oman.

It is worth noting that Sheikh Saqer bin Humaid Alqasimi has been one of the representatives of Planet Pharmacies LLC and its branches in his personal legal capacity since 2016. He received the financial compensation set by the Board of Directors of Planet Pharmacies for this representation after being appointed by its Board and notifying the Board of Julphar.

Number of Board Meetings held during the financial year 2024

In 2024, the Board of Directors held five meetings at the company's headquarters, with the majority of members attending. These meetings were dedicated to discussing the agenda and making important decisions that contribute to achieving the company's goals and improving its performance.

S.N	Meeting Date	Number of Attendees	Number of Proxy Attendees	Names of Absent Directors
1	13/02/2024	9	-	-
2	14/03/2024	8	-	Mr. Rabih Khouri
3	14/05/2024	6	-	Sheikh. Saqer Bin Humaid Alqasimi Mr. Jean Diab Mr. Medhat Abo Al Asrar
4	14/08/2024	8	-	Mr. Rabih Khouri
5	14/11/2024	9	-	-

Board resolutions passed by circulation during the financial year 2024

In line with the Board of Directors' commitment to making effective decisions in accordance with best practices, and based on the company's need to ensure smooth operations, the Board of Directors issued five resolutions by circulation during the year 2024, as follows:

Sr	No. of decisions by circulation	Date
1	No.1/2024	25/04/2024
2	No.2/2024	04/07/2024
3	No.3/2024	11/10/2024
4	No.4/2024	30/10/2024
5	No.5/2024	24/12/2024

Board Committees

Audit Committee

Acknowledgment from the Chair of the Audit Committee regarding its responsibilities

The Chair of the Audit Committee acknowledges responsibility for the committee's system within the company. He has reviewed the committee's operational mechanisms and ensured their effectiveness. The committee aims to enhance the level of transparency and accountability in the company by monitoring financial performance and compliance with applicable standards.

Members of the Audit Committee, their Roles, and responsibilities

The Audit Committee is composed of the following members:

Chair of the Committee: Mr. Raman Garg

Committee Member: Ms. Olfa Gam

External Committee Member: Mr. Razi Adel Dolani

External Committee Member: Mr. Carol Blery

The Audit Committee carries out its work in accordance with Article 61 of Securities and Commodities Authority Chairman's Resolution No. 03/Chairman of 2020 concerning Approval of the Joint Stock Companies Governance Guide. The main functions, responsibilities, and powers of the Audit Committee are to monitor and review the financial statements as well as the company's internal control and risk management systems and make the necessary recommendations to the Board of Directors regarding the administrative and financial internal control systems at the company.

The Committee also organizes contracting and interactions with the company's external and internal auditors. This is in addition to its primary role of ensuring the company's commitment to implementing all approved operational and financial policies and procedures



The number of meetings held by the Audit Committee during the year 2024 and their dates to discuss matters related to financial statements and other issues.

In line with the Audit Committee commitment to performing its duties efficiently and effectively, and to ensure timely decision-making, the committee held 9 meetings during the year 2024, and their dates were as follows:

No.	Meeting Date	Number of Attendees	Names of Absent Members	Purpose of Meeting
1	07/02/2024	4	-	1. Reviewing Preliminary Financial Results for FY 2023. 2. Compliance of Loan Agreement Covenants.
2	07/03/2024	4	-	1. Reviewing Annual Financial Results for FY 2023 2. Reviewing External Auditors quotation for FY 2024.
3	13/03/2024	4	-	1. Review of Internal Audit Risk Assessment and Plan for Year 2024.
4	09/05/2024	4	-	1. Review of Quarterly Financial Statement for the First Quarter (Q1) period ended March 31, 2024 2. Presentation by External Auditor (EY)
5	30/05/2024	4	-	1. Review Of the Second Internal Audit Report for The Year 2024.
6	06/08/2024	4	-	1. Review of Quarterly Financial Statement for the Second Quarter (Q2) period ended June 30, 2024. 2. Presentation by External Auditor (EY)
7	03/09/2024	4	-	1. Internal Audit Performance Metrics. 2. Q2 Internal Audit report.
8	06/11/2024	4	-	1. Review of Quarterly Financial Statement for the Third Quarter (Q3) period ended September 30, 2024. 2. Update on Q3, 2024 review, EY presentation.
9	10/12/2024	4	-	1. Approve 2025 Internal Audit plan, Audit charter, Audit Manual, Training budget and Q4 Audit report.

Annual Audit Committee report:

1. Significant matters reviewed by the committee concerning the financial statements.

Accounts receivables, compliance with loan agreements, corporate tax, End of service, investments, provisions, sales and the quarterly financial statements.

2. An explanation of how the committee assessed the independence and effectiveness of the external audit process, the approach taken for appointing or reappointing the external auditor, and information on the tenure of the current audit firm.

The Audit Committee is involved at all stages of the audit, to obtain comfort that a quality audit will be performed:

At the start of each annual audit cycle, the Audit Committee ensures that appropriate plans are in place for the audit.

In practice this means that before any audit fieldwork takes place, the audit firm meets with the Audit Committee to discuss the audit strategy and audit plan, demonstrating that auditing standards and quality control principles have been adhered to in their development.

The Audit Committee reviews, with the external auditors the findings of their work. In the course of its review, the Audit Committee discusses with the external auditor major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved. The committee review key accounting and audit judgements and reviews levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted. The Audit Committee reviews and monitors management's responsiveness to the external auditor's findings and recommendations.

At the end of the annual audit cycle, the Audit Committee assesses the effectiveness of the audit process, by

- Reviewing whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks.
- Considering the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committee.
- Obtaining feedback about the conduct of the audit from key people involved, for example the CFO.
- Reviewing and monitoring the content of the external auditor's management letter (report to those charged with governance), in order to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon, and report to the board on the effectiveness of the external audit process.

3. A statement outlining the committee's recommendation regarding the appointment, reappointment, or dismissal of the external auditor, along with reasons why the Board of Directors may reject this recommendation.

The Audit Committee recommended Ernst & Young external auditors in 2024 which was accepted by the board.

4. An explanation of how the independence of the external auditor is maintained when providing non-audit services to the company.

The Audit Committee 's objective is to ensure that the provision of such services does not impair the external auditor's independence or objectivity. Before any non-audit services are performed by the external auditors, the services have to be first approved by the Audit Committee after considering the following: -

- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service
- whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external audit firm.
- the nature of the non-audit services
- the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee.
- The criteria which govern the compensation of the individuals performing the audit.

5. Actions taken or planned by the committee to address any deficiencies or weaknesses in the event of failures in internal control or risk management.

A clear corrective and prevention action plan has been developed with the process owners with agreed upon closure dates.

6. An evidence that the committee has reviewed all internal audit reports with medium and high risks, issued from the internal audit, to determine whether they stem from significant violations or weaknesses in internal controls.

Annual risk assessment report was presented to the Audit committee in Q1 2024 covering all Audit universe in Julphar, along with the risk scoring, and risk register of the top 10 risks in Julphar. Identified risks were presented with a risk mitigation plan with clear corrective and preventive actions and clear actions closure dates.

7. Comprehensive information about the corrective action plan to address substantial deficiencies in risk management and internal control systems.

Corrective action plans are in place with agreed upon closure dates.

8. Documentation demonstrating that the committee has audited all transactions made with related parties, the observations or results thereof, and the extent of compliance with applicable laws in this regard.

Business transactions with subsidiaries are part of the quarterly financial statements reviewed quarterly by the Audit committee. No other major transactions out of business norms were performed with related parties.

Nomination and Remuneration Committee

Acknowledgment from the Chair of the Nomination and Remuneration Committee regarding their responsibility for the committee's system within the company.

The Chair of the Nomination and Remuneration Committee acknowledges his responsibility for the committee's system within the company. He has reviewed the committee's operational framework and ensured its effectiveness, striving for the policies in place to align with best governance practices.

Names of the members of the Nomination and Remuneration Committee, along with their roles and responsibilities.

The Nomination and Remuneration Committee consists of the following members:

Chair of the Committee: Mr. Aboud Bejani

Committee Member: Mr. Jean Maroun Diab

Committee Member: Mr. Medhat Abouelasrar Al Gamal

The Nomination and Remuneration Committee conducts its activities based on Article (59) of the Decision of Chairman of the Securities and Commodities Authority's No. (3/ Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide and its amendments.

Its main duties, responsibilities, and authorities include:

- **Determining Remunerations:** Establishing the remuneration for board members in accordance with approved procedures.
- **Developing Remuneration Policies:** Creating remuneration policies for the executive management linked to the company's performance, ensuring alignment with its strategic goals.
- **Preparing and Reviewing Policies:** Drafting and reviewing human resources policies to comply with relevant laws and regulations, ensuring fairness and efficiency in human resource management.
- **Nomination Procedures:** Overseeing the nomination procedures for board membership, defining the criteria and conditions necessary for selection, ensuring that qualified members who contribute to the company's success are appointed.

The committee contributes to enhancing good governance and transparency in decision-making processes related to human resources and remuneration, thereby building trust with shareholders and stakeholders.

Number of meetings held by the Nomination and Remuneration Committee in 2024

In line with the Nomination and Remuneration Committee's commitment to performing its duties efficiently and effectively, and to ensure timely decision-making, the committee held four meetings during the year 2024, with the following dates:

S.N	Date	Number of Attendees	Names of Absent Members
1	29/03/ 2024	2	Mr. Medhat Abo Al Asrar
2	03/05/ 2024	3	-
3	30/09/2024	3	-
4	30/12/ 2024	2	Mr. Jean Diab

Committee for Monitoring and Supervising the Transactions of Insider Persons

Statement from the Chair or Authorized person regarding the Committee's Responsibility

The Chairman of the Committee for Monitoring and Supervising the Transactions of Insider Persons affirms his responsibility for the committee's framework within the company. He has assessed the committee's operational procedures to ensure their effectiveness and is committed to upholding transparency and integrity in all transactions involving insider parties.

Names of the members of Committee for Monitoring and Supervising the Transactions of Insider Persons

The committee consists of the following members:

Chairman: Mr. Juergen Lauterbach

Committee Member: Mr. Gopa Kumar

Committee Member: Ms. Hessa Al-Shehhi

Statement of responsibilities, assigned tasks, and summary of the Committee's activities for 2024

The committee is fully committed to adhering to the decisions of the Securities and Commodities Authority and the Abu Dhabi Securities Exchange, including any amendments. The responsibilities of the committee include the following:

- Preparation of a Special Register: The committee prepares a special register that includes the names and details of key and temporary insiders, updating it continuously as needed.
- Internal communication about insider trading regulations and trading blackout periods: The committee issues periodic circulars to insiders to remind them of trading blackout periods and the necessity to comply with applicable laws and regulations, thereby enhancing a culture of compliance within the company.
- Updating Internal Policies: The committee also works on updating the internal policy for insiders to ensure it aligns with best practices and current standards.

These efforts contribute to enhancing transparency and accountability, which in turn boosts the confidence of shareholders and stakeholders in the company.

Other committees approved by the Board of Directors

In addition to the permanent committees of the company's Board of Directors, two additional committees have been formed: the Strategy & Investment Committee and the Quality & Technical Committee. The Board has defined their members, responsibilities, and tasks in accordance with the company's needs.

Strategy & Investment Committee

The Chair of the Strategy & Investment Committee acknowledges his responsibility for the committee's system within the company and has reviewed its operational mechanisms to ensure their effectiveness.

The Strategy & Investment Committee consists of the following members:

Chairman: Mr. Jean Maroun Diab
Committee Member: Ms. Olfa Gam
Committee Member: Mr. Abboud Bejjani
External Committee Member: Ms. Karol Michalak
External Committee Member: Ms. Carol Blery

Statement of responsibilities and assigned tasks

The committee serves as a liaison between the Board of Directors and the company's management by adopting executive decisions regarding matters referred to the committee that fall within its scope of responsibilities. The committee's powers include, but are not limited to, the following:

- Reviewing and approving strategies presented to the Board of Directors.
- Preparing and monitoring compliance with relevant laws and regulations.
- Overseeing initiatives that may have a material impact from an organizational or competitive perspective on the company's reputation and other factors.
- Reviewing the company's annual plan and budget, submitting recommendations for Board approval, and overseeing the evaluation of the company's performance against the business plan, followed by recommendations to the Board.
- Reviewing contracts related to significant strategies and other material matters concerning accounting and finance and approving them within the limits outlined in the committee's charter.
- Other responsibilities, such as reviewing reports, conducting feasibility studies, assessing investment risks, and approving or rejecting them before presenting them to the Board for approval, as well as monitoring strategic projects and important transformation initiatives.
- Discussing and approving management's studies and recommendations regarding direct or indirect investments as permitted by the company's bylaws.
- Carrying out any other tasks assigned by the Board of Directors.

Number of meetings held by the Strategy & Investment Committee in 2024

In line with the Strategy & Investment Committee's commitment to performing its duties efficiently and effectively, and to ensure timely decision-making, the committee held 17 meetings during the year 2024, with the majority of its members in attendance.

S.N	Meeting Date	Number of Attendees	Names of Absent Members
1	09/01/2024	5	-
2	19/01/2024	5	-
3	06/02/2024	5	-
4	23/02/2024	5	-
5	22/03/2024	5	-
6	23/04/2024	5	-
7	22/05/2024	5	-
8	20/06/2024	5	-
9	23/07/2024	5	-
10	21/08/2024	5	-
11	24/09/2024	5	-
12	22/10/2024	5	-
13	30/10/2024	5	-
14	06/11/2024	5	-
15	22/11/2024	5	-
16	13/12/2024	5	-
17	20/12/2024	5	-





Quality & Technical Committee

The Chair of the Quality & Technical Committee acknowledges her responsibility for the committee's system within the company and has reviewed its operational mechanisms to ensure their effectiveness.

Quality & Technical Committee consists of the following members:

Committee Member: Ms. Olfa Gam

Committee Member: Mr. Abboud Bejjani

Committee Member: Mr. Hamody A.H. Al Limy

Statement of responsibilities and assigned tasks

The Quality & Technical Committee, established by the Board of Directors, contributes to fulfilling the Board's oversight responsibilities regarding quality, compliance issues, and scientific and technical direction. The committee's powers include, but are not limited to, the following:

- Conducting periodic reviews of reports related to significant compliance issues in coordination with the quality and compliance department.
- Assuming initial oversight responsibility for all quality areas and compliance matters (non-financial compliance).
- Overseeing the company's innovations and production line strategies & performance assessing the competitive position of the pharmaceutical portfolio, exploring potential new treatments, monitoring the company's approach to developing new markets, and evaluating its effectiveness in research, development, and intellectual property.
- Reviewing the development and implementation of key business policies by management, including policies on security and safety, quality assurance, control policies, corporate social responsibility policies, regulatory affairs policies, production policies, and others.
- Following up on tasks and duties assigned by the Board from time to time.

Number of meetings held by Quality & Technical Committee in 2024

In line with the Quality & Technical Committee's commitment to performing its duties efficiently and effectively, and to ensure timely decision-making, the committee held 4 meetings, each quarter during the year 2024, with the following dates:

S.N	Meeting Date	Number of Attendees	Names of Absent Members
1	25/01/2024	3	-
2	15/04/2024	3	-
3	19/07/2024	3	-
4	04/10/2024	3	-

Responsibilities and powers of the Board of Directors undertaken by a Board Member or Executive Management in 2024 based on delegation from the Board:

During the year 2024, aside from the implementation of resolutions by circulation, the Board of Directors members or Executive Management have not delegated any duties or powers of the Board of Directors.

Details of transactions with related parties (stakeholders) during 2024

The company is committed to positive engagement with stakeholders and enhancing transparency and credibility in all its activities. During the year 2024, no transactions were made with related parties.

Assessment of the Board of Directors

The annual assessment of the performance of the board of directors, its members and committees. Julphar conducted its annual evaluation of the Board of Directors to improve its effectiveness and ensure the best results in managing the company. The evaluation included a comprehensive analysis of the Board's duties, its commitment to the company's strategies and future vision, as well as assessing the constructive interaction between the Board and the executive management.

Key Evaluation Results:

- **Board Composition and Competence:**
 - The current composition of the Board is appropriate in terms of size and expertise, aligning with the company's strategy.
 - There is a good diversity of skills and experiences among the members.
 - The Board adheres to gender diversity principles, and there is an adequate number of independent members.
- **Roles and Responsibilities of the Board:**
 - Roles and responsibilities are clearly defined in the Board's internal regulations.
 - The Board works effectively as a team and fosters a collaborative work environment based on trust.
- **Board Meetings and Provided Information:**
 - Meetings are held regularly, and necessary information is provided in advance to facilitate preparation and decision-making.
 - The allocated time for discussions is sufficient, and decisions are made after thorough deliberation.
- **Training and Development:**
 - The orientation program for new members is effective. However, there is a need to focus more on training programs to ensure that the Board keeps up with developments.

- **Collaboration with Executive Management:**
There is effective communication between the Board and executive management, enhancing the achievement of the company's interests.
- **Performance and Risk Management:**
The Board effectively monitors performance and has established key performance indicators. Risks are identified and appropriate measures are taken to address them.
- **Investor Relations and Internal Controls:**
The investor relations program is effective, and the Board places significant emphasis on reviewing the internal control system.

Conclusion: Based on the evaluation, the Board demonstrates commitment to achieving the company's objectives and continuously improving its performance in line with best corporate governance practices. However, the board strives for continuous improvement in some areas to enhance the effectiveness of its performance in the future.

Organizational Structure and Executive Management:

Organizational Structure:

The organizational structure consists of several levels, starting with the Board of Directors, which defines general policies and oversees the executive management, followed by the senior management that handles daily operations, and reaching the teams and employees who carry out the assigned tasks.

Functionally the organization is structured into Commercial, Finance, HR & Administration, Corporate Development & Strategy, IT, Technical Operations and General Management under respective CXOs. The functional structure enables Julphar to optimize the synergies, enhancing efficiency and foster specialized expertise in respective areas. The structure enables each function to focus on core deliverables leveraging specialized expertise for achieving the company's vision and business objectives.

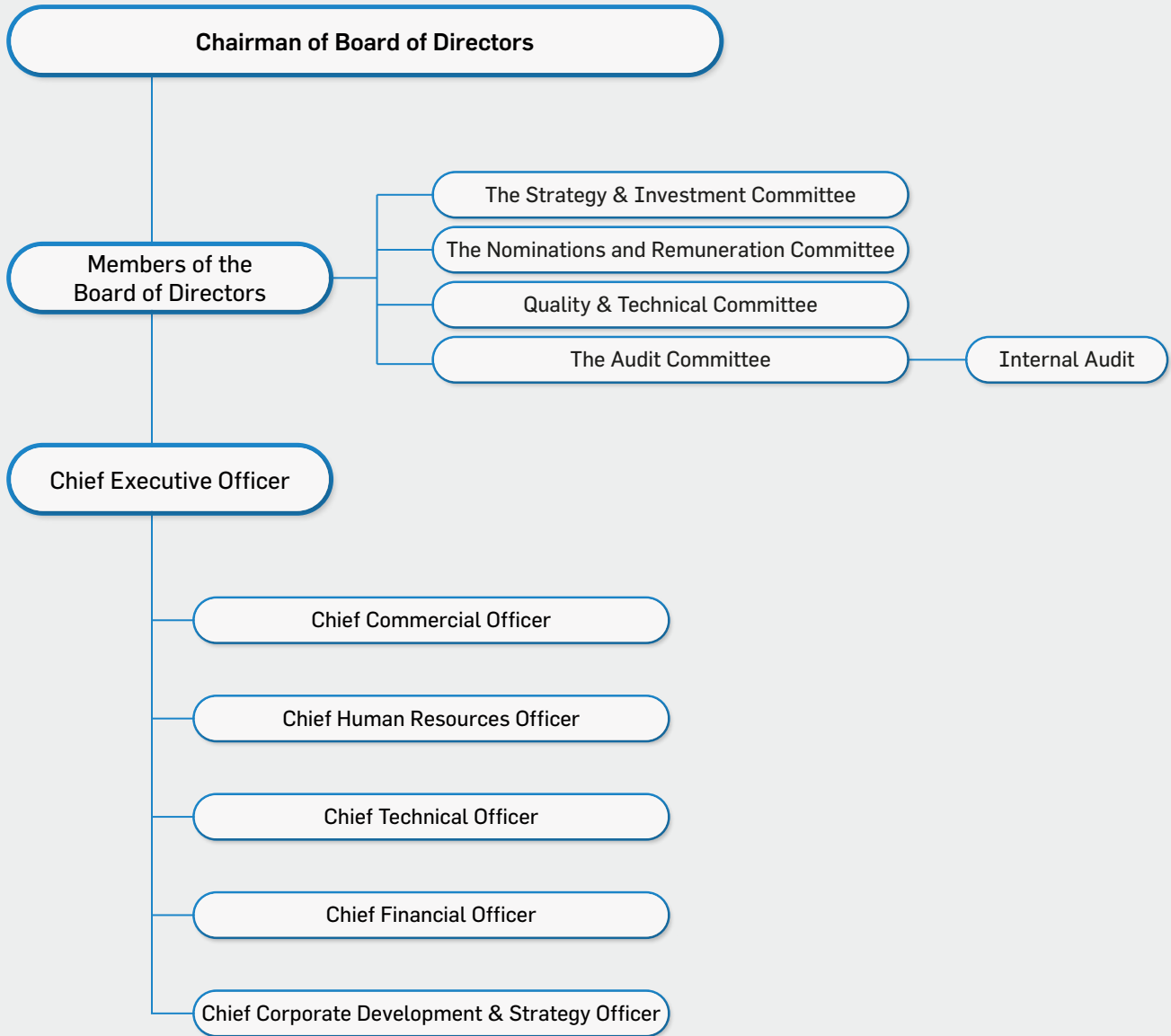
Executive Management:

The Executive Management is responsible for implementing the strategies and policies approved by the Board of Directors.

The Executive Management Team is composed of the Chief Executive Officer and Chief Officers who contribute to decision-making and oversee daily activities.

The Executive Management team brings a wealth of diverse expertise, with members collectively offering decades of experience across various domains, including Finance, Commercial, Sales & Marketing, Human Resources, Strategy, Business Development, Technical Operations and Information Technology. Their extensive background and reputable professional track record enables the team to strategically navigate challenges and opportunities, ensuring achievement of the Company's objectives. Their combined knowledge and leadership skills foster an environment of innovation, sound decision-making, and operational excellence, driving the organization's growth and success.

Below is the current organizational structure of the company:



The Executive Management at Julphar carries out its primary role in executing a company's strategy according to the responsibilities and tasks assigned to them, as well as the powers delegated by the Board of Directors. This is done within the framework of governance rules and the company's bylaws, ensuring compliance with best practices.

The executive management contributes to enhancing the company's performance and effectively achieving its strategic objectives in an organized manner.

Among the key appointments in 2024 is the appointment of a new Chief Financial Officer (CFO) and a new Chief Commercial Officer (CCO), following the resignation of the previous holders of these positions.

Remuneration of the Executive Management Team in 2024:

The following table provides a detailed statement of the senior executive employees in the first and second ranks as of 2024:

S.N	Position	Date of Appointment	Total salaries and Remuneration paid in 2024 (AED)	Total Bonuses paid in 2024 (AED)	Any Other Cash/Non-Cash Bonuses for 2024 or Payable in the Future	*Date of resignation
1	Chief Executive Officer	13/02/2023	2,594,141	1,041,700		-
2	Chief Financial Officer	17/09/2024	450,667	0		-
3	Former Chief Financial Officer	09/05/2022	1,345,836	116,917		03/09/2024
4	Chief Corporate Development & Strategy Officer	01/10/2019	1,421,000	138,720		-
5	Chief Commercial Officer	01/10/2024	367,978	0		-
6	Former Chief Commercial Officer	03/08/2020	930,000	88,964		30/09/2024
7	Chief Human Resources Officer	03/05/2020	604,800	94,147		-
8	Chief Technical Officer	03/07/2023	1,380,000	140,935		-

*Date of resignation: for those who resigned during 2024

Auditor

Overview of the Company's Auditor:

Ernst & Young (EY) is one of the largest professional services firms and one of the "Big Four" auditing firms in the world. It operates in over 150 countries and is a leader in providing audit, consulting, and tax services.

During the Annual General Meeting held on April 22, 2024, the shareholders decided to reappoint Ernst & Young as the company's external auditor for the fiscal year 2024, with their fees set at AED 857,000.

The audit fees and costs for services provided by the external auditor during 2024 are detailed in the following table:

Name of the Audit Firm:	Ernst & Young Middle East (Dubai Branch)
Name of the Partner Auditor:	Ms. Wardah Ebrahim
Number of years the auditor has served as the Company's External Auditor:	6 years
Number of years the partner auditor has spent auditing the Company's accounts:	3 years
Number of years the partner auditor has spent auditing the company's controlling entities accounts:	5 years
Total audit fees for 2024 (AED):	AED 1,612,280
Value of fees and costs for other services (excluding financial statement audit) for 2024	AED 839,277
Details and nature of other services provided by the Company's auditor:	
Moore Stephens	Inventory count
KPMG	Corporate tax consulting services
NIRA	Submission of the quarterly VAT return
NIRA	Filing of the ESR return for the FY23
KGRN Accounting Associates	Assistance with VAT refund
Actuarial Consultants (Abdul Rahim Abdul Wahab)	Actuarial valuation
UHY Jamed Chartered accountants	ESR
UHY Jamed Chartered accountants	Sales audit for Retail outlets
Push Digit Chartered Accountants	Sales audit for Retail outlets

Reservations included by the company's auditors in the interim and annual financial statements for the year 2024.

It is worth noting that the annual financial statements for 2024 are still under review and preparation as of the date of this report, reflecting the company's commitment to accurate and transparent accounting standards.

Internal Audit System

The Board's acknowledgment of its responsibility for the Internal Audit system in the Company, and its review of its operation and effectiveness.

The Board of Directors acknowledges its responsibility for the internal audit system at Gulf Pharmaceutical Industries (Julphar) and its review of the operation of the internal audit department, ensuring its effectiveness through the work and tasks of the committees derived from it. The company's internal audit department organizes audit and internal control procedures, follows up on external audit activities, which are an important part of implementing an effective internal control system, in addition to applying the governance system. The internal audit department operates under the supervision and monitoring of the Audit Committee formed by the Board of Directors.

Name of the Internal Audit Department Manager, his qualifications, and date of appointment

The Internal Audit Department is headed by Mr. Yasser Fouad, who was appointed on May 16, 2021. He is a Certified Internal Auditor (CIA) from the United States, an Association of Chartered Certified Accountants (ACCA) member from the UK, and a Certified Management Accountant (CMA) from the United States. He holds a Bachelor of Commerce degree from the Arab Republic of Egypt.

Name of the Compliance Officer, his qualifications, and date of appointment

The role of Compliance Officer was previously handled by Ahmed Kamal, who served as the Head of Legal and Compliance Officer before the new regulations were implemented. During 2024, while the company was actively seeking a new Compliance Officer, Ahmed Kamal, along with the Audit Committee, jointly supported and guided compliance-related activities. Furthermore, in line with the amendment to Clause (5) of Article (67) of Decision No. 03/2020, the company will adhere to the provisions of this amendment in 2025 by appointing a new Compliance Officer, ensuring alignment with the updated regulations.

How the Internal Audit Department handles major issues in the Company or those disclosed in annual reports and accounts.

The Internal Audit Department has an ongoing follow-up program for audit observations. It works in collaboration with the relevant departments to develop agreed-upon corrective and preventive actions. Deadlines are set for compliance with these actions, and they are monitored periodically to ensure their implementation as agreed and within the specified timelines.

Number of reports issued by the Internal Audit department to the Company's Board of Directors.

The Internal Audit Department issued four reports during the year 2024 to the Audit Committee, which, in turn, presents them to the company's Board of Directors. These reports aim to enhance transparency and accountability, providing strategic insights into performance and compliance.

Details of violations committed during 2024, the reasons for them, how they were addressed, and how to prevent their recurrence in the future.

The company adhered to transparency and applicable accounting standards and did not commit any violations during 2024 regarding the disclosure of interim and annual financial reports, as well as other required disclosures.

Monetary and in-kind contributions made by the Company in 2024 for community development and environmental conservation.

A series of community events and initiatives were organized in 2024, with a focus on promoting social responsibility and humanitarian work. No cash donations were disbursed during the year. The events included, but were not limited to:

- 1 International Day of Older Persons: This initiative aimed to raise awareness of the rights of the elderly and encourage their participation in society.
- 2 Your Health Matters: A campaign to raise health awareness among employees about various health issues and how to address them, with the goal of maintaining good health.
- 3 Iftar for the Fasting under the theme "Supporting Humanitarian Work and Social Responsibility" by distributing iftar meals.
- 4 International Workers' Day: Highlighting the vital role of workers in society.
- 5 Blood Donation Campaign: Organizing blood donation drives in coordination with relevant authorities. These efforts aim to enhance social responsibility and contribute to the community by providing blood units that help save the lives of patients in need.
- 6 Several other initiatives, in coordination with relevant authorities, including free health screenings and the World Diabetes Day initiative, among others.

Our commitment to environmental conservation goes beyond current social responsibility. It reflects our desire to leave a better world for future generations. Based on this, we implemented the "Go Green" initiative at the company headquarters, where we focus on reducing plastic waste, especially from water bottles, and promoting recycling. As part of another initiative called "Towards a Green Environment," we also aim to reduce water consumption and cut down on electricity usage.

Throughout 2024, several training courses on health, safety, and environmental awareness were organized to promote sustainability, in addition to encouraging innovation in humanitarian work and fostering volunteerism.



General Information

A statement of the company's share price in the market at the end of each month during the fiscal year 2024.

Month	Highest Price	Lowest Price	Closing Price
January	1.220	1.100	1.170
February	1.030	0.990	1.000
March	0.958	0.945	0.951
April	0.941	0.937	0.941
May	0.900	0.865	0.868
June	0.855	0.815	0.820
July	0.900	0.864	0.887
August	0.949	0.934	0.940
September	0.885	0.854	0.867
October	1.660	1.520	1.580
November	1.330	1.290	1.300
December	1.320	1.290	1.300

A statement of the comparative performance of the company's stock with the general market index and the sector index to which the company belongs during the year 2024.

Month	Company Share Price	General Index (Abu Dhabi Securities Exchange)	Healthcare Sector Index
January	1.170	9,508.320	3,459.930
February	1.000	9,254.810	2,951.000
March	0.951	9,228.090	2,929.260
April	0.941	9,067.420	2,939.500
May	0.868	8,862.580	2,732.690
June	0.820	9,060.730	2,955.250
July	0.887	9,338.960	2,851.270
August	0.940	9,284.930	2,612.510
September	0.867	9,425.490	2,577.240
October	1.580	9,327.920	2,558.270
November	1.300	9,234.800	2,396.100
December	1.300	9,419.000	2,408.060

A statement of shareholder ownership distribution as of 31/12/2024 (individuals, companies, governments) classified as follows: Local, Gulf, Arab, and Foreign.

S.N	Shareholder Classification	Percentage of Shares Owned			
		Individuals	Companies	Government	Total
1	Local	25.283%	36.636%	12.24%	74.159%
2	Gulf	11.802%	0.426%	-	12.228%
3	Arab	1.493%	10.873%	-	12.366%
4	Foreigner	1.01%	0.237%	-	1.247%
	Total	39.588%	48.172%	12.24%	100%

A statement of shareholders owning 5% or more of the company's capital as of 31/12/2024.

S.N	Name	Number of Shares Held	Percentage of Shares Held From the Company Capital
1	Middle East Pharma Investments	278,334,700	24.093%
2	Government of Ras Al Khaimah	141,400,221	12.24%
3	Yasser bin Youssef bin Mohammed Naghi	103,970,503	9.000%
4	Arab Company for Drug Industries and Medical Appliances (Acdima)	100,749,517	8.721%
5	Mohammed Abdulaziz Rubaya Al Muhairi	87,552,538	7.579%
6	Sheikh Faisal bin Saqr bin Mohamed Al Qasimi	80,932,564	7.006%
	Total	792,940,043	68.639%

A statement of how shareholders are distributed according to the size of their ownership as of 31/12/2024.

S.N	Share Ownership (Shares)	Number of Shareholders	Number of Shares Owned	Percentage of Shares Owned from Capital
1	Less than 50,000	1,969	12,232,016	1.059%
2	From 50,000 to less than 500,000	351	53,559,905	4.636%
3	From 500,000 to less than 5,000,000	75	89,786,455	7.772%
4	More than 5,000,000	18	999,649,435	86.533%
Total:		2,413	1,155,227,811	100%

Actions taken regarding Investor Relations Controls

The company has a dedicated Investor Relations department aimed at providing necessary services to shareholders. On the website, there is a dedicated Investor Relations page that allows easy access to the company's data and all related disclosures.

Name of Investor Relations Officer: Hessa Al Shehhi

Phone Number: 0097172045273

Email: investors@julphar.net

Link to Investor Relations page: <https://www.julphar.net/en/investors>

Special resolutions presented at the General Assembly held during 2024 and the actions taken regarding them.

No special resolutions were presented at the General Assembly held in 2024.

Name of the Secretary of the Board of Directors' meetings and date of appointment.

The duties of the Secretary of the Board of Directors' meetings have been assigned to Loulwa Alshehhi, who holds a Bachelor of Law degree from the University of Sharjah. Ms. Al Shehhi has distinguished practical experience in the banking sector before joining the company on August 9, 2022.

Her legal expertise and deep knowledge of banking operations enhance the effectiveness of the meetings.

Material events and significant disclosures encountered by the Company during 2024.

The material events and significant disclosures encountered by the company during 2024 include a range of notable developments that have impacted the company's progress. Among these are:

Julphar announces the divestment of Zahrat Al Rawdah Pharmacies LLC to Bin Dawood Holding (ticker 4161), a leading Saudi listed retail conglomerate operating Danube and Bin Dawood grocery stores, for a total cash consideration of SAR 444.1 million, subject to certain conditions and customary approvals. The company is a 100% indirectly owned subsidiary of Julphar and operates 173 retail pharmacy outlets in the Kingdom of Saudi Arabia.

Julphar announced the sale of 100% of its ownership stake in DiabTec LLC, a subsidiary specializing in the production of recombinant human insulin API. The subsidiary represents 12.6% of Julphar Group's total consolidated assets as of 30.09.2024. The transaction aligns with the company's strategic efforts to divest non-core assets, expand its portfolio in the diabetes sector, and accelerate the launch of innovative insulin products in the Middle East and North Africa region.

In line with the company's growth strategy in its key markets within the Gulf Cooperation Council (GCC) countries, Julphar announced its plan to establish an advanced pharmaceutical and biotechnology manufacturing facility in the Kingdom of Saudi Arabia. Julphar will invest approximately SAR 300 million in this new facility over the next few years. The project will include the manufacturing of complex biologic medicines, sterile drugs and generic formulations with a commitment to the highest quality standards.

Transactions conducted by the Company with related parties during 2024 that are equal to 5% or more of the Company's capital.

In line with the company's commitment to the highest standards of transparency and integrity in its financial transactions, the company confirms that no transactions equivalent to 5% or more of the company's capital were made with related parties during the year 2024.

Emiratization percentage in the Company at the end of 2022, 2023, and 2024

The Emiratization percentage in the company at the end of each year was as follows:

- At the end of 2022: The Emiratization percentage was 9.8%, reflecting the company's commitment to enhancing national competencies in the workplace.
- At the end of 2023: The Emiratization percentage increased to 11%, as a result of continuous efforts in recruiting and training Emirati nationals.
- At the end of 2024: The company saw a significant increase in the Emiratization percentage, reaching 13%, which reflects the success of the recruitment and human development strategies implemented.

These figures demonstrate the company's commitment to strengthening the national workforce and supporting sustainable development within the community.

Innovative projects and initiatives undertaken by the Company or currently under development during 2024

During 2024, the company has launched several innovative projects and initiatives aimed at enhancing its efficiency and meeting market needs. These initiatives are designed to strengthen the company's position in the market and achieve sustainable growth through innovation and continuous improvement. These projects include:

- JPS or Julphar Production System which is an integrated lean process aiming towards zero accident, zero defect and zero waste.
- Performance management digitalized to ensure efficient daily performance management with KPI focus.
- jZAP application, the very first Julphar application for safety reporting of any risk or near miss. The idea is to ensure all risks are captured before accidents happens, based on the zero-accident process.
- AI-based safety tool is essential in 2025. It integrates with CCTV cameras to detect behaviours or near misses, promoting a zero-accident process. The goal is to ensure a safe workplace.
- OEE digitalization on production lines (over 80% of volumes) automates OEE calculation per equipment, measures MTBF and MTTR, and aids in problem-solving using the 6M method for sustained performance.

<p>Signature of the Chairman of the Board</p>	<p>Signature of the Chairman of the Audit Committee</p>	<p>Signature of the Chairman of the Nominations and Remuneration Committee</p>	<p>Signature of the Head of Internal Audit Department</p>
<p>-----</p> <p>Date:/...../.....</p>	<p>-----</p> <p>Date:/...../.....</p>	<p>-----</p> <p>Date:/...../.....</p>	<p>-----</p> <p>Date:/...../.....</p>

Julphar

Gulf Pharmaceutical
Industries Co. (P.S.C)

2024

Environmental, Social & Governance Report

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About the Report

Report Overview

This document is the Environmental, Social & Governance (ESG) report of Gulf Pharmaceutical Industries Co.P.S.C hereinafter referred to as Julphar for the year 2024. This report marks the fifth consecutive reporting year of Julphar's performance on key economic, governance, environmental, and social topics. Consistent reporting on ESG subjects over the past few years highlights our commitment towards transparent disclosure of information across all aspects of our ESG journey.

Reporting Period and Frameworks

This report discusses our annual ESG performance for the calendar year beginning from 1 January 2024 to 31 December 2024. Julphar adheres to the Global Reporting Initiative ("GRI") 2021 Universal Standards. In addition, we have also disclosed against the requirements of Abu Dhabi Stock Exchange's ESG Disclosure Guidance for Companies. Disclosures reported under these frameworks are also mapped with United Nations' Sustainable Development Goals (UN SDGs).

Data Management

At Julphar, we periodically review our data collection processes and controls to ensure coherent and timely reporting. The data required under the reporting frameworks is collected from the respective departments on an annual basis. Due to inherent measurement uncertainties, some of our disclosures in this report are estimated or based on assumptions.

Reporting Topic Boundaries

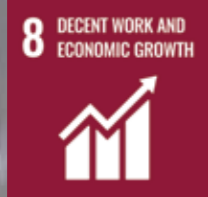
This report covers information and data related to our activities in UAE, including our Head Office, and manufacturing plants. Data from contractors and suppliers are not included in this report unless otherwise stated. This report has been approved by the authorized management. This report has not been subjected to external assurance.

Contact Point for the Feedback on the Report

At Julphar, we value the views and opinions of our stakeholders, therefore we encourage feedback and comments on the content of this report.

Please contact us at: info@julphar.net

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Chairman

Sheikh Saqer Humaid Abdulla Alqasimi

Message from the Chairman

Dear Stakeholders,

Over the past year, Julphar has continued to advance its Environmental, Social, and Governance (ESG) commitments, reinforcing our role as a responsible and forward-thinking pharmaceutical company. Our focus on sustainability, innovation, and ethical business practices remains central to how we operate and create value for our stakeholders.

In 2024, we took significant steps to reduce our environmental footprint by integrating energy-efficient practices, adopting renewable energy where possible, and enhancing water conservation and waste management. These initiatives reflect our ongoing efforts to minimize our impact on the environment while optimizing operational efficiency.

Beyond sustainability, our commitment to social responsibility remains steadfast. We expanded healthcare access, strengthened community outreach, and upheld the highest standards of corporate integrity. Our investment in research and development has also been instrumental

in driving innovation, particularly with the successful registration of key biosimilars such as Insulin Glargine and Insulin Aspart, products critical to expanding affordable access to insulin in the MEA (Middle East and Africa) region.

We also continue to prioritize employee well-being, diversity, equity, and inclusion. Through wellness programs, mental health support, and targeted initiatives like Pink Month for breast cancer awareness, we are fostering a workplace where all employees feel valued, supported, and empowered to grow.

As we move forward, our commitment to sustainability, healthcare innovation, and ethical leadership remains stronger than ever. We are grateful for the trust and support of our stakeholders and look forward to shaping a healthier, more sustainable future together.



These initiatives reflect our ongoing efforts to minimize our impact on the environment while optimizing operational efficiency.



In 2024, we reduced energy consumption by implementing energy-efficient lighting, upgraded chillers for reduction in energy usage, reduced water usage and expanded recycling efforts.

Message from the CEO

Dear Stakeholders,

As we reflect on the achievements of 2024, I am proud to share that Julphar has continued to deliver on its mission of bringing sustainable value to the patient community by providing innovative, high-quality, accessible, and affordable pharmaceutical products. Our unwavering commitment to this mission, has positioned Julphar as a leader in the pharmaceutical industry across the Middle East and Africa.

Our business momentum remained strong, marked by the launch of 9 new products in the UAE and 72 new product registrations across all markets. To sustain our growth and innovation, we strengthened our research and development (R&D) and licensing partnerships, with 8 out of 9 new product launches in 2024 developed in-house. These efforts will continue, with 60+ new products expected to launch by 2030. A significant milestone was our first product launch for multiple sclerosis, reinforcing our commitment to addressing unmet medical needs. We also announced our investment in a state-of-the-art manufacturing facility in Saudi Arabia, positioning Julphar as a key player in advanced biologics, sterile, and general formulations.

Our financial performance reflected these strategic advancements, with Julphar significantly improving profitability generated by 5% revenue growth and enhanced production efficiencies. These achievements not only strengthened our market position but also reaffirmed our role in contributing to the UAE's economic diversification and healthcare sector development, aligning with the "We the UAE 2031" vision.

Sustainability remains at the heart of our operations. In 2024, we reduced energy consumption by implementing energy-

efficient lighting, upgraded chillers for reduction in energy usage, reduced water usage and expanded recycling efforts. Our social responsibility efforts were equally impactful, including medicine donations, free health camps, community health awareness programs, and partnerships with hospitals that enhanced public well-being.

Additionally, we reinforced our commitment to employees, conducting engagement surveys, focus group discussions, and culture transformation programs to ensure a thriving workplace.

Looking ahead, our strategic priorities for 2025 and beyond are clear. We will continue to expand our product pipeline, with plans to launch 14 new products in 2025 and more than 60 new products by 2030. The construction of our new manufacturing facility in the Kingdom of Saudi Arabia (KSA) will be a key focus, alongside efforts to expand our presence in key MENA markets through local manufacturing partnerships. As part of JULPHAR 2030 manufacturing strategy, we will further enhance our capabilities and quality systems at our head office campus in Ras Al Khaimah.

I would like to extend my deepest gratitude to our shareholders, employees, customers, and business partners for their unwavering support and trust in Julphar. As we embark on the next phase of our journey, we remain committed to our vision of becoming a global leader in the pharmaceutical industry, guided by our core values of innovation, quality, and sustainability.



Chief Executive Officer
Basel Ziyadeh

About Julphar

Established in 1980 under the vision of His Highness Sheikh Saqr Bin Mohammad Al Qasimi, Gulf Pharmaceutical Industries Co. (P.S.C.) (Julphar) has grown to become one of the leading pharmaceutical manufacturers in the Middle East and Africa. Headquartered in Ras Al Khaimah, UAE, Julphar specializes in generic medicines and specialty products, addressing key therapeutic segments including Diabetes, Gastrointestinal Tract, Respiratory, Dermatology, and Cardiology.

With 10 internationally certified facilities and a capacity of over 1 million boxes of medicine daily, Julphar supplies its products to more than 40 countries across five continents. As one of the largest pharmaceutical drug manufacturers in the Middle East and Africa, Julphar plays a vital role in ensuring access to high-quality, affordable healthcare solutions.

40

Countries across five continents

10

Internationally Certified Facilities

1M+

Boxes of Medicine Produced Daily

Julphar's Mission, Vision & Values

Julphar is dedicated to improving lives by providing high-quality, innovative, and affordable healthcare solutions. With a rich heritage dating back to 1980, we have grown into a trusted partner for patients, healthcare professionals, and governments across the Middle East, Africa, and beyond.

We are proud of our heritage and excited about the future. Julphar remains dedicated to playing a vital role in shaping a healthier future for the region and beyond.



OUR MISSION

"We strive to provide a better quality of life for the entire family, by delivering best-class solutions and real values with compassion and professionalism."



OUR VISION

"To become a leading pharmaceutical company, recognized internationally for innovation."

OUR VALUES

"We have a rich heritage and our business is part of the UAE's fabric."



Leadership

We strive for excellence in all aspects of our work, embracing our responsibility as a global leader in healthcare.



Integrity

We uphold the highest ethical standards, acting with honesty, transparency, and unwavering integrity in everything we do.



Compassion

At the heart of our values, compassion guides our commitment to serving people and patients, ensuring we approach every interaction with empathy and understanding.



Collaboration

We work together as one team, fostering strong relationships that amplify our impact and drive collective growth.



Innovation

We recognize that cutting-edge research and development is essential to fostering innovation and securing the future of the pharmaceutical industry.



Respect

We cultivate a culture of professionalism, valuing diverse perspectives and honoring the contributions of individuals from all backgrounds.

Julphar's Value Chain

Julphar's value chain is the backbone of its commitment to delivering high-quality, accessible pharmaceutical products to patients across the globe. With 10 internationally certified manufacturing facilities, including a biotechnology drug substance plant, Julphar manages a vertically

integrated structure that spans from in-house development to production and distribution. This integrated approach allows Julphar to maintain stringent control over its supply chain, ensuring competitive pricing, efficient delivery, and superior product quality. Julphar's value chain encompasses a

comprehensive range of activities, from research and development to manufacturing, distribution, and ultimately, reaching patients across the region. Key components of the value chain include:

Manufacturing Excellence



With a production capacity of over 1 million boxes of medicine per day, Julphar's facilities adhere to international standards such as Good Manufacturing Practices (GMP), ensuring high-quality products that meet patient needs. Julphar's global footprint extends across 10 internationally certified manufacturing facilities worldwide, complemented by an advanced local facility in Ethiopia. This robust network empowers us to meet the growing demand for high-quality medicines.

Supply Chain & Logistics



Ensuring timely and efficient delivery of our products through a robust distribution network, leveraging the expertise of MenaCool, our logistics subsidiary. This includes 40 trucks, of which 30 are temperature-controlled.

R&D and Innovation



We invest in research and development to identify and develop innovative medicines that address unmet medical needs. This drives Julphar's ability to launch innovative products, advance treatment options, and expand into new therapeutic areas. With around 2,700 registration licenses across all markets, we deliver a wide range of essential medications.

Strategic Partnerships



Collaborating with global pharmaceutical leaders, Julphar ensures a steady supply of raw materials and access to cutting-edge medical technologies. This also includes collaborations with academic institutions and other partners to advance scientific knowledge and bring new therapies to market.

Retail Pharmacy Network



Providing accessible healthcare services through Planet Pharmacies, our retail pharmacy network, offering convenient access to medications and healthcare advice. As of December 2024, Planet Pharmacies manages 292 retail pharmacies across the UAE, Saudi Arabia, and Oman while also providing distribution services in the UAE and Oman. It caters to various product segments within the healthcare sector, including pharmaceuticals, nutraceuticals, and medical devices.

Marketing & Sales



Our dedicated sales and marketing teams work closely with healthcare professionals to promote the appropriate use of our medicines and build strong relationships with our customers. In 2024, we successfully produced 163 million packs of essential medicines, including key offerings like Mebo, Triaxone, Risek, Epotin, Amydramine, Julmentin, Vancolon, Azomycin, Cefuzime, and Adol.

Customer Service



We prioritize customer satisfaction and provide excellent support to healthcare professionals and patients.

Julphar's Approach to Sustainability and ESG



At Julphar, we recognize that the future of our company, employees, communities, and the environment are deeply connected. As a leading global healthcare company, our commitment to improving health and well-being goes beyond providing high-quality medicines and healthcare solutions. Through our commitment to ESG principles, we aim to leverage our resources and expertise to drive positive change in the communities where we operate while contributing to a healthier and more sustainable planet.

Our ESG approach is driven by the same passion that inspires us to deliver innovative healthcare solutions to patients worldwide. As we work to improve lives through our products and services, we uphold the highest standards of governance, quality, and ethical conduct to ensure we deliver on our mission responsibly.

Our company's values—integrity, innovation, and accountability—have guided us since our founding, and we believe they are essential to fostering long-term, sustainable business success. At Julphar, sustainability is a cornerstone of our growth strategy, reflecting our commitment to creating long-term value for all stakeholders while addressing global challenges. By embedding these principles into our ESG approach, we strive to be leaders in healthcare, setting a strong foundation for future generations while helping to address global health challenges.



At Julphar, we are committed to improving lives by providing high-quality, innovative, and affordable healthcare solutions.

Contributing to UAE's Sustainable Development

"We the UAE 2031" sets a clear path for the country's future, driving progress across four key pillars: a forward society, forward economy, forward diplomacy, and forward ecosystem. At Julphar, we actively support this vision by embedding sustainability into our operations and ensuring that our contributions extend beyond healthcare to support the UAE's long-term ambitions.

In support of the UAE Net Zero 2050, we are continuously improving the environmental efficiency of our operations. Over the past year, we have taken significant steps to reduce our carbon footprint, including upgrading conventional lighting to energy-efficient LED alternatives, which have significantly improved energy efficiency across our

facilities. Additionally, we have refined our operational strategies by scheduling key equipment to function only during designated time periods, effectively managing energy demand while maintaining production efficiency.

Furthermore, aligned with the UAE Green Agenda 2030, we have taken decisive steps to enhance resource efficiency, particularly fuel consumption. By maximizing the efficiency of select boilers while shutting others down, we are minimizing diesel usage and lowering emissions. These measures not only reduce our carbon footprint but also contribute to a more sustainable and cost-effective operational model.

"We the UAE 2031" sets a clear path for the country's future



Alignment to Reporting Frameworks: ADX, GRI & UNSDGs

Reporting Period and Boundaries
This report marks the fifth consecutive year of reporting on Julphar's key ESG topics. It reflects our activities and achievements for the period commencing 1 January 2024 to 31 December 2024, unless stated otherwise and covers Julphar's activities in the UAE, including our head office and manufacturing plants. Unless otherwise noted, this report does not include data from contractors and suppliers.

Reporting Frameworks
We align our reporting with recognized international standards to ensure transparency and consistency. The report adheres to the Global Reporting Initiative (GRI) 2021 Universal Standards and is in line with the requirements of the Abu Dhabi Securities Exchange's (ADX) ESG Disclosure Guidance for Companies. In addition, we map our efforts to the United Nations Sustainable Development Goals (UNSDGs).

We appreciate the insights and feedback of our stakeholders and welcome any comments on this report. Please feel free to reach out to us at: info@julphar.net



Materiality Assessment and Key Material Topics

At Julphar, identifying and prioritizing key ESG issues is fundamental to our sustainability strategy.

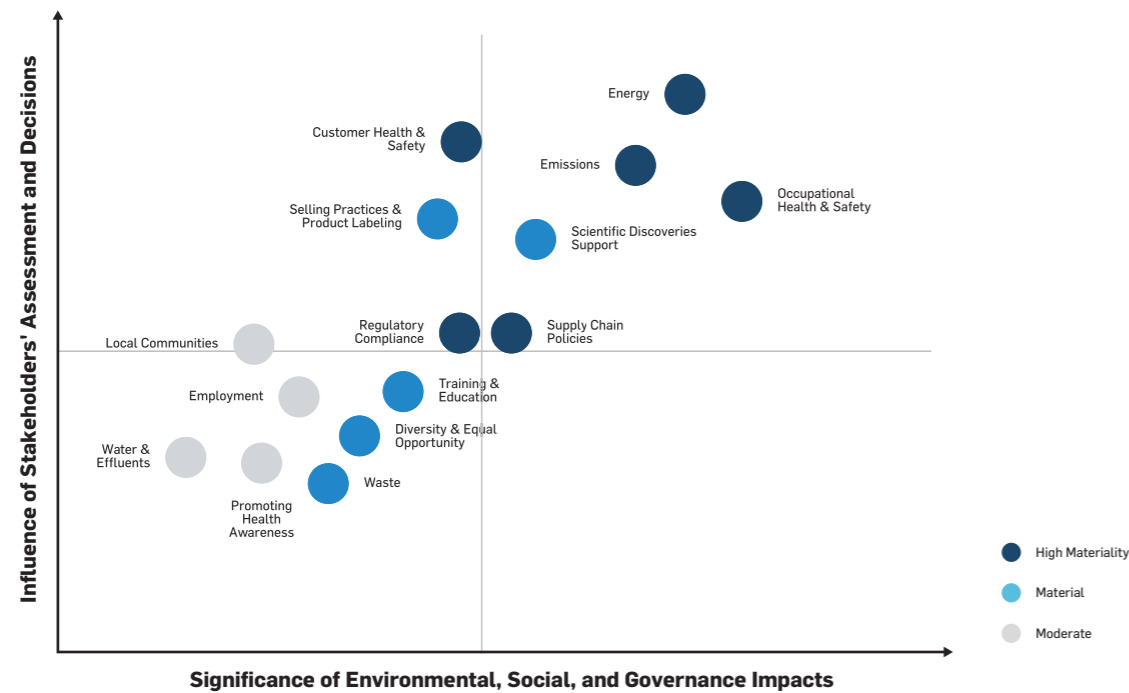
We continuously assess and refine our materiality approach to ensure it reflects industry developments, regulatory expectations, and stakeholder concerns. This process allows us to align our operations with best practices, uphold ethical standards, and drive long-term value creation.

As part of our 2024 review, we conducted a benchmark and materiality assessment to determine whether the material topics previ-

ously identified were still relevant and aligned with industry standards. This study looked at peers and new trends, as well as comparing Julphar's current material topics with those recognized by the Sustainability Accounting Standards Board (SASB) and Morgan Stanley Capital International (MSCI) for the pharmaceutical industry. Given that our business model has remained largely unchanged, our core material topics continue to be valid. However, we have added one new material

topic, "Selling Practices and Product Labeling," to strengthen our commitment to transparency and ethical business conduct.

The new updated materiality matrix makes our priorities clear and shows Julphar's proactive approach to meeting both stakeholder expectations and changes in the industry. Please find the materiality matrix for 2024 below:



The top 6 material topics in 2024 for Julphar are:

- Energy** ⚡
- Customer Health & Safety** 🏥
- Emissions** ☁️ CO2
- Occupational Health & Safety** 🛡️
- Regulatory Compliance** ✅
- Supply Chain Policies** 📦



Stakeholder Engagement

At Julphar, we recognize that strong stakeholder engagement is crucial for our long-term success. We believe in building and nurturing meaningful relationships with all those who are impacted by our operations and who have an interest in our success. Our stakeholders, including patients, employees, regulators, healthcare organizations, non-profit organizations, suppliers, investors, and local communities, play a vital role in shaping our strategic direction and corporate responsibilities.

Julphar has established a structured and evolving stakeholder engagement framework to ensure continuous, meaningful, and transparent dialogue. This framework helps us identify key challenges, prioritize material issues, and integrate them into our long-term sustainability and business strategies.

By actively engaging with our stakeholders, we gain valuable insights into their expectations, concerns, and priorities. This allows us to align our business strategy, product development, and ESG initiatives with the evolving needs of the healthcare ecosystem. Our engagement process enables us to foster long-term partnerships, build trust, and drive shared value creation.

Stakeholder Engagement

Stakeholder Structure	Channels of Engagement	Focus Areas
Patients	Interactions facilitated by patient advocacy groups.	<ul style="list-style-type: none"> Quality production and quality care Access to health and medicines
Employees	Annual employee satisfaction surveys, roundtable conferences, reviews of performance metrics, training events, town hall meetings, and team meetings.	<ul style="list-style-type: none"> Improvements in employee engagement Workforce analytics Training and development Emissions, effluents, and waste Diversity, inclusion and equal opportunity Data privacy and security Employee health, safety, and well-being
Regulators	Collaborative participation and discussion on public policy	<ul style="list-style-type: none"> Accessibility of health and medications National development Quality manufacturing and patient safety Corporate governance Emiratization Environmental impacts Socio-economic impacts
Healthcare Industry	Contribution to industry associations.	<ul style="list-style-type: none"> Quality production and patient well-being Pricing Pandemic readiness and disaster relief
Non-profit organization	Cooperation with community partners and collaboration with respect to social and environmental initiatives.	<ul style="list-style-type: none"> Addressing the environmental and socioeconomic impacts of our operations of emissions, effluents, and waste Community development campaigns and workshops CSR activities
Global health leaders	Interactions with global health governance organizations, participation in global health congresses and meetings.	<ul style="list-style-type: none"> Accessibility, affordability and availability of quality healthcare Pandemic preparedness and catastrophe relief Climate action and resilience Patient safety and high-quality production Responsible supply chain
Customers	Tenders, questionnaires, surveys, audits.	<ul style="list-style-type: none"> Transparent and agile supply chain management Quality manufacturing, patient safety Excellence in service and high-quality products
Suppliers	Questionnaires and audits.	<ul style="list-style-type: none"> Management of environmental matters, such as, waste management, low carbon emissions, etc. Business ethics Responsible human rights practices Transparent and agile supply chain Data privacy and security High-quality raw materials
Investors	Investor outreach, presentations and conferences, regular meetings with various investor groups, and participation in ESG rankings and ratings.	<ul style="list-style-type: none"> Intellectual property Corporate governance Climate action and resilience Business ethics Anti-bribery and corruption Access to health and medicines Pricing



Julphar is committed to continuous improvement in its stakeholder engagement practices. We will continue to refine our approach, strengthen relationships with key stakeholders, and ensure that their voices are heard and considered in all our business decisions.

Economic performance

As a leading pharmaceutical company in the Middle East and Africa, Julphar remains committed to driving financial growth, expanding market reach, and strengthening our product portfolio. In 2024, we achieved revenues of AED 1,743 million (Including our discontinued operations), with a notable 5% revenue growth and continued to navigate an evolving economic landscape, ensuring resilience in our operations while maintaining a steadfast focus on delivering high-quality, affordable medicines to our patients.

In 2024, Julphar sustained a solid financial performance, bolstered by strong sales. Our revenue growth was driven by an expanding portfolio in key therapeutic areas, increased market penetration, and strategic partnerships that enhanced our distribution network.

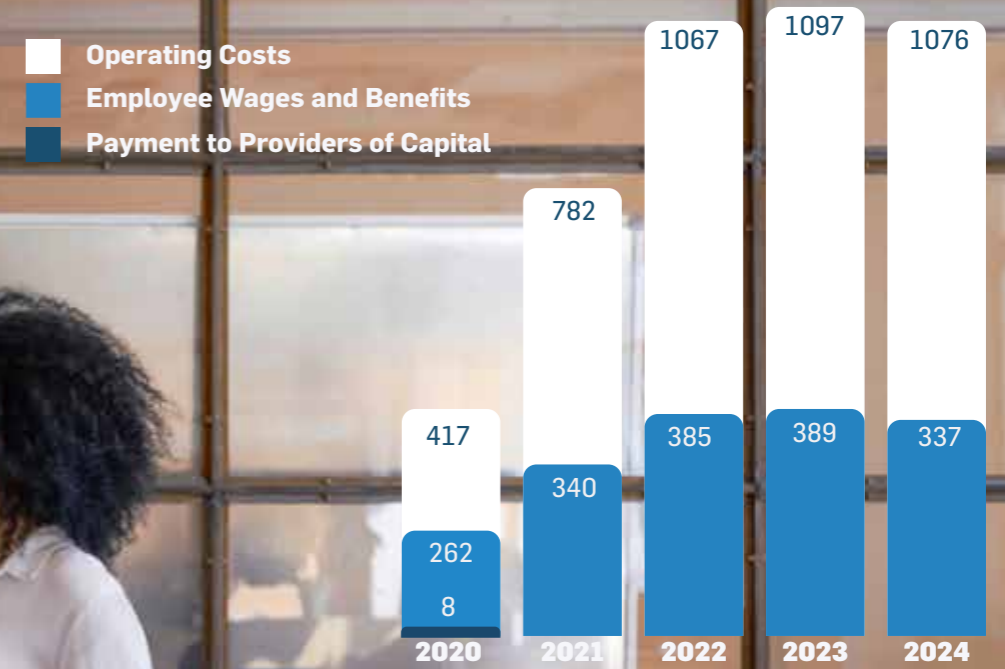
Recognizing the importance of geographical diversification, we are increasing our presence in key markets in Africa in addition to our continued portfolio expansion in Julphar's core markets in the Middle East Region. By evaluating opportunities in new territories and enhancing our presence in existing markets, we aim to create additional revenue streams while ensuring accessibility to essential medicines for a wider patient population.

With expansion comes risk, and Julphar remains proactive in adapting to market challenges by implementing robust risk management frameworks. We continue to enhance our systems and processes, ensuring that our business remains agile, responsive, and resilient in an evolving global landscape. Through operational excellence, digital transformation, and process optimization, we are future-proofing our business to sustain long-term financial success.

Julphar's growth strategy is deeply rooted in its commitment to improving access to healthcare. We will continue to prioritize the development and distribution of cost-effective medicines, ensuring that patients receive the treatments they need without financial burden. Our focus on affordability and quality underscores our dedication to making a positive impact on public health.

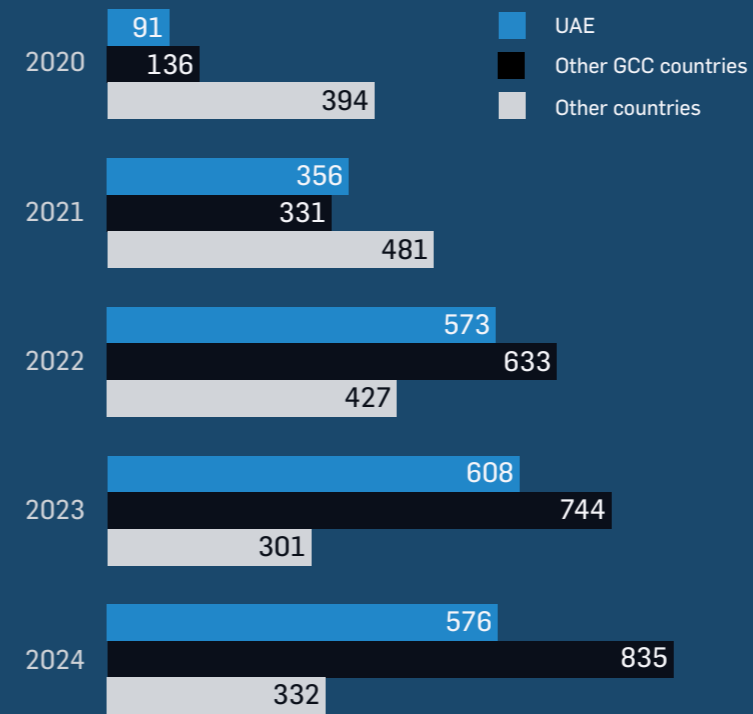
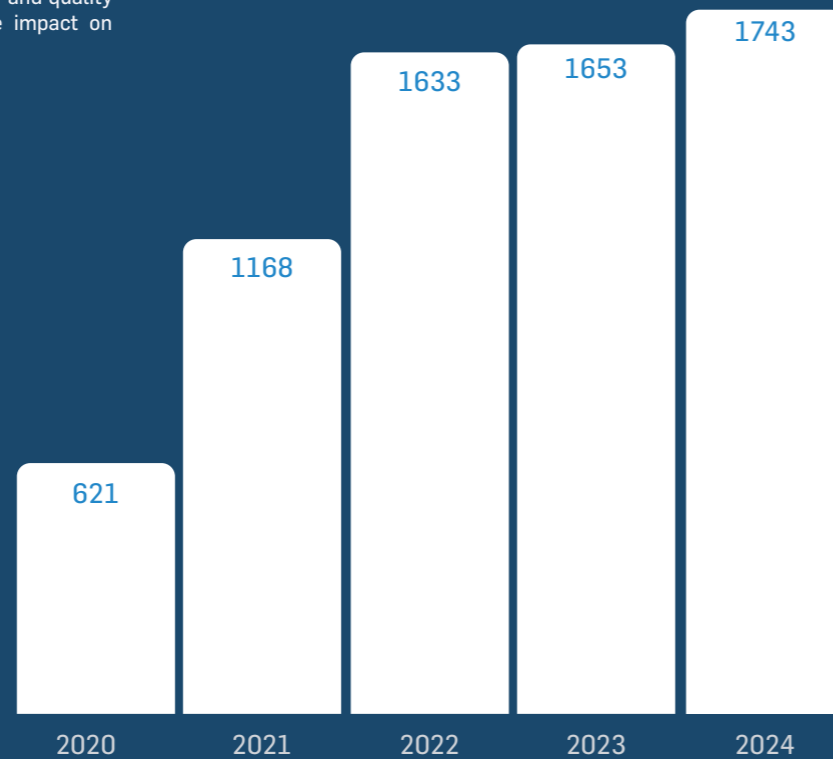


Total Economic Value Distributed



“Steady economic expansion over 5 years.”

Direct economic value generated (in Million AED)



Geographic Split



2024 Highlights

0 Waste Initiative



Reduce Paper Consumption



Streamlined Regulatory Compliance for Different Countries



72 Successfully Registered Products in Different Markets

5% Revenue Growth Including Discontinued Operations

- Successfully registered biosimilars (Insulin Glargine & Insulin Aspart)
- Integrated green chemistry to reduce hazardous materials and solvent use
- Launched a Small-Scale Plant in 2024 for precise, waste-reducing production



Awards, Certifications and Partnerships

In 2024, Julphar was honored at the Gulf Medical University Recognition Ceremony for its outstanding contributions to healthcare and medical education. This acknowledgment highlights our continuous efforts to advance pharmaceutical innovation and industry knowledge.

Additionally, the Ministry of Health and Prevention recognized Julphar at the "Partners' Appreciation Ceremony," where our long-standing commitment to fostering strategic collaborations and delivering high-quality healthcare solutions was acknowledged by key industry stakeholders.

Furthermore, Julphar maintains Good Manufacturing Practice approvals from several esteemed health authorities worldwide, reinforcing our commitment to quality and regulatory excellence. These approvals include the following:

- Emirates Drug Establishment - EDE
- SFDA (Saudi Food and Drug Authority) Audit
- Egyptian Drug Authority (EDA)
- Ethiopian Healthy Authorities
- Jordan FDA (Food and Drug Administration)
- Tanzania Food and Drug Authority
- Kenya Ministry of Health
- Yemen Ministry of Health
- Kuwait Ministry of Health
- Uganda Ministry of Health
- Libya Ministry of Health

Such recognitions reinforce our mission to enhance health and well-being through innovation, quality, and partnerships with industry leaders.

Future Commitments

We recognize that sustainability is a continuous journey, and we are committed to setting ambitious goals that drive long-term environmental, social, and economic value. Beyond our commitments to sustainable and profitable revenue growth, market expansion, and product innovation, we are further dedicated to:



Zero Waste

As part of our ongoing efforts to minimize environmental impact, Julphar has set an ongoing target to achieve zero waste. This commitment aligns with our sustainability vision, ensuring responsible resource management and waste reduction.



Digitalization and Paperless Processes

We are actively implementing a digitalization roadmap to achieve zero paper use in our processes by the end of 2026. With an approved budget and ongoing implementation, this initiative underscores our commitment to operational efficiency and environmental responsibility. By embracing digital transformation, we aim to streamline processes, reduce paper consumption, and enhance sustainability across our business functions.

As we move forward, we will continue to integrate sustainability into our core strategy, leveraging innovation and operational excellence to create a lasting positive impact.

Governance Practices



Board Composition	25
Board Diversity and Structure	
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Board Composition

Julphar’s Board of Directors (Board) consists of nine members, each bringing extensive experience and leadership across various industries. This blend of knowledge ensures comprehensive oversight and supports the company’s vision for sustainable growth.

Board Diversity and Structure

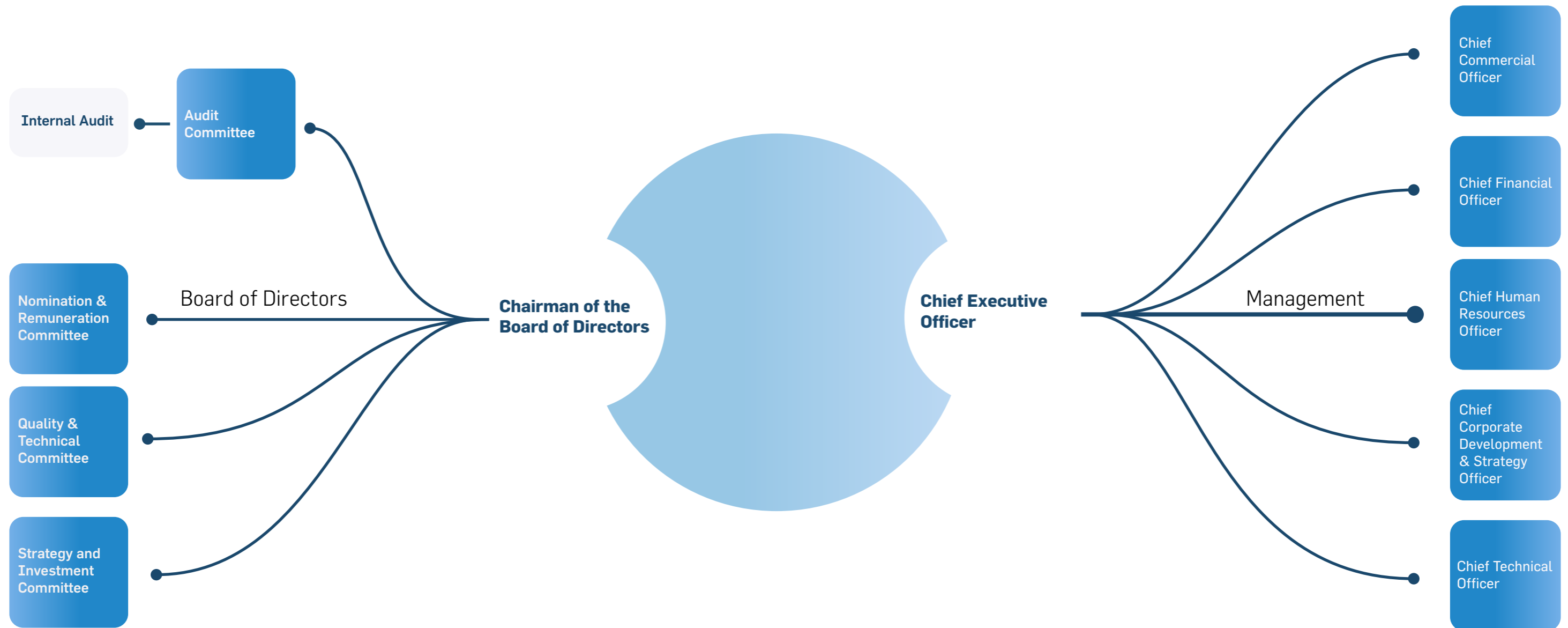
The diversity within Julphar’s Board enhances its ability to navigate the complex pharmaceutical landscape. Members bring varied backgrounds, including finance, pharmaceutical manufacturing, healthcare consultancy, and international investments. This diversity strengthens the Board’s capacity to address challenges and seize opportunities effectively. With professionals from different regions and industries, the Board provides well-rounded perspectives that are essential for informed decision-making.

Board Independence

Independence is a key pillar of Julphar’s Board governance. The majority of members are independent, and all are non-executive members, ensuring that decisions are made impartially and in the best interests of the company and its stakeholders.

The Board operates under established governance principles, with oversight reinforced by

committees such as the Audit Committee. This framework ensures accountability and minimizes potential conflicts of interest, enabling transparent and ethical decision-making. Julphar’s Board members uphold the company’s values of transparency and accountability, providing essential oversight to align operations with strategic goals and stakeholder expectations.





Independent Committees Reporting to the Board

Julphar's governance framework is supported by several independent committees, each tasked with specific responsibilities to ensure effective oversight and governance. These committees operate under clear charters and provide clear support to the Board of Directors:

Audit Committee

The committee consists of 4 members responsible for overseeing the integrity of financial reporting, risk management, and compliance within the company. It ensures the accuracy and reliability of financial disclosures, adherence to legal and regulatory requirements, and evaluates the efficiency of internal controls.

Additionally, it supervises both internal and external audits, ensuring transparency and accountability in financial practices. It collaborates closely with the Internal Audit and Risk Management function to identify, assess, and mitigate key risks, including financial, operational, cybersecurity, and compliance-related risks. The committee also establishes the company's risk appetite, assessment frameworks, and mitigation strategies, ensuring a proactive approach to enterprise risk management.

Furthermore, it also reviews and approves the internal audit charter, risk assessment processes, and delegation of authority, providing recommendations to the Board to enhance governance, accountability, and financial integrity.

Nomination and Remuneration Committee

Develop a policy to apply for membership of the Board and Executive administration, develops remuneration policies, and reviews compensation to ensure alignment with Julphar's strategic goals.

Quality and Technical Committee

Focuses on compliance with stakeholder requirements, supervises quality and innovation in production strategies, and evaluates the effectiveness of R&D activities. The committee also reviews key business policies and ensures their successful implementation.

Strategy and Investment Committee

Reviews and monitors strategic initiatives, annual budgets, and business plans. The committee evaluates investment risks, ensures compliance with regulations, and examines contracts of strategic importance.

Follow-up and Supervision of Insider's Transaction Committee

Ensures compliance with the Securities and Commodities Authority (SCA) and ADX regulations, monitors insider transactions, and maintains accurate records for reporting purposes.

These committees collectively strengthen Julphar's governance, enabling focused oversight and alignment with corporate objectives.

Ethical Business Practices

Julphar remains committed to conducting business with integrity, transparency, and accountability. Upholding ethical practices is a cornerstone of our operations, enabling us to build trust with stakeholders while fostering sustainable success.

Code of Conduct Adherence

Our Code of Conduct (CoC) defines the ethical standards and professional behavior expected from all employees. It provides clear guidelines for fostering a respectful, inclusive, and collaborative work environment while addressing key issues such as corruption, tax compliance, conflict of interest, and employee grievances. Our CoC is readily accessible to employees and is integrated into our onboarding process through dedicated training. This ensures that all team members uphold Julphar's values of ethical excellence.

Anti-Corruption Measures

Julphar adopts a zero-tolerance approach to corruption in any form. We strictly prohibit engagement in the solicitation, acceptance, or offering of bribes to secure business progression or competitive advantages. Our stringent policies are designed to prevent bribery, conflicts of interest, and unethical practices. These measures extend to all levels of our operations, including suppliers and customers. Any violation triggers a thorough investigation followed by appropriate action. In 2024, no corruption cases were identified, reflecting our strong commitment to integrity.

Compliance and Risk Management

Compliance with laws and regulations is integral to our operations. At Julphar, we uphold the highest standards of regulatory and ethical compliance to safeguard our reputation and maintain the trust of stakeholders.

Regulatory Compliance

By implementing robust policies and fostering a culture of respect, collaboration, compassion, ethics, and integrity, Julphar ensures adherence to legal and regulatory frameworks. Our CoC promotes responsible professional behavior and directly addresses areas such as bribery, tax evasion, and conflicts of interest. Any breach of these standards results in detailed investigations and corrective actions.

Whistleblower Policy

Julphar has a Whistleblowing policy that encourages employees to report any violations or inappropriate behavior. Employees can find this policy in the intranet, and it ensures that all concerns are addressed confidentially and thoroughly, promoting a culture of transparency and accountability within the organization.

Enterprise Risk Management Policy and Framework

At Julphar, we view risk management as a vital and integrated element of our decision-making process. By proactively identifying and evaluating risks, we ensure that our operations remain resilient and aligned with our strategic goals. Our approach leverages various tools, such as sustainability assessments and stakeholder engagement, to prioritize risks and opportunities effectively.

A key focus of our framework is supply chain risk management, supported by a dedicated third-party due diligence policy. This ensures that potential risks within our supply chain are identified and addressed promptly.

Our risk management system follows a dual structure:

- **Primary responsibility:** Senior management and individual departments are directly accountable for implementing risk policies and ensuring they are operationalized effectively.
- **Secondary oversight:** The Executive Team provides an additional layer of scrutiny, overseeing risk management activities to ensure alignment with organizational objectives.

Risk Assessments Conducted

Julphar conducts regular risk assessments across its operations to identify, evaluate, and address potential vulnerabilities. These assessments are integral to our proactive risk management strategy, enabling us to implement effective mitigation measures and ensure business continuity. Risk registers are maintained to monitor and track identified risks, and their effectiveness is periodically reviewed to align with best practices and evolving challenges. Additionally, our Audit Committee plays a key role in reviewing the effectiveness of our Risk & Compliance function.

Data Privacy and Cybersecurity

At Julphar, we recognize the critical importance of data privacy and cybersecurity in maintaining stakeholder trust and protecting sensitive information. In 2024, we continued to strengthen our cybersecurity, ensuring compliance with industry best practices and regulatory requirements.

Throughout the year, Julphar received no complaints or breaches regarding customer privacy, nor did we experience any losses or theft of information. This underscores our commitment to robust data protection measures and proactive risk management.

As part of our efforts to enhance cybersecurity awareness among employees, we launched a "Phishing Awareness" campaign via educating our workforce on identifying and mitigating potential cyber threats. By fostering a culture of cybersecurity vigilance, we aim to minimize risks and safeguard our digital infrastructure.

Moving forward, we will continue to invest in advanced security measures, employee training, and system enhancements to uphold the highest standards of data privacy and cybersecurity.

Social Contributions



Our People	32
Workforce Diversity, Equity, and Inclusion	
Total Workforce	
Employee Welfare and Wellbeing	
Employee Turnover and Retention	
Learning and Development	
HR Policy & Labor Rights Practices	51
Occupational Health and Safety	53
Lost Time Injury Rate (LTIR)	
Health and Safety Training	
Social Responsibility	60
Customer Health and Safety	
Ensuring Product Safety	
Maintaining Quality	
Improving Customer Satisfaction	
Research and Development	65
Research & Development Strategy and Aspirations	
Key Breakthroughs	
Regulatory and Medical Affairs	69
Pharmacovigilance and Risk Management Program	
Sustainable Procurement and Supply Chain Management	71
Sustainability in Supply Chain	
Sustainable Procurement Practices	
Distributor Management Systems	
Strategic Partnerships	
Community Engagement	77
Investment in Community Programs	
Volunteering Hours	



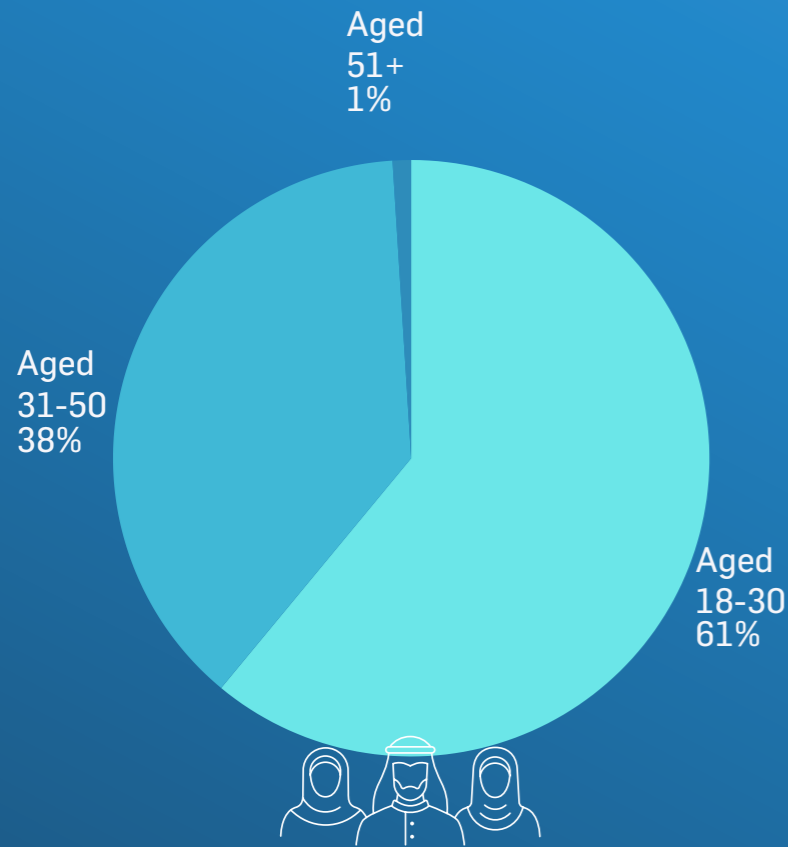
At Julphar, we believe that our greatest asset is our people. They are the heart of our operations, the drivers of innovation, and the foundation of our commitment to delivering high-quality, accessible healthcare solutions to communities around the world. As we continue to grow and evolve, we remain steadfast in our dedication to fostering a workplace that values diversity, empowers talent, and prioritizes the well-being of every individual.

Inspired by global best practices and aligned with the sustainability frameworks, we have implemented comprehensive strategies to nurture a culture of inclusion, safety, and professional development. In 2024, we focused on enhancing employee engagement, promoting gender equality, and ensuring a safe and healthy work environment for all.

Workforce Diversity, Equity, and Inclusion

We believe that diversity and equal opportunity are not just ethical imperatives but also strategic enablers of innovation, growth, and sustainability. As a global pharmaceutical company, we are committed to fostering an inclusive workplace where every individual, regardless of gender, ethnicity, age, disability, or background, feels valued, respected, and empowered to contribute their unique perspectives and talents.

In 2024, we made significant strides in advancing our diversity, equity, and inclusion (DEI) agenda. Our efforts were guided by a clear vision: to build a workforce that reflects the diversity of the communities we serve and to create an environment where everyone has an equal opportunity to succeed. This year, we expanded our initiatives to foster a culture of DEI, with a focus on increasing gender representation in leadership roles and creating opportunities for underrepresented groups.



Age Group Distribution in new hiring

43%
of new hires
Female

57%
of new hires
Male



Total Employees by Management Level

Senior Management	45
Middle Management	218
Junior Management	707
Execution Team	1784
Support Staff	578

New Employees by Management Level

Senior Management	7
Middle Management	16
Junior Management	76
Execution Team	174
Support Staff	48

New Employees by Nationality

321 New Employees from 26 Nationalities

These figures underscore our ongoing commitment to DEI, as we strive to build an inclusive culture where all employees can thrive and contribute meaningfully to Julphar's success.

Empowering Women in the Workforce

24%

Women in total workforce as a % of total workforce

17%

Women in all management positions as a % of all management positions

19%

Women in junior management as a % of all junior management positions

10%

Women in senior management positions as % of all senior management positions

16%

Women in management positions in revenue-generating functions as a % of all excluding support functions

28

Number of Nationalities within the company (ethnic diversity) - Only for women

8

Women appointed to junior management

4

Women promoted to middle management positions

At Julphar, we are committed to fostering an inclusive and equitable workplace where women thrive in leadership, STEM (Science, Technology, Engineering, and Mathematics), and key business functions. Our focus on gender diversity and women's empowerment is reflected in our workforce composition, leadership representation, and career advancement opportunities.

Women represent 24% of our total workforce, underscoring our dedication to gender balance. Their presence in management roles continues to grow, with 17% of all management positions and 10% of senior management positions are held by women, reflecting our commitment to

increasing female representation at the highest decision-making levels.

Julphar's diverse workforce includes women from 28 nationalities, reflecting our global and inclusive outlook. In 2024, our commitment to career progression resulted in the appointment of 8 women to junior management and 4 to middle management, highlighting our focus on nurturing and advancing female talent across all levels.

Through targeted initiatives, leadership programs, and inclusive policies, we remain steadfast in empowering women to lead, innovate, and shape the future of Julphar.



Commitment to Emiratization and National Talent Development

By actively supporting the Emiratization initiative, Julphar is steadfastly dedicated to advancing the UAE's vision for sustainable development and economic growth. Emiratization is a strategic priority for us, reflecting our dedication to empowering UAE nationals, fostering their professional growth, and integrating them into key roles within our organization. In 2024, we continued to strengthen our efforts to attract, develop, and retain Emirati talent, ensuring that they play a pivotal role in driving Julphar's success and contributing to the nation's pharmaceutical industry.

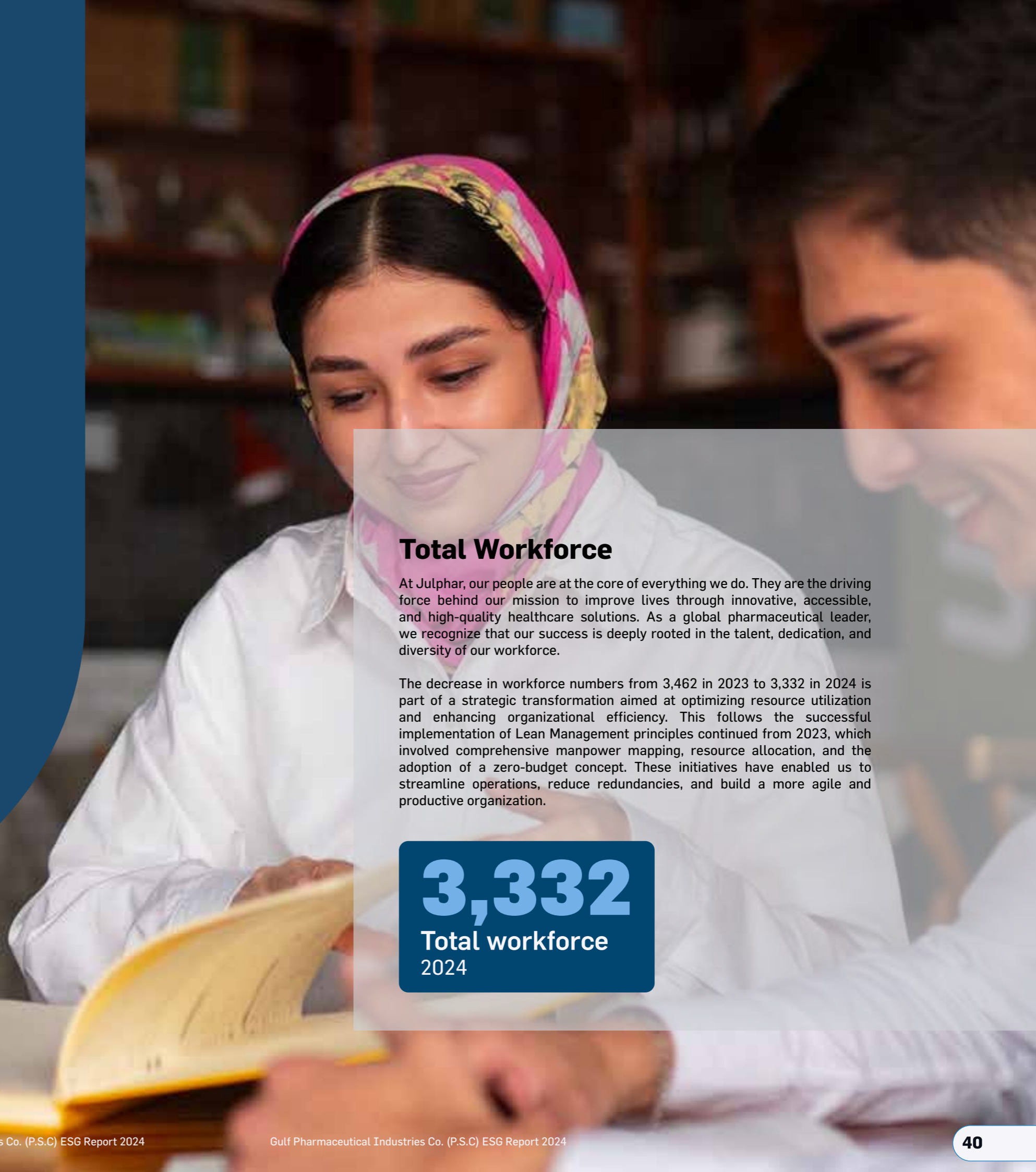
In 2024, we successfully exceeded our Emiratization target of 28.75%, achieving 29.04%, reflecting our commitment to national workforce development.

Leadership representation remains a priority, with 16 Emiratis holding senior leadership positions. Our dedication to gender diversity within Emiratization is evident, with 86% (193 employees) of our Emirati workforce being female, while 14% (32 employees) are male.

Julphar continues to actively contribute to the UAE's nationalization agenda by providing career development opportunities, leadership training, and mentorship programs for Emiratis. Through these initiatives, we aim to build a skilled, future-ready Emirati workforce, driving both the company's growth and the UAE's long-term economic vision.

Particulars	FY 2024 (Numbers)
Number of Emiratis in senior leadership positions	16
Emiratization target *	28%
% of emiratization target achieved	29%
Total number of National/Emirati employees	225
Number of female national/Emirati employees	193
Number of male national/Emirati employees	32
Turnover of Emirati Nationals (voluntary)	8%

*Emiratization target and percentages as per Nafis

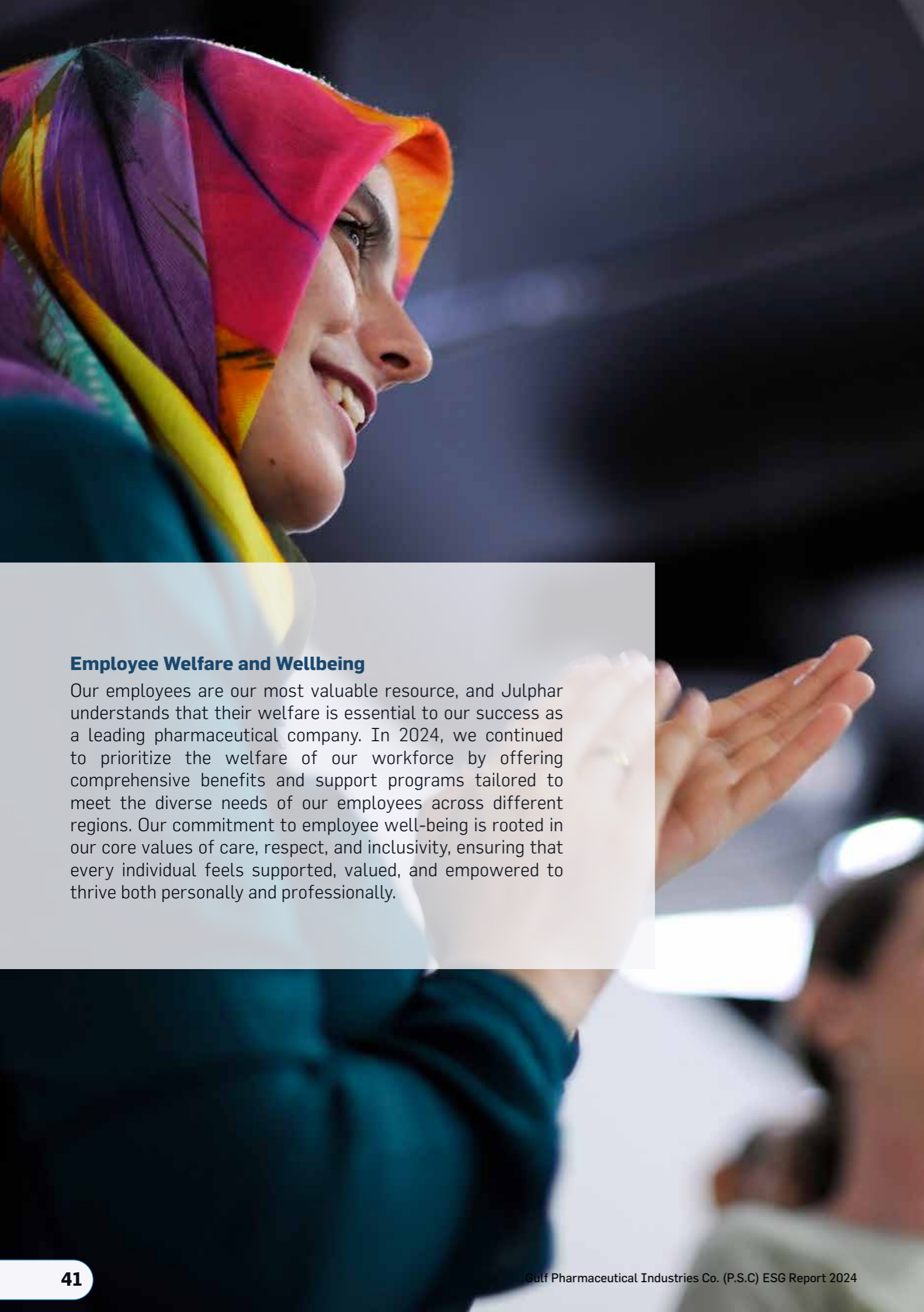


Total Workforce

At Julphar, our people are at the core of everything we do. They are the driving force behind our mission to improve lives through innovative, accessible, and high-quality healthcare solutions. As a global pharmaceutical leader, we recognize that our success is deeply rooted in the talent, dedication, and diversity of our workforce.

The decrease in workforce numbers from 3,462 in 2023 to 3,332 in 2024 is part of a strategic transformation aimed at optimizing resource utilization and enhancing organizational efficiency. This follows the successful implementation of Lean Management principles continued from 2023, which involved comprehensive manpower mapping, resource allocation, and the adoption of a zero-budget concept. These initiatives have enabled us to streamline operations, reduce redundancies, and build a more agile and productive organization.

3,332
Total workforce
2024



Employee Welfare and Wellbeing

Our employees are our most valuable resource, and Julphar understands that their welfare is essential to our success as a leading pharmaceutical company. In 2024, we continued to prioritize the welfare of our workforce by offering comprehensive benefits and support programs tailored to meet the diverse needs of our employees across different regions. Our commitment to employee well-being is rooted in our core values of care, respect, and inclusivity, ensuring that every individual feels supported, valued, and empowered to thrive both personally and professionally.

Comprehensive Benefits and Support Programs

Health and Wellness

Medical Insurance

We provide comprehensive medical insurance coverage for all employees, including their eligible family members, ensuring access to quality healthcare services.



Life Insurance

Employees are covered by life insurance policies, with compensation multiples aligned with job levels and seniority, offering financial security and peace of mind.



Inability Coverage

In the event of work-related incidents, employees are supported through disability coverage, ensuring they are cared for during challenging times.



Doctor and Clinic Support

Employees working at Julphar's Corporate manufacturing campus are provided free professional medical / health care clinic services, promoting preventive care and timely medical attention.



Work-Life Balance and Leave Policies

Parental Leave

We offer generous parental leave to support employees during significant life events, ensuring they can balance their professional and personal responsibilities.



Maternity Leave and Expenses

Female employees are provided with extended maternity leave and financial support for maternity-related expenses, fostering a supportive environment for working mothers.



Annual Leave

Employees are entitled to annual leave, allowing them to recharge and spend quality time with their families.



Special Leaves

We recognize the importance of cultural and religious practices, offering pilgrimage leaves (Hajj and Umrah), bereavement leaves, and study leaves to accommodate diverse needs.



Maternity leave

A total of 60 days, of which 45 days are fully paid and the next 15 days are half paid.

72
45

Employees who took Parental & Maternity Leave (Male to Female)

Paternity/ Parental leave

5 working days paid leave, within six months from the child's birth date.

72
45

Total number of employees who returned to work after parental leave ended (Male to Female)

100% Return to work rate

100% Return to work & still employed 12 months after return to work rate



Our commitment to employee well-being extends beyond policies and benefits; it is embedded in our corporate culture. Through regular engagement programs, well-being workshops, and open communication channels, we ensure that our employees feel supported and heard. In 2024, we placed a strong emphasis on social well-being of our employees and nurtured it through initiatives such as:

Cultivating a Culture of Excellence

Our leadership championed transparency, inclusion, and continuous improvement, ensuring that these values are integrated into every aspect of our organization.

Women's Health Initiative – Breast Cancer Awareness

October being Breast Cancer Awareness Month, we launched a Breast Cancer Awareness Initiative, highlighting the importance of early detection, and prevention. The initiative aimed to educate, support, and empower employees, fostering a workplace culture that prioritizes well-being, awareness, and solidarity in the fight against breast cancer.



As we move forward, Julphar remains committed to enhancing employee welfare and well-being through innovative programs and policies. We will continue to listen to our employees, adapt to their evolving needs, and foster a culture of care and inclusivity. By investing in our people, we are not only building a stronger organization but also creating a positive impact on the communities we serve.

We are confident that a happy, healthy, and empowered workforce is the key to achieving our vision of a healthier, more sustainable future. Together, we are shaping a workplace where every individual can thrive and contribute to our shared success.





Employee Turnover and Retention

11.7%

Voluntary Employee Turnover Rate

8.7 Years

Average Tenure for Male Employees

6.9 Years

Average Tenure for Female Employees

As a leading organization, we understand that retaining top talent is critical to maintaining operational excellence, driving innovation, and achieving our long-term strategic goals. In 2024, we continued to prioritize employee retention by fostering a supportive and inclusive work environment, offering competitive benefits, and implementing initiatives that promote professional growth and work-life balance. While we experienced some level of employee turnover, as is natural in any dynamic organization, we remain committed to understanding the underlying causes and addressing them proactively to ensure a stable and motivated workforce.

Learning and Development

Learning and development (L&D) remain at the heart of Julphar's strategy to maintain competitiveness, foster innovation, enhance productivity, ensure compliance, and attract and develop top talent. By empowering employees with the skills, knowledge, and expertise needed to excel in their roles, Julphar ensures its workforce remains agile and aligned with the evolving demands of the pharmaceutical industry. Through a culture of continuous learning and professional growth, we strengthen our ability to achieve strategic objectives and sustain leadership in a competitive market.

Julphar has established clear principles for employee development, prioritizing proper training and certification. For instance:

Medical Representatives are required to obtain certification from HR - L&D before engaging with healthcare providers, ensuring they are well-equipped to represent Julphar's products and values.

Hiring Managers must also be certified by the HR - L&D before conducting interviews, ensuring a consistent and high standard of talent acquisition across the organization.

These practices reflect our commitment to excellence and demonstrate how a well-trained workforce underpins our mission to deliver high-quality, accessible healthcare solutions.

Capability and Talent Development

In 2024, Julphar enhanced its focus on capability development by conducting structured analyses to identify learning needs. We gathered input from employees and Level 1 managers to address specific skill gaps and broader team-level requirements. This approach enabled a more targeted and impactful training program across the organization.

Talent Development Initiative

This initiative further supported internal growth by providing employees opportunities to explore new career paths by taking over open vacancies within the company. This initiative exposes high-performing employees to different functional and cross-functional projects while also undergoing the "Competence Development Program" and the "Leadership Development Program". These initiatives help align personal aspirations with business goals while preparing employees for future leadership roles.

Competency Framework

Our competency framework remains integral to Julphar's performance management system, supporting employee development across all levels. It applies to two broad job categories: team leader and above, as well as senior specialist and below. The framework focuses on eight core behavioral competencies: Change and Learning Agility, Professional Competence and Business

Acumen, Problem Solving and Decision Making, Taking Ownership and Accountability, Process Compliance, Time and Task Management, and Teamwork and Collaboration.

In 2024, we continued to refine our competency profiles to serve as clear roadmaps for employee development. These profiles outline the essential skills and mastery levels for each role, using a five-point scale to assess employees and align their growth objectives with organizational expectations. This personalized approach ensures continuous improvement and positions employees for long-term success.



Case Study

Updating and Implementing the Training Curriculum

In 2024, Julphar revised its training curriculum under the principle of responsible business practices, which involved a comprehensive review of the existing curriculum to align it with the company's strategy. Key steps included:

Updating the training framework enhancing capabilities and alignment with business objectives

Introduced new training programs for front end field staff.

Introduced, dedicated training curriculum for the commercial team.

“Future plans include delivering this updated training curriculum while maintaining flexibility to amend it as needed to address emerging challenges and opportunities

L&D Highlights for 2024

99.6%
of full-time employees

Underwent performance assessments during 2024, which included identifying specific learning and development requirements for individuals. The Learning & Development team played a crucial role in developing and preparing talents to take on higher responsibilities, aiming to fulfill both individual and organizational goals.

Julphar

Total training hours
FY 2024

Total training hours delivered	22,618
Total training hours delivered to female employees	7,423
Total training hours delivered to male employees	15,195
Total training hours delivered to Senior Management employees	767
Total training hours delivered to Middle Management employees	4,038
Total training hours delivered to Non-Management employees	17,813
Amount invested in training (AED)	763,833 AED

Mandatory Training Modules	2024 (Training Hours)
Employee Code of Conduct	145
ESG	620
Whistleblower Policy	795

Julphar's Learning and Development strategy is closely aligned with RAK's Vision 2030 and the UAE's Vision 2031: Forward Economy, which emphasizes the development of a knowledge-based economy driven by innovation, talent, and sustainability. By investing in the upskilling and reskilling of our employees, we are not only enhancing their capabilities but also contributing to the UAE's goal of building a competitive and future-ready workforce.

HR Policy & Labor Rights Practices

At Julphar, our HR policy provides a structured, ethical, and inclusive framework that guides our workforce. We have a comprehensive HR policy that covers various aspects of human capital management. These policies establish standard operating procedures for key human resource functions, aligning with global best practices and reinforcing our commitment to diversity, equity, inclusion, employee well-being, ethical labor practices, and governance.

By embedding these principles into its HR framework, Julphar fosters a workplace culture that aligns with its ESG goals and creates value for employees, stakeholders, and the broader community.

Operating with the highest ethical standards, we strictly prohibit child labor, forced labor, slavery, and nepotism, ensuring a fair and respectful workplace. Clear policies guide our practices, reinforcing integrity and compliance across all levels. To uphold these standards, we have established comprehensive guidelines and training programs, including "Workplace Harassment Awareness" lectures, ensuring awareness and accountability. We remain dedicated to fostering a safe, ethical, and inclusive environment that protects the rights and dignity of every employee.



Occupational Health and Safety

At Julphar, the health, safety, and well-being of our employees are paramount. As a pharmaceutical manufacturer, we recognize the inherent occupational hazards associated with our industry, including exposure to hazardous chemicals, biological agents, ergonomic risks, and physical dangers. We are committed to maintaining a safe and healthy work environment across all our facilities, ensuring that every employee can perform their duties without risk to their physical or mental health.

Our Occupational Health and Safety (OHS) management system is designed to identify, mitigate, and eliminate workplace hazards, fostering a culture of safety, responsibility, and continuous improvement that aligns with industry regulations and global sustainability frameworks.

We have established a comprehensive OHS management system guided by internal Environmental Health & Safety (EHS) and Standard Operating Procedures (SOPs) to reduce workplace injury and illness risks.

We conduct regular hazard identification and risk assessments across all facilities to detect potential workplace hazards. Our OHS management system is built on a foundation of proactive hazard identification, risk assessment, and incident investigation. Our incident investigation procedures ensure that root causes are identified and corrective actions are taken. Key components include:

Hazard Identification and Risk Assessment
 Periodic risk assessments across all Julphar facilities to identify potential hazards associated with activities, equipment, and work environments.
 Control measures are implemented to mitigate or eliminate risks, ensuring a safe workplace for all employees.

Incident Investigation and Reporting
 Any workplace incidents are thoroughly investigated to determine root causes and prevent recurrence.
 We maintain a transparent reporting system to encourage employees to report hazards and near misses without fear of reprisal.

Supplier and Contractor Safety
 Requires all suppliers and contractors to submit HSE Plans, Method Statements, Risk Assessments, and Aspect Impact Assessments before commencing work.
 Regular audits and monitoring ensure compliance with Julphar's safety standards.

Lost Time Injury Rate (LTIR)

We are committed to fostering a safe and healthy work environment by continuously enhancing our safety protocols and ensuring all employees are well-equipped to handle workplace risks. Through rigorous training, proactive hazard identification, and continuous monitoring, we strive to minimize workplace injuries and create a culture of safety across all operations. Our focus on occupational health and safety is reflected in our efforts to reduce workplace injuries and enhance employee awareness through comprehensive training programs. In 2024, we achieved significant progress in these areas, as highlighted below.

The LTIR is a key metric that measures the frequency of workplace injuries resulting in lost workdays. In 2024, Julphar reported:

Number of Recordable Injuries **5**

Number of days lost due to Injuries **8**

73% reduction in lost workdays compared to 2023 (30 days)
 91% reduction compared to 2022 (93 days)



Safety Performance Metrics	2022	2023	2024
Number of Major Incidents	3	3	0
Number of Minor Incidents	3	3	5
Work-Related Injuries	6	6	5
Work-Related Fatalities	0	0	0
Lost Workdays	93	30	8

By implementing robust safety protocols, continuous employee training, and proactive risk management, Julphar ensures a secure work environment that enhances productivity and well-being. Our OHS initiatives not only support the development of a world-class healthcare sector but also contribute to the broader UAE goal of building a thriving, forward-thinking society where people's health and safety are prioritized as key pillars of national success.

Julphar's commitment to OHS aligns with the "We the UAE 2031" vision by fostering a safe, healthy, and resilient workforce, which is essential for driving national progress in healthcare, economic growth, and sustainability.

Key Initiatives to Reduce LTIR

Permit-to-Work System
 To ensure the health and safety of employees and assets, we implemented a robust Permit-to-Work (PTW) system. This system requires formal authorization for high-risk tasks, ensuring that all safety protocols are followed before work begins. The PTW system has significantly reduced the likelihood of accidents by enforcing strict controls and accountability.

Proactive Hazard Identification
 Regular risk assessments and hazard identification exercises were conducted across all facilities. Control measures were implemented to eliminate or mitigate risks, reducing the potential for workplace injuries.

Incident Investigation and Corrective Actions
 All incidents were thoroughly investigated to identify root causes and implement corrective actions. Lessons learned from incidents were shared across the organization to prevent recurrence.

Enhanced Safety Culture
 We fostered a culture of safety by encouraging employees to report hazards and near misses without fear of reprisal. Safety awareness campaigns and recognition programs were introduced to reinforce positive safety behaviors.



Health and Safety Training

Employee safety and well-being are fundamental to our operational excellence. We are committed to equipping our workforce with the knowledge, skills, and awareness necessary to create a safe and compliant work environment. Through structured training programs, we ensure that all employees, regardless of their role, are well-prepared to identify, prevent, and manage occupational hazards effectively.

Comprehensive OHS Training Approach

Julphar's Environmental Health and Safety team, in collaboration with the Julphar Training Centre (JTC), conducts rigorous OHS training programs to instill a culture of safety, responsibility, and proactive risk management across all levels of the organization.

Julphar's OHS training covers a wide range of critical topics designed to equip employees with the knowledge and skills necessary to ensure workplace safety. Training sessions focus on workplace hazard identification and control, helping employees recognize and mitigate physical, chemical, biological, and psychological hazards.

Employees are also trained on the proper selection, use, and maintenance of Personal Protective Equipment (PPE) to minimize exposure to workplace risks. Emergency preparedness and response is another key area, ensuring that employees are well-versed in fire safety protocols, first aid procedures, and evacuation plans. Chemical safety training emphasizes the correct handling, storage, and disposal of hazardous materials to prevent contamination and health risks.

Additionally, ergonomics and musculoskeletal disorder prevention are incorporated into training to promote safe workplace practices, reducing strain and injury risks associated with repetitive tasks and improper posture. Specialized training on lockout/tagout procedures and machine safety ensures employees understand how to safely operate and maintain machinery, while fall protection and ladder safety training equip them with the necessary precautions to prevent height-related accidents.

Furthermore, Julphar ensures that all employees remain compliant with occupational health and safety regulations through ongoing training on national and international safety standards.



Training Delivery Methods

To maximize learning effectiveness, Julphar employs a variety of training methods, ensuring accessibility and engagement for all employees:

Classroom Training

Instructor-led sessions for in-depth knowledge transfer.

Online Training

E-learning modules and webinars for flexible learning.

On-the-Job Training

Hands-on guidance and practical demonstrations.

Simulations & Scenario-Based Training

Interactive exercises to reinforce emergency response and risk mitigation.

Workshops & Seminars

Knowledge-sharing platforms featuring industry experts

Key Objectives of OHS Training

Raise awareness of workplace hazards and risks.

Educate employees on Julphar's policies, procedures, and regulations.

Develop skills to identify, report, and control OHS hazards

Promote a culture of safety and accountability.

Reduce workplace incidents, injuries, and fatalities.

To maintain the effectiveness of its OHS training, Julphar implements a rigorous evaluation and continuous improvement process. Employee knowledge and competency are assessed through examinations and practical demonstrations, ensuring they can effectively apply safety principles in real-world scenarios. Regular employee observations and feedback sessions help identify areas for improvement, allowing the company to refine training content based on real-time workplace challenges. Additionally, training evaluation forms are distributed to collect insights from employees, ensuring that training programs remain relevant, engaging, and aligned with evolving safety needs. Through continuous monitoring, performance tracking, and proactive adjustments, Julphar remains committed to strengthening its safety culture and ensuring the highest standards of workplace health and safety. To maintain compliance and track progress, Julphar maintains accurate, up-to-date training records, ensuring that every employee completes mandatory safety training annually.



First Aid Training

Julphar held a first aid training course in the company's training center (JTC) in cooperation with the EHS department and the "Sanid program" to equip employees with essential life-saving skills. The course was attended by more than 50 employees and the session covered emergency response, CPR, burns, fractures, and basic first aid techniques.

Strengthening the Safety Culture at Julphar

As part of our ongoing commitment to enhancing workplace safety, Julphar's EHS Council conducts monthly reviews, addressing:

Incident Reports & Root Cause Analysis – Preventive action planning.

Regulatory Updates & Compliance Checks – Staying ahead of legal requirements.

Policy & SOP Updates – Adapting best practices to evolving industry standards.

Training Program Enhancements – Identifying gaps and introducing new safety initiatives.

Future Commitments:

Expand digital OHS training platforms for improved accessibility.

Introduce real-time hazard reporting tools for proactive risk management.

Strengthen contractor and supplier OHS training to ensure safety beyond internal operations.

Through comprehensive training, continuous improvement, and a strong safety culture, Julphar remains dedicated to minimizing workplace hazards and ensuring the well-being of all employees, contractors, and stakeholders.



Details of trainings	2022	2023	2024
Number of Occupational Health and Safety Training Programs Conducted	2	22	19
Staff Attending Occupational Health and Safety Training	191	726	620

Details of 2024 Trainings

	Sessions Conducted	Number of attendees
OHS fundamentals, hazard identification, and control	8	228
Personal protective equipment usage and maintenance	3	124
Emergency preparedness, fire safety, and first aid	5	192
Chemical safety, ergonomics, and machine guarding	3	76

Social Responsibility

Julphar believes in making a positive difference beyond delivering healthcare products, we are committed to making a meaningful impact on the communities we serve. As a leading pharmaceutical manufacturer in the MENA region we recognize our responsibility to enhance health and well being and drive positive social change.

Guided by our core values of integrity, innovation, and compassion, we integrate social responsibility into our operations, ensuring that we contribute to a healthier, more equitable world.

Julphar maintains a steadfast focus on customer health and safety by upholding the highest standards of product safety and quality assurance. These priorities ensure that every product we deliver contributes not only to improving individual well-being but also to building trust with the communities we serve.

Customer Health and Safety

Customer health and safety remain central to Julphar's mission as a leading pharmaceutical company. In 2024, we continued to uphold the highest standards to protect patients' well-being, comply with global regulations, and enhance public trust in our products. By prioritizing safety and quality, we aim to deliver exceptional healthcare outcomes while fostering patient satisfaction and confidence. These principles guided all of our actions, from manufacturing and product safety to compliance and customer engagement.

Furthermore, all marketing communications related to advertising, promotion, and sponsorship are conducted in strict accordance with each country's CoC. For instance, if a product is classified as a medicine, any promotional content is directed exclusively to healthcare professionals. Additionally, to make sure that marketing materials are in compliance with company policies and legal requirements, permission from the Communications Department must be obtained prior to posting them on social media.



Case Study

Enhancing Accessibility with Braille Labeling

With evolving labeling requirements, Julphar has taken significant preliminary steps to make medicinal information accessible to visually impaired patients.

Initiated preliminary Braille packaging for expert evaluation from Braille-supporting organizations by capturing critical product information in Braille for safe and independent use by visually impaired patients. This, in future, will empower visually impaired patients with greater access to essential information and reinforce Julphar's dedication to delivering safe and accessible healthcare solutions.

Looking ahead Julphar continues to work towards fully integrating Braille labeling across its product range. These efforts not only enhance accessibility for visually impaired patients but also reflect Julphar's broader dedication to inclusive healthcare solutions.



Ensuring Product Safety

Ensuring the safety of our products is one of Julphar's core responsibilities. Our proactive approach combines adherence to regulations, implementation of robust manufacturing practices, and ongoing assessments to address potential risks.

Good Manufacturing Practices

We maintain unwavering adherence to international GMP standards to ensure consistent product quality, prevent contamination, and create safe production environments. This includes implementing regular audits, employee training, and strict hygiene protocols to minimize errors and ensure the safe handling of raw materials and finished products. By keeping the entire production process, from design to end-of-shelf life, under strict control, we safeguard the health and safety of our consumers.

Proactive Safety Reviews

While all of our products undergo comprehensive safety checks, we went further in 2024 by reviewing our top 5 products based on 62 complaints received to identify and address any potential risks.

Extensive Testing and Transparency

We conduct rigorous product testing and ensure transparent communication about potential risks. Clear labeling and collaboration with health authorities allow us to meet evolving consumer needs and comply with regulatory changes.

Electronic Patient Leaflet (e-PIL)

In alignment with different GCC health authorities, Julphar initiated the implementation of e-PIL project, a digital initiative aimed at replacing traditional paper leaflets with electronic product information. This transition enhances accessibility to up-to-date medicinal information through digital platforms while promoting harmonization across the GCC region. The e-PIL project has been implemented on some products so far. This shows Julphar's dedication to patient safety, regulatory compliance, and sustainability by lowering the amount of paper used and the damage it does to the environment



Maintaining Quality

At Julphar, maintaining the highest standards of product quality is integral to ensuring customer trust and satisfaction. A comprehensive quality framework guides our operations to meet global benchmarks.

Supplier Collaborations

In 2024, we strengthened our partnerships with existing partners to introduce innovative medical solutions to the MEA region. Our continued partnership with Jungbunzlauer Ladenburg GmbH in Germany also guaranteed a consistent supply of high-quality Sodium Citrate, essential for upholding the superior quality of our products.

Compliance and Monitoring

We actively monitor local, national, and international regulations to ensure full compliance with all applicable standards. Our robust systems include regular internal audits and continuous employee training, ensuring that all processes align with current legal and ethical requirements

Improving Customer Satisfaction

Customer satisfaction is fundamental to Julphar’s success. We are dedicated to understanding and addressing customer needs while maintaining transparency and trust through open communication.

Handling Complaints

Julphar is committed to ensuring customer satisfaction through efficient and thorough complaint handling. Our dedication lies in understanding and addressing customer needs, all the while maintaining transparency and trust through an open communication process. Managed by the dedicated Quality Assurance (QA) Compliance Department, all complaints—whether from regulatory bodies, healthcare professionals, or customers—are documented, categorized, and investigated based on their potential health impact:

Immediately
Critical complaints

Within 15 days
Major complaints

Within 30 days
Minor complaints

For complaints involving adverse events or drug inefficacy, both the Regulatory & Medical Affairs Department and QA teams collaborate to ensure swift action.

Investigations cover all aspects of manufacturing, packaging, and product analysis to identify root causes and implement corrective measures. Insights from these reviews support continuous improvement and reinforce Julphar’s dedication to product safety, customer health, and trust.

In 2024, out of 64 total reported cases, 15 complaints were substantiated following final

investigations, resulting in a substantiated complaint rate of 0.24%. No product recalls were required. Our overall complaint rate reflects the accessibility of our network, ensuring that customers can easily reach us to report concerns. We prioritize transparent communication, providing timely feedback to customers to ensure their confidence and safety while using our products.

Received complaints	62	46	30	34	64
Valid Complaints	33	22	8	11	15
Invalid Complaints	29	24	22	23	49
Complaints Rate	1.4%	1.8%	0.6%	0.5%	1.1%

Research and Development

At Julphar Research & Development Centre, we are dedicated to advancing the frontiers of science to develop life-changing medicines. Our R&D efforts serve as the cornerstone of our business, ensuring that innovation, scientific breakthroughs, and patient-centric solutions drive every aspect of our operations.

By continuously pushing boundaries and addressing unmet medical needs, we remain steadfast in our mission to improve patient outcomes and enhance global health.

In 2024, our R&D division reinforced its commitment to innovation, sustainability, and patient-centricity, driving every aspect of our business operations. By meticulously structuring our organization around this purpose, we ensure that scientific breakthroughs and cutting-edge solutions remain at the heart of everything we do.



Research & Development Strategy and Aspirations

Julphar's R&D strategy is built on a foundation of excellence, efficiency, and sustainability, guided by our unwavering commitment to improving patient outcomes and addressing unmet medical needs. Our approach is centered on the following key pillars:

1

Innovation and New Product Development

We focus on creating new therapies in a wide range of therapeutic areas. To make sure that product development is strong and efficient, we use cutting-edge technologies and the Quality by Design (QbD) and Quality by Digital Design methods.

Our R&D pipeline includes over 50 products in various stages of development, spanning therapeutic areas such as gastrointestinal disorders, diabetes, obesity, cardiovascular diseases, respiratory conditions, infectious diseases, dermatology, and oncology.

2

Sustainability and Green Chemistry

We integrate green chemistry principles into our R&D processes, emphasizing the use of sustainable methods, eco-friendly materials, and proper waste management to minimize environmental impact.

Our commitment to sustainability extends to the development of diverse dosage forms, including tablets, capsules, injectables, creams, ointments, and more, ensuring that our solutions are both effective and environmentally responsible.

3

Efficiency and Cost-Effectiveness

We streamline our R&D processes to bring high-quality, affordable medicines to market swiftly while maintaining strict compliance with global regulatory standards.

The establishment of our Small-Scale Plant in 2024 exemplifies this commitment, enabling flexible, cost-effective production of small batches for R&D and commercial purposes.

4

Strategic Collaborations and Continuous Learning

We foster partnerships with academic institutions, research organizations, and industry leaders to accelerate innovation and share best practices.

Our participation in global events such as the Convention on Pharmaceutical Ingredients (CPHI), KSA, and the A3P conference in UAE highlights our dedication to collaboration and knowledge exchange. Continuous learning is a cornerstone of our R&D culture, with our team regularly participating in seminars and training programs to stay updated on evolving technologies and regulatory requirements.



Key Breakthroughs

Our R&D achievements in 2024 reflect our commitment to ESG principles, demonstrating how we integrate sustainability, social responsibility, and ethical governance into our innovation-driven operations.

By aligning our R&D strategy with ESG principles, Julphar is not only advancing healthcare innovation but also contributing to a more sustainable, equitable, and ethical future. Together, we are shaping a healthier world for generations to come.

Environmental Achievements

Green Chemistry and Sustainable Practices



We integrated green chemistry principles into our R&D processes, reducing the use of hazardous materials and solvents, minimizing waste, and promoting eco-friendly drug development.

Our Small-Scale Plant, operational in 2024, exemplifies our commitment to sustainability by enabling precise, small-batch production that reduces waste and avoids surplus inventory.

Energy Efficiency and Waste Management



Advanced machinery and processes in our R&D facilities were optimized for energy efficiency, contributing to reduced carbon emissions.

Proper waste management protocols were implemented across all R&D operations, ensuring compliance with environmental regulations and minimizing our ecological footprint.

Social Achievements

Addressing Unmet Medical Needs



We submitted 20 new products to health authorities and launched 6 new products, addressing critical healthcare challenges in areas such as diabetes, obesity, cardiovascular diseases, and infectious diseases.

We successfully tech transferred Insulin Glargine, Insulin Aspart, Insulin Aspart Mix, and Liraglutide, advancing diabetes management by providing enhanced glycemic control, improved stability, and greater convenience for patients. Liraglutide, a GLP-1 receptor agonist, also supports HbA1c reduction and weight management in individuals with type 2 diabetes, reinforcing our commitment to innovative treatments that improve patient outcomes and quality of life.

Our R&D pipeline, which includes over 50 products in development, focuses on diverse therapeutic areas and dosage forms, ensuring accessibility and affordability for patients worldwide.

Community Engagement



We strengthened our collaborations with universities such as AURAK and Amity University, bridging the gap between academia and industry to nurture future talent and drive groundbreaking research.

Participation in global events like CPHI, KSA and the A3P conference in Dubai highlighted our commitment to knowledge sharing and industry collaboration.

Governance Achievements

Regulatory Compliance



We achieved 0 overdue Corrective Actions and Preventive Actions (CAPAs), Change Controls, and Deviations, maintaining the highest standards of regulatory compliance and quality assurance.

900

Stability analyses

13+

Cleaning method validations

70+

Analytical method validations

Ethical Leadership and Transparency



Our leadership championed a culture of transparency, inclusion, and continuous improvement, ensuring that ESG principles are integrated into every aspect of our R&D operations.

We upheld ethical governance practices, ensuring that all R&D activities align with global regulatory standards and industry best practices.

Regulatory and Medical Affairs

The Regulatory Affairs Department plays a vital role in ensuring Julphar's products comply with global regulations, securing timely approvals, and facilitating market access. By efficiently managing product registrations, renewals, and post-approval changes, the team accelerates access to medicines while adapting to evolving regulatory landscapes and industry best practices. Working closely with R&D, the department streamlines regulatory pathways for innovative products, ensuring their swift approval and alignment with Julphar's mission to deliver best-in-class healthcare solutions.

Additionally, the Medical Affairs team ensures that product labeling, packaging, and promotional materials meet regulatory requirements, maintaining scientific accuracy and compliance.

Committed to regulatory excellence and patient-centric healthcare, the department establishes efficient pathways for new drug formulations, biosimilars, and advanced therapies.

By fostering strong collaborations with health authorities, industry associations, and cross-functional teams, the team advocates for best compliance practices and contributes to policy development. Through leadership, integrity, and innovation, Regulatory & Medical Affairs continues to support Julphar's vision of delivering high-quality, accessible medicines worldwide.

Our Regulatory & Medical affairs achievements in 2024 reflect our unwavering commitment to ESG principles, demonstrating how we integrate sustainability, social responsibility, and ethical governance into our innovation-driven operations.

Environmental Achievements

Implemented ePIL for some products, promoting digital transformation and sustainability.

100% secure digital storage for registration dossiers

Social Achievements

Workforce development and training

Conducted monthly on-the-job training, enhancing regulatory and compliance skills for 40+ employees

Provided structured internship programs, training 6 interns over two years, with hands-on regulatory experience

61% Female workforce composition

4 Emirati professionals Hired and trained

Community Engagement and Social Responsibility

Initiated preliminary steps for Braille packaging for expert evaluation.

Governance Achievements

Strengthened regulatory compliance and efficiency across different countries.

Enhanced collaborative efforts with health authorities, ensuring compliance with evolving global standards.

72 Globally successfully registered products

Ethical Leadership and Transparency

Fostered a culture of inclusive workplace transformation, strengthening cross-departmental collaboration.

Actively engaged in talent development and training programs, upskilling 40+ employees in regulatory and compliance practices.

Strengthened corporate governance initiatives, aligning with sustainability best practices and ethical business standards.

Julphar's Regulatory & Medical Affairs department remains committed to continuous ESG integration, driving responsible business growth, and ensuring long-term sustainability in the pharmaceutical sector

Our Regulatory & Medical affairs achievements in 2024 reflect our unwavering commitment to ESG principles, demonstrating how we integrate sustainability, social responsibility, and ethical governance into our innovation-driven operations.

Pharmacovigilance and Risk Management Program

At Julphar, ensuring patient care and safety remains a top priority through our proactive collaboration with regulatory authorities, patients, and healthcare professionals. Our robust pharmacovigilance and risk management program plays a crucial role in continuously identifying, assessing, understanding, and mitigating adverse effects or risks associated with our medications.

In 2024, we sustained our pharmacovigilance quality management systems, ensuring compliance with Good Pharmacovigilance Practices across the MENA region. These systems are designed to drive continuous improvements and maintain adherence to all relevant regulations. Additionally, we focused on raising awareness among healthcare professionals about the safe and responsible use of medicines through targeted educational and training programs.



Sustainable Procurement and Supply Chain Management

We recognize the critical role of sustainable procurement and supply chain management in ensuring the continuity of operations, quality of products, access to essential medicines and achieving our environmental, social, and governance goals. The pharmaceutical industry operates within a complex sustainability landscape, where balancing environmental responsibility, ethical sourcing, and patient-centric healthcare delivery is essential. Our approach integrates supply chain resilience, responsible sourcing, and strategic partnerships to drive sustainability while meeting market demands and regulatory standards.

While environmental criteria are not currently mandatory in our supplier evaluation process, we actively collaborate with suppliers who demonstrate a commitment to sustainability and environmentally responsible practices. Our approach focuses on fostering strategic partnerships, reducing our carbon footprint, and promoting ethical and sustainable practices across our supply chain.

Sustainability in Supply Chain

Julphar's supply chain strategy is designed to address the unique challenges of the pharmaceutical industry while aligning with global sustainability goals. Our approach includes:

1.Environmental Responsibility

Greenfield Projects: We collaborate with suppliers committed to environmentally sustainable practices. For example, Granules India, one of our key suppliers, has achieved the Silver stage in EcoVadis and has a solid plan to reduce CO2 emissions from 2023.

Waste Management: Union Cement Company and Gulf Cement Company, our approved supplier for waste destruction, uses the heat generated from these activities to produce energy, contributing to a circular economy.

Eco-Friendly Logistics: We prioritize sea shipments over air shipments to reduce emissions and pollution.

Electric Forklifts: In our warehouses, we use electric forklifts instead of diesel-powered ones, significantly reducing our carbon footprint.

Plastic Recycling: Our supply chain and logistics teams have made significant contributions to plastic recycling initiatives.

2.Social Responsibility

Ethical Sourcing: We ensure that all suppliers adhere to ethical labor practices, including fair wages, safe working conditions, and non-discrimination policies.

Patient-Centric Approach: We collaborate with diverse healthcare providers across the GCC, both private and governmental, to ensure equitable access to quality medications.



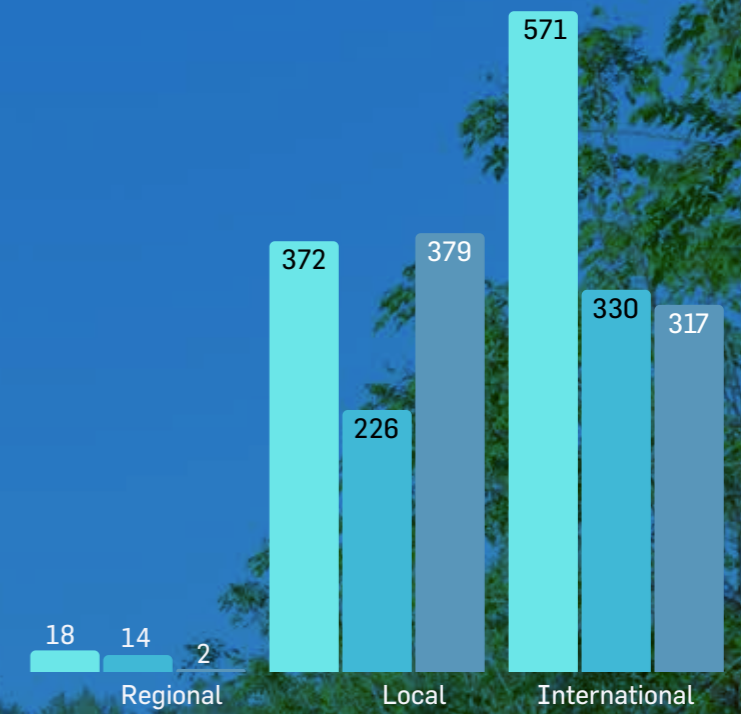
Sustainable Procurement Practices

Recognizing that the quality of our products depends on the quality of our raw materials, we have established a structured supplier assessment and oversight process. This includes:

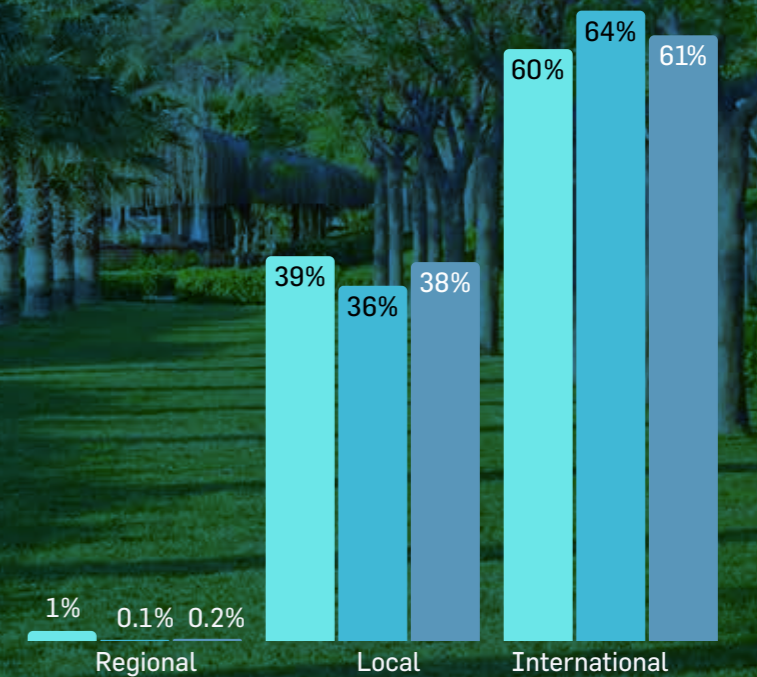
Supplier Evaluation & Risk Management: We maintain a supplier evaluation checklist, ensuring compliance with regulatory standards, ethical sourcing, and quality agreements.

Risk Mitigation Strategies: We have implemented a Single Approved Vendor (SAV) project and a Safety Stock Replenishment Strategy to mitigate risks such as material shortages, geopolitical disruptions, and price fluctuations. Our methodology includes ongoing monitoring, periodic evaluations, and proactive ordering to ensure seamless supply chain operations.

Supplier Due Diligence & Compliance: We have implemented standard operating procedures for third-party due diligence, tackling risks such as bribery, corruption, and non-compliance



Number of Local, Regional, and International Suppliers



Percentage of Total Spend on Local, Regional, and International Suppliers

■ 2022 ■ 2023 ■ 2024

This distribution ensures that we maintain a balanced and diversified supplier network that supports the local economy while benefiting from global expertise



Distributor Management Systems

To enhance efficiency and consistency across our supply chain operations, Julphar has implemented a Distributor Management System that

Standardizes distributor onboarding and management processes.

Streamlines distribution networks across multiple regions.

Ensures robust tracking and compliance monitoring through our internal distributor committee and commercial, legal, and sales teams.

This approach ensures that Julphar maintains seamless supply chain operations, delivering high-quality, accessible, and affordable medicines across the GCC and beyond.

Strategic Partnerships

Julphar has always prioritized strategic collaborations to strengthen its supply chain, expand market reach, and drive innovation.

Julphar's sustainable procurement and supply chain initiatives are closely aligned with the UAE Strategy 2050, which aims to achieve sustainable economic growth, energy efficiency, and environmental responsibility. Julphar actively supports the UAE's transition to a circular economy and low-carbon future by prioritizing local suppliers, reducing carbon emissions through sea shipments and electric forklifts, and partnering with eco-conscious manufacturers. Our investments in green logistics, waste reduction, and Emiratisation initiatives further reinforce our commitment to the UAE's long-term vision for a resilient, knowledge-driven economy, ensuring that pharmaceutical innovation and sustainability go hand in hand.

Future Plans

We are committed to further enhancing its sustainable procurement and supply chain management practices. Our future plans include:

Mandatory Environmental Criteria in Supplier Evaluations



Expanding Partnerships with Sustainable Suppliers & Distributors

Increasing Renewable Energy & Eco-Friendly Technologies



Enhancing Transparency & Traceability in Procurement

Community Engagement

Our commitment to social responsibility extends beyond healthcare innovation, as we actively engage with communities and invest in programs that promote well-being, inclusion, and sustainability. We believe in fostering meaningful connections, empowering individuals, and driving positive change through collaborative initiatives and employee-driven volunteering efforts. Our initiatives are designed to address critical societal needs, promote health and well-being, and foster sustainable development in alignment with the UAE's vision for a prosperous and inclusive future.

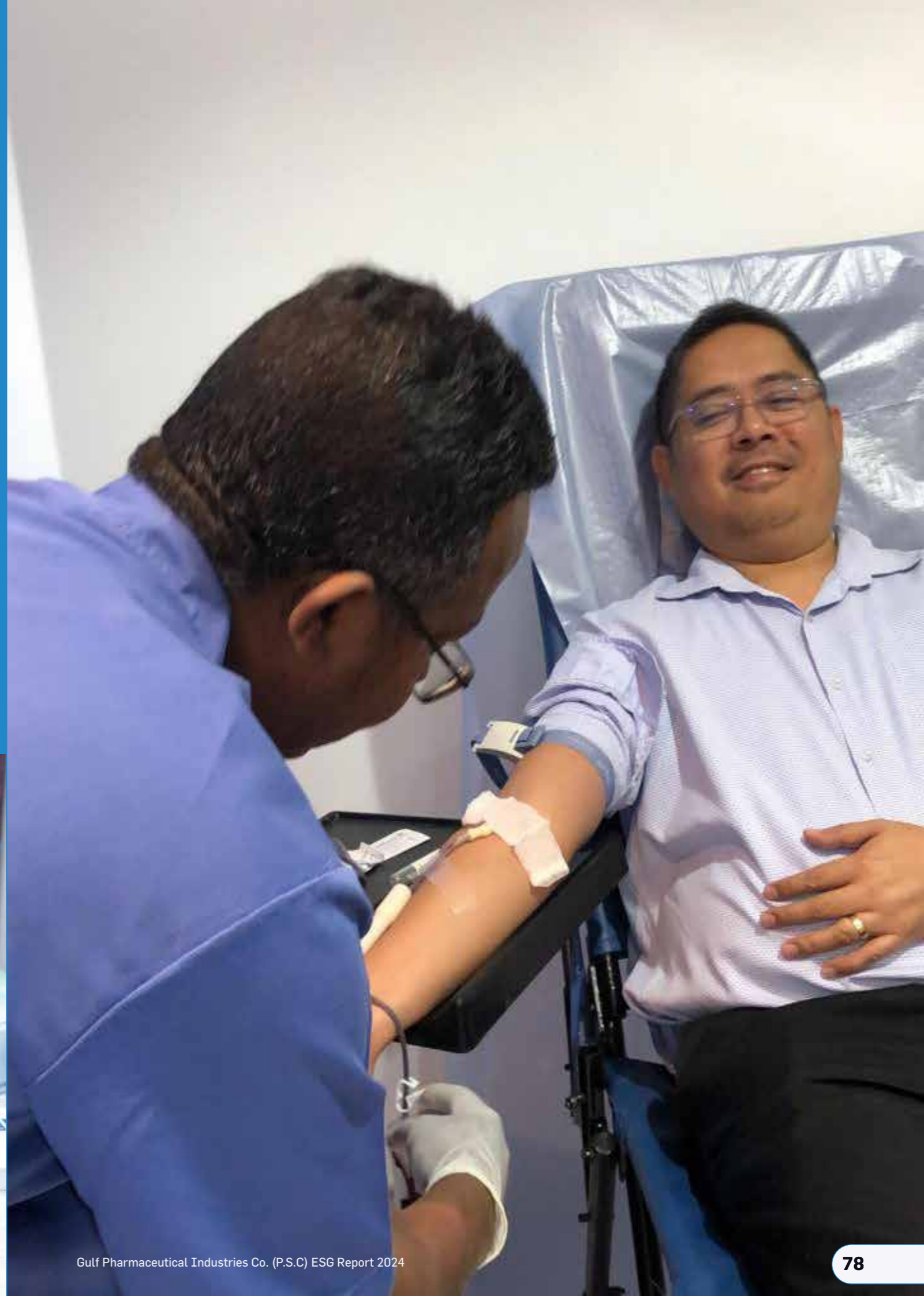
Health and Wellness Initiatives

World Diabetes Day

In collaboration with the Ministry of Health and Prevention, Julphar actively participates in World Diabetes Day to raise awareness about diabetes prevention and management. Through educational campaigns and health screenings, we empower communities to lead healthier lives.

Blood Donation Campaign

Julphar Clinic and the blood bank at Saqr Hospital successfully launched its blood donation on 28 February 2024, reflecting the community's giving spirit and togetherness.





Support for Cancer Patients

Julphar celebrated UAE National Day with cancer patients, bringing hope and joy to those undergoing treatment. This initiative reflects our commitment to supporting individuals and families affected by cancer.

Julphar demonstrated its commitment to social responsibility by actively participating in the RAK Terry Fox Charity Fun Run, supporting cancer research and awareness. This initiative fostered community engagement, encouraging employees to contribute to fundraising efforts while promoting health and well-being.



Children of Determination Support Initiative

Julphar is dedicated to fostering inclusion and empowerment for children of determination. Through tailored programs, we provide resources, care, and opportunities to help these children thrive.

Sheikh Saud Bin Saqr Educational Charitable Private School Initiative

Our CSR program at this school focuses on promoting teamwork, creativity, and emotional well-being among students. By engaging in fun and educational activities, we aim to inspire personal growth and community spirit.





53rd National Day Parade

Julphar employees proudly participated in the National Day parade organized by RAK Police GHQ, showcasing their patriotism and commitment to honoring the UAE's heritage. This event highlights our dedication to community engagement and national pride.





Zayed Humanitarian Day

Julphar participated in the event on 19 Ramadan, which marks the anniversary of the passing of the late Sheikh Zayed Bin Sultan, Founder of the UAE. This event was organized in collaboration with the “Al basma” volunteer team.



International Workers Day

Julphar, in collaboration with the Ministry of Human Resources and Emiratization, proudly marked International Workers' Day with a heartfelt ceremony celebrating the vital role of workers in driving growth and innovation. This event recognized their unwavering dedication and contributions, underscoring Julphar's commitment to creating an inclusive and supportive workplace that values the efforts of every individual.

Radiation Oncology Conference

Julphar participated in the UAE's first dedicated Radiation Oncology Conference, highlighting its dedication to advancements in cancer treatments.

Julphar Cardiometabolic Summit

A specialized summit focused on addressing key challenges and innovations in cardiovascular and metabolic healthcare.

Aman 10 Campaign

Supporting public health awareness efforts during Ramadan, reinforcing community engagement and well-being.

DUPHAT 2024 Participation

Showcasing Julphar's pharmaceutical innovations at the Dubai International Pharmaceuticals and Technologies Conference (DUPHAT), reaffirming its leadership in the industry.



Emirati Women's Day

Julphar celebrates the achievements of Emirati women, recognizing their contributions to the nation's success. We are committed to fostering an inclusive workplace that empowers women and supports their professional growth.



Future Plan



Investment in Community Programs

Julphar actively invests in long-term community programs that create a lasting impact, focusing on health, education, and social empowerment. By allocating resources and supporting structured programs, we ensure that our contributions lead to tangible improvements in people's lives.

Volunteering Hours

Julphar's volunteers comprise employees from various departments who actively participate in social and environmental initiatives. With approximately 200 volunteers, we aim to expand this number to further amplify our impact on local communities in the future.



Environmental Impact



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Energy and Emissions

At Julphar, we recognize the vital connection between a healthy planet and a healthy population.

As a leading pharmaceutical company dedicated to improving healthcare, we understand that environmental sustainability is not just a separate initiative but an integral component of our core mission. We acknowledge the significant impact our operations can have on the environment, particularly regarding energy consumption and greenhouse gas (GHG) emissions, which directly contribute to climate change. Therefore, we are deeply committed to minimizing our environmental footprint and actively contributing to a sustainable future.

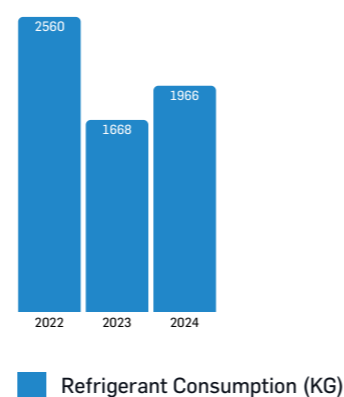
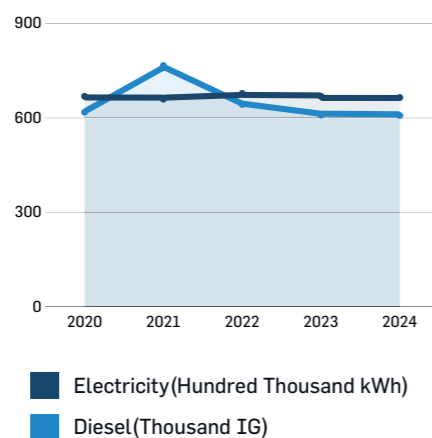
Our approach to energy and emissions management is guided by efficiency, responsibility, and innovation. We are committed to reducing our GHG emissions in line with the global imperative to limit temperature rise to 1.5°C and national frameworks like the UAE Net Zero by 2050, and we are actively engaging in this critical endeavor. Through periodic impact assessments, proactive carbon reduction

initiatives, and responsible waste and energy practices, we continuously strive to lower our environmental footprint. We believe that responsible energy management and emissions reduction are essential not only for environmental preservation but also for ensuring the long-term health and well-being of the communities we serve.



Energy Consumption

As a leading pharmaceutical company, we recognize the importance of responsible energy consumption in supporting both our business operations and sustainability goals. We continuously seek innovative solutions to optimize energy consumption across our operations, leveraging energy-efficient technologies and processes. Our strategy includes reducing reliance on non-renewable energy sources, enhancing the performance of our existing infrastructure, and transitioning to cleaner energy alternatives wherever possible. By integrating energy efficiency into our daily operations, we aim to contribute positively to the environment while ensuring the smooth and efficient running of our production and facilities.



Energy Consumption - Julphar	FY 2024
Electricity consumption (kWh)	66
Electricity consumption intensity (kWh/employee)	0.02
Diesel consumption (IG)	607
Diesel consumption intensity (IG/employee)	0.2

Key Initiatives

At Julphar, we recognize the environmental impact of our energy consumption and are committed to optimizing energy efficiency, reducing our carbon footprint, and transitioning towards sustainable energy solutions.

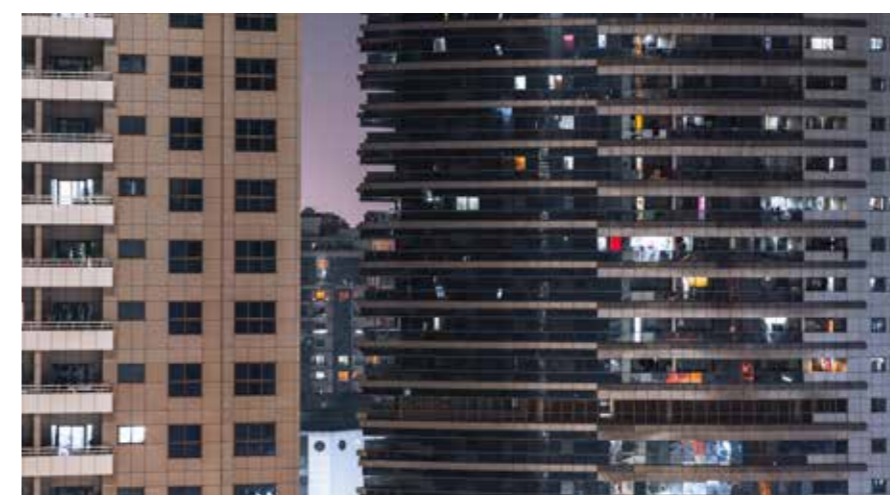
We actively monitor real-time energy consumption to identify peak periods and inform data-driven decisions on energy-saving and efficiency initiatives. Through a combination of operational improvements, capital expenditures, equipment retrofits, building management systems, and process optimizations, we continue to identify new opportunities to reduce emissions while maintaining operational excellence. This commitment to continuous improvement is exemplified by several key initiatives:

01 Illuminating Savings: Julphar's Journey to Energy-Efficient Lighting

02 Cooling Down Costs and Emissions: Julphar's Chiller Upgrade Strategy

03 Empowering Energy Conservation: Julphar's Awareness Campaigns

04 Electrifying Efficiency: Julphar's Warehouse Sustainability Initiative



Initiative 1 Illuminating Savings: Julphar's Journey to Energy-Efficient Lighting

Julphar has made significant strides in reducing energy consumption and promoting sustainability through a comprehensive lighting upgrade program. Our commitment to energy efficiency is exemplified by the successful replacement of over 8,000 traditional light tubes with energy-saving LED alternatives. This large-scale initiative has not only reduced our environmental footprint but also generated substantial cost savings.

Tube Replacement: Over 8,000 conventional light tubes were replaced with high-efficiency LED tubes. This single change has resulted in a significant decrease in electricity consumption, as LEDs use considerably less energy than traditional fluorescent tubes while providing the same or even better illumination.

Fixture Replacement: Building on the success of the tube replacement program, we also replaced over 1,000 conventional light fittings with modern LED fixtures. These new fixtures are designed for optimal performance and energy efficiency, further enhancing our energy savings and improving the overall lighting quality within our facilities.

Future Plans Completing the Transition

Julphar's commitment to energy-efficient lighting is ongoing. We plan to continue our retrofit program by replacing an additional 4,000 conventional tubes with LED alternatives. This final phase will complete the transition to LED lighting across our facilities, maximizing our energy savings and minimizing our environmental impact.



Initiative 2

Cooling Down Costs and Emissions: Julphar's Chiller Upgrade Strategy

As part of enhancing energy efficiency and reducing overall power consumption, Julphar has initiated a Chiller Upgrade Strategy aimed at optimizing our cooling systems. This strategic initiative is currently underway and promises substantial energy savings and a reduced carbon footprint.

Our existing chiller systems, primarily utilizing older reciprocating technology, were identified as a significant opportunity for energy efficiency improvements. These older chillers consume a considerable amount of electricity, contributing to both operational costs and our overall environmental impact.

Anticipated Energy & Cost Savings

- Reduction in electricity consumption – New-generation screw chillers are designed to consume significantly less power compared to older reciprocating models. The upgrade is expected to cut energy use by 20-30% per chiller.
- Lower maintenance costs – Modern chillers require less frequent servicing and have longer operational life spans, leading to reduced maintenance expenses.
- Improved cooling efficiency – Enhanced cooling performance will contribute to more stable temperature control, ensuring optimal operating conditions for pharmaceutical production.
- Reduced carbon footprint – By decreasing power consumption, this initiative will help lower Julphar's Scope 2 emissions, contributing to our broader decarbonization strategy.

Julphar's Chiller Upgrade Strategy exemplifies our commitment to continuous improvement in energy management. By investing in modern, energy-efficient technologies, we are not only reducing our environmental impact but also enhancing operational efficiency and ensuring a more sustainable future.



Initiative 3

Empowering Energy Conservation: Julphar's Awareness Campaign Strategy

Julphar recognizes that technology upgrades alone are not enough to achieve our energy-saving goals. Cultivating a culture of energy consciousness among our employees is equally crucial. To this end, we have launched impactful energy-saving awareness campaigns, empowering our team to actively participate in reducing our environmental footprint.

We recently organized a comprehensive energy-saving awareness campaign at Julphar Headquarters. This initiative focused on:

- Employee Education: The campaign aimed to educate employees about the importance of energy conservation, the impact of energy waste, and practical steps they could take to reduce energy consumption in their daily work and personal lives.
- Targeted Messaging: The campaign delivered targeted messages emphasizing the reduction of power wastage, particularly in office spaces and employee housing. This included practical tips and guidelines on how to minimize energy use during non-working hours, optimize the use of equipment, and adopt energy-saving habits.

Campaign Impact

The energy-saving awareness campaign has been successful in the following areas:

- Increased Employee Engagement: The campaign has significantly raised awareness among employees about energy conservation, leading to greater engagement in sustainable practices.
- Reduced Power Wastage: We have observed a reduction in power wastage, particularly in offices and housing, as employees have adopted the energy-saving practices promoted by the campaign.

Future Plans

Annual Energy Awareness

Julphar is committed to making energy conservation an ongoing priority. Building on the success of this initial campaign, we plan to conduct energy-saving awareness campaigns annually. This will ensure that energy conservation remains top-of-mind for our employees and reinforce our commitment to sustainability. Future campaigns will continue to educate, engage, and empower our workforce to contribute to our energy-saving goals. We will explore new and innovative ways to communicate energy-saving tips and best practices, track the impact of our campaigns, and continuously improve our approach to fostering a culture of energy consciousness within Julphar.



Initiative 4

Electrifying Efficiency: Julphar's Warehouse Sustainability Initiative

Julphar is dedicated to minimizing our environmental impact across all facets of our operations, including our warehouse operations. As part of our commitment to lowering our carbon footprint and enhancing energy efficiency, we have transitioned to using only electric forklifts in our warehouses, replacing conventional diesel-powered forklifts.

Key Benefits of Electric Forklifts

- Reduced Carbon Emissions – Unlike diesel forklifts, electric forklifts produce zero direct emissions, significantly reducing our operational carbon footprint.
- Lower Energy Consumption – Electric forklifts are more energy-efficient, leading to reduced overall energy costs compared to diesel alternatives.
- Improved Air Quality – By eliminating diesel exhaust emissions, we ensure a cleaner and healthier work environment for our employees.
- Reduced Noise Pollution – Electric forklifts operate with minimal noise, improving workplace conditions and enhancing employee comfort.
- Lower Maintenance Costs – With fewer moving parts and no need for fuel combustion, electric forklifts require less maintenance, reducing operational downtime and costs.

Future Plans

Annual Energy Awareness

- Expansion of Electric Fleet – We aim to continue investing in electric material-handling equipment across all operational facilities.
- Optimization of Charging Infrastructure – Ensuring efficient battery charging solutions to maximize forklift uptime and operational efficiency.
- Exploration of Renewable Energy Integration – Assessing opportunities to power charging stations with renewable energy sources to further enhance sustainability.

The transition to electric forklifts is a tangible demonstration of Julphar's commitment to sustainable warehousing practices. It underscores our understanding of the environmental impact of our operations and our proactive approach to minimizing that impact. This initiative not only reduces our carbon footprint but also contributes to a healthier and more efficient work environment for our warehouse teams. Julphar will continue to explore and implement innovative solutions to enhance the sustainability of our warehouse operations and promote environmentally responsible practices throughout our organization.

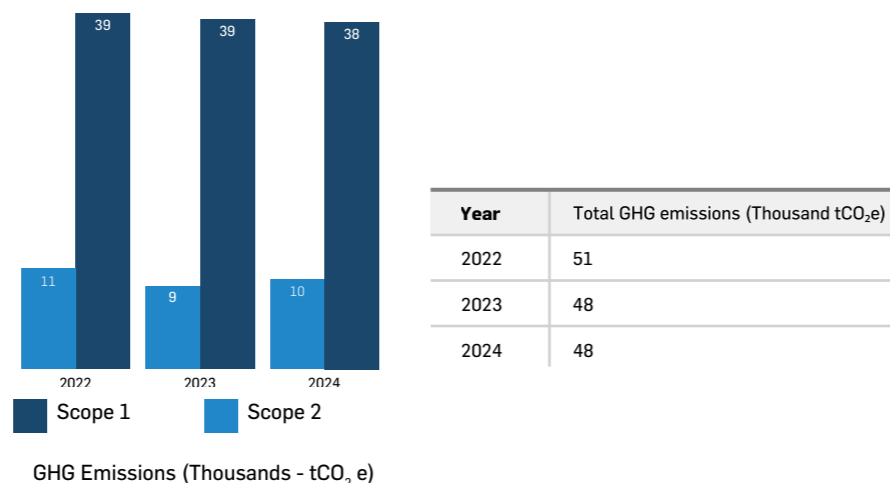


GHG Emissions

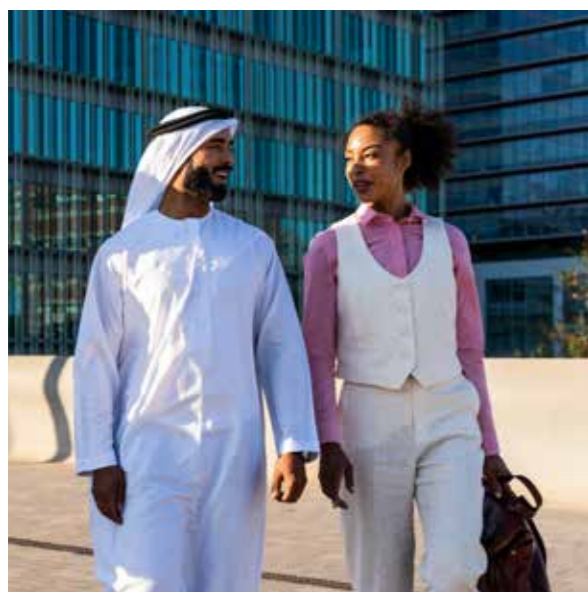
Energy efficiency is a cornerstone of our carbon reduction strategy, delivering immediate and measurable results.

Decarbonization Strategy

Through operational improvements, capital investments in equipment retrofits and upgrades, sophisticated building management systems, and operational changes, we have achieved significant reductions in both diesel and electricity consumption. These initiatives, combined with ongoing efforts to understand and quantify our carbon footprint, form the basis of our decarbonization plan. While we have identified and implemented several emission reduction projects, we continually seek new opportunities to reduce energy consumption, improve energy efficiency and expand the use of renewable energy.



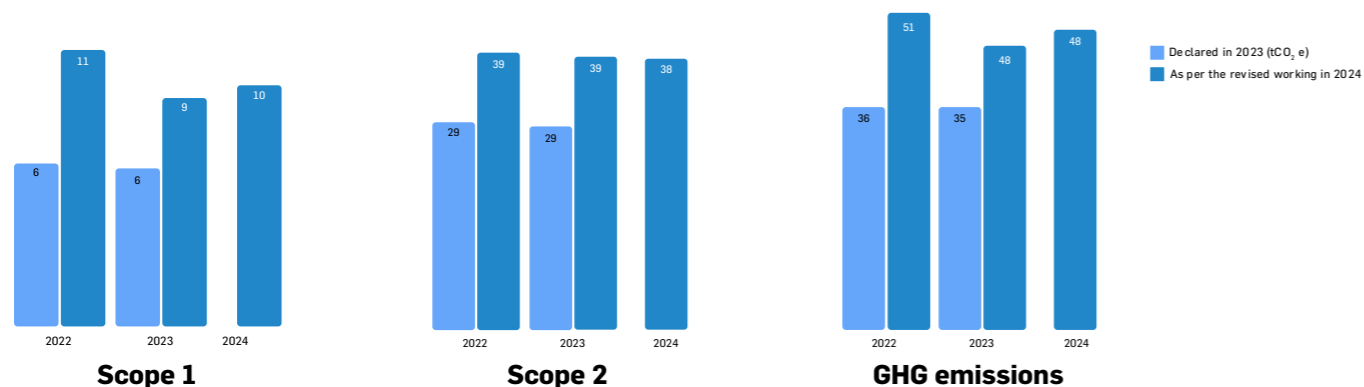
Year	Total GHG emissions (Thousand tCO ₂ e)
2022	51
2023	48
2024	48



This year, the company has reassessed its Scope 1 and Scope 2 emissions, ensuring a more accurate and comprehensive evaluation of its carbon footprint. As part of this process, we have defined the reporting boundaries in alignment with industry best practices and regulatory requirements. Additionally, we have assessed our Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased energy) to enhance the reliability of our emissions data.

To maintain consistency and transparency, we have also retrospectively reworked the Scope 1 and Scope 2 emissions data from 2022. This reassessment follows the principles of GRI 305: Emissions and is aligned with restatement practices outlined in GRI 2-4 (Restatements of Information), ensuring that any material changes in methodology, reporting boundaries, or recalculations of past emissions are clearly disclosed. By adopting this approach, we aim to provide stakeholders with a more robust and transparent view of our emissions performance and progress toward our sustainability targets.

Our ongoing energy efficiency initiatives focus on reducing emissions in both Scope 1 & 2 emissions, contributing to Julphar's long-term sustainability goals. Moving forward, we remain committed to identifying further opportunities for energy savings, GHG reduction, and operational efficiency to ensure that our environmental impact is minimized while supporting our mission to advance global healthcare.



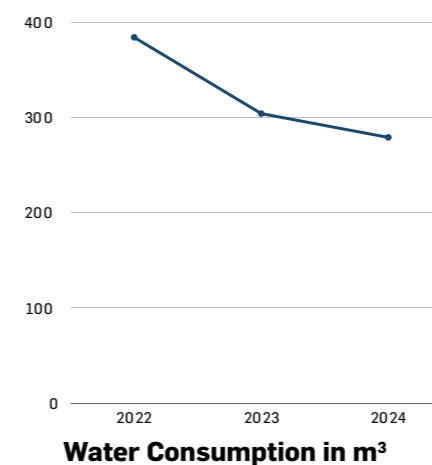
Water and Effluents

Water is a vital resource for pharmaceutical manufacturing, playing a critical role in various production processes, cleaning, and cooling systems.

Water Management

However, the industry's significant water consumption and effluent generation necessitate a strong commitment to responsible water management. Given the water-scarce nature of the Gulf region, Julphar acknowledges its responsibility to minimize water usage and ensure the safe treatment and disposal of wastewater.

At Julphar, we actively monitor our water consumption patterns on a monthly basis to identify opportunities for efficiency improvements. Our environmental impact assessment is conducted annually to evaluate and mitigate potential risks related to water use and effluent discharge. To optimize water consumption, we have implemented measures such as tracking water usage based on production batches and promptly addressing leaks through preventive maintenance programs.



279 Total water use (m³)

Improving Water Usage Efficiency

At Julphar, we recognize the critical importance of water conservation and responsible effluent management. Our approach to improving water usage efficiency is driven by technology upgrades, process optimization, and proactive monitoring to ensure sustainable and responsible water consumption. Our focus on sustainable water management has led to the implementation of various initiatives aimed at reducing water consumption and enhancing wastewater recycling efficiency.

Key Initiatives

- 01** Wastewater Recycling and Quality Enhancement
- 02** Julphar "Go Green" Campaign
- 03** Reverse Osmosis (R.O.) Reject Water Recycling Project





Initiative 1
Wastewater Recycling and Quality Enhancement

We have taken significant strides in wastewater management by operating an in-house Effluent Treatment Plant that treats 100% of the wastewater generated at our facilities. To further optimize water use, we are enhancing the quality of recycled wastewater through advanced treatment processes to improve water quality, enabling broader applications for recycled water within our operations. The treated water is safely recycled for irrigation, in compliance with government-approved standards set by RAKWA (Ras Al Khaimah Wastewater Authority).



Initiative 2
Julphar "Go Green" Campaign

Julphar launched the "Go Green" initiative to reinforce its commitment to preserving the environment. The program encourages recycling properly, conserving water, using water wisely and limiting its usage. Through these efforts, Julphar aims to align with the UAE's Vision 2030 while fostering a greener future for its operations and communities.



Initiative 3
Reverse Osmosis (R.O.) Reject Water Recycling Project

One of our key initiatives is the R.O. Reject Water Recycling Project, currently in the execution phase. Reverse osmosis systems play a crucial role in providing high-purity water for pharmaceutical manufacturing. However, they generate reject water as a byproduct. Instead of discarding this water, we are working on a recycling system to recover and repurpose R.O. reject water for non-critical applications, such as cooling towers and utility processes. This initiative will significantly reduce overall water wastage and contribute to more sustainable water management practices.

Additionally, we undergo regular inspections and stringent regulatory checks to ensure that our effluent discharge meets the highest environmental quality standards.

Future Plans
Strengthening Water Conservation Efforts

- Continue optimizing water recycling processes to maximize efficiency and minimize wastage.
- Enhance the quality of treated wastewater to expand its safe and effective reuse.
- Implement additional water-saving technologies to further reduce our water footprint.
- Raise awareness among employees on the importance of water conservation through targeted initiatives.

Through the optimization of processes that involve water usage, we have achieved greater efficiency without compromising on our world-class quality standards. Our efforts to conserve water are integral to maintaining the high standards of our medicines while also ensuring that we preserve this essential resource for future generations. This commitment reflects our dedication to both environmental sustainability and the quality of healthcare solutions we provide to our patients.

Waste Management

Julphar has taken a proactive approach to waste management by implementing comprehensive strategies to ensure sustainable material usage and reduce its environmental footprint.

This commitment is demonstrated through rigorous supply chain management practices aimed at sourcing raw materials responsibly, with a strong focus on minimizing environmental impact. In its packaging and production processes, Julphar prioritizes the use of eco-friendly and recyclable materials, contributing to the reduction of waste generation.

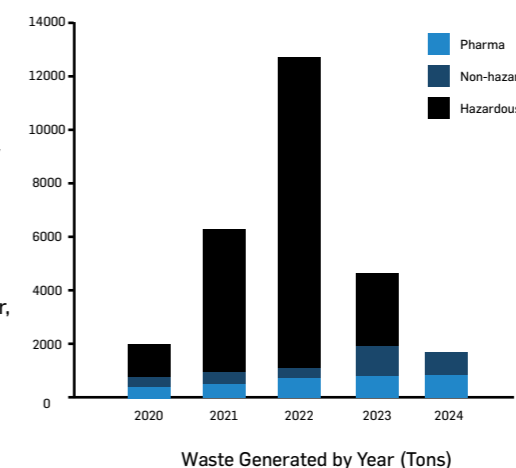
The company has also established robust waste management protocols that emphasize minimizing waste, optimizing material usage, and promoting recycling. To ensure the continued effectiveness of these measures, Julphar conducts regular waste management process reviews. These reviews assess the efficiency of current practices, identify areas for improvement, and ensure that waste management efforts are aligned with the company's broader sustainability goals. By continually refining its waste management processes, Julphar strives to maintain its commitment to reducing environmental impact and promoting circular economy principles.

Julphar has established a dedicated waste committee responsible for reviewing waste audits and recommending reduction initiatives. Additionally, each department and plant now have an assigned waste management representative, who has undergone specialized training with housekeeping teams



Total Waste Generated

Through continuous monitoring and improvements, Julphar is working to enhance its environmental performance and contribute to broader sustainability and corporate responsibility goals. In line with these efforts, Julphar has successfully reduced waste generation over the years. The company has observed a significant decrease from a total of 4,630 tons in 2023 to 1,688.5 tons per annum. This remarkable achievement is a result of the culture of operational excellence embedded at Julphar, where the focus is on minimizing defects and waste generation across all levels of operation.



This reduction of 64% compared to 2023 and 87% compared to 2022 underscores the company's commitment to improving waste efficiency and minimizing its environmental footprint.

This reduction highlights our commitment to minimizing environmental impact while maintaining production efficiency. As we move forward, we continue to focus on sustainable waste management strategies to optimize resource use and reduce waste generation.

Key Initiatives

Key initiatives, such as reducing yield losses, implementing Kaizen improvements, and switching suppliers to more sustainable alternatives, have all played a part in driving this progress. Julphar is committed to continuing this journey toward a zero-waste future, aligning its operations with global sustainability standards.



Case Study 1

From Broken Bottles to Breakthrough: Achieving Zero Waste and Superior Performance

Our production line was facing a significant challenge: excessive broken glass bottles. This issue not only led to substantial waste but also impacted our overall quality and performance. We were determined to address this problem head-on and achieve our ambitious target of zero broken bottles.

Understanding the Root Cause:

We initiated a comprehensive study using the Ishikawa (fishbone) diagram to pinpoint the root causes of the breakage. This analysis allowed us to explore various potential factors, including bottle quality, line speed, handling procedures, and environmental conditions. Through this investigation, we identified a key contributing factor: the quality of the glass bottles themselves.

A Strategic Shift for Superior Results:

Based on the study's findings, we made a crucial decision: switching bottle suppliers. We transitioned from supplier A to supplier B, whose bottles had undergone rigorous testing and received full approval. This change wasn't taken lightly. We prioritized a supplier that could guarantee the strength and durability needed to withstand the rigors of our production line.

Significant Achievements and a Path to Zero:

The impact of switching suppliers has been remarkable. We've already witnessed a 50% reduction in broken bottles since implementing this change. This substantial improvement demonstrates the effectiveness of our data-driven approach and the positive impact of prioritizing quality.

Target KPI: Less Than 1% Broken Bottles—Our Commitment to Excellence:

While a 50% reduction is a significant step forward, we're not stopping there. Our ultimate goal is to achieve a target KPI of less than 1% broken bottles. We are confident that by continuing to monitor performance, refining our processes, and collaborating closely with supplier B, we can reach this ambitious target.

Key Drivers for Success:

This journey towards zero broken bottles is driven by two core principles:

- **Waste Reduction:** Minimizing broken bottles directly translates to a significant reduction in waste, contributing to a more sustainable and environmentally responsible operation.
- **Quality and Performance Improvement:** Fewer broken bottles mean smoother production, less downtime, and ultimately, higher quality products reaching our customers. This improved performance enhances our overall efficiency and strengthens our reputation for excellence.

Moving Forward:

We are committed to continuous improvement. We will continue to monitor the line closely, analyze any remaining instances of breakage, and work proactively with supplier B to ensure consistent bottle quality. Our focus remains on data-driven decision-making and a collaborative approach to achieve our target and maintain a zero-waste, high-performance production environment.

Case Study 2

Yield Improvement for Class A High-Runner Product

Objective

Julphar aimed to enhance the yield of a high-runner Class A product to improve customer service levels (CSL) while reducing waste generation in terms of both weight and cost. This initiative aligns with our commitment to operational excellence, waste reduction, and efficiency optimization.

Key Drivers:

- **Waste Reduction:** Minimizing material loss during production.
- **Performance Improvement:** Enhancing process efficiency to maximize output.
- **CSL Increase:** Ensuring product availability and faster response to market demand.

Approach:

Root Cause Analysis Using Six-Step Ishikawa (fishbone) Approach

- Conducted a detailed analysis to identify the root causes of yield loss.
- Assessed the impact of machines, materials, methods, measurements, manpower, and environment on yield efficiency.

Quick Wins Identified & Implemented

- Immediate process optimization to reduce material wastage.
- Operational adjustments to enhance production flow.
- Minor calibration and procedural changes to improve accuracy and consistency.

Mid/Long-Term CAPA Implementation

- Machine enhancements to optimize performance and reduce defects.
- Process standardization & training to sustain efficiency improvements.
- Advanced measurement techniques for real-time monitoring and performance tracking.

Achievements

- **Quick Win Gains:** +15% increase in yield from immediate corrective actions.
- **Actual KPI:** Yield at 96%, surpassing initial expectations.

Future Plans & Targets KPIs

- Further improvements to reach optimal yield performance.
- Implementation of long-term CAPA strategies for continued yield optimization.
- **Expectation:** Achieve and sustain target KPI by June 2025 through ongoing process refinements.
- This yield improvement project showcases Julphar's commitment to continuous improvement, driving operational efficiency, reducing environmental impact, and enhancing customer satisfaction.



Future plans: Key Initiatives

Plant Consolidation & Flow Operations Optimization

Plant Consolidation & Flow Operations Optimization

As part of Julphar's commitment to operational excellence and sustainability, we have embarked on a plant consolidation and process optimization initiative to enhance efficiency, reduce waste, and ensure a more sustainable manufacturing footprint.

The Fit-for-Purpose Blueprint is being developed with the following key goals:

- Optimizing plant layout and operations to improve workflow efficiency.
- Reducing resource consumption, including energy, water, and raw materials.
- Minimizing production waste through lean manufacturing and defect reduction.
- Enhancing automation and digitalization to streamline processes.
- Lowering operational costs while maintaining high-quality pharmaceutical standards.

A detailed study of Julphar's manufacturing workflow was conducted to identify inefficiencies and areas for improvement. Key initiatives include:

- Process streamlining to eliminate redundant steps and reduce material waste.
- Lean manufacturing principles to improve production flow and optimize space utilization.
- Standardization of processes across consolidated plants to enhance uniformity and minimize variability.
- Energy-efficient machinery upgrades to lower carbon footprint and improve operational performance.
- Enhanced logistics & supply chain integration to optimize material handling and inventory management.

We anticipate the following outcomes from the consolidation and optimization efforts:

- Increased Production Efficiency – Improved throughput and reduced production cycle time.
- Waste Reduction – Lower defect rates, optimized material usage, and improved waste management.
- Energy & Resource Savings – More efficient use of energy, water, and raw materials.
- Sustainable Operations – Alignment with Julphar's sustainability goals, ensuring compliance with environmental best practices.
- Cost Optimization – Reduced operational expenses while maintaining quality and safety standards.

Julphar will continue refining its Fit-for-Purpose Blueprint, ensuring that future expansions and upgrades align with sustainability principles and operational efficiency. Future initiatives include:

- Further automation & digitalization to drive efficiency.
- Advanced AI-based predictive maintenance to minimize downtime and resource wastage.
- Integration of circular economy principles for better waste recovery and material reuse.

By consolidating plants and optimizing flow operations, Julphar is positioning itself for a more sustainable, efficient, and future-ready pharmaceutical manufacturing ecosystem.

Recycling Rate

In 2024, Julphar made significant strides in its waste management and recycling initiatives, demonstrating its commitment to sustainability and environmental responsibility.

Through a strategic partnership with ALPHA Emirates, the company successfully recycled 72,641 kg of paper waste, transforming it into high-quality reusable materials and contributing to the circular economy. Additionally, Julphar collaborated with RAK Municipality to recycle 328,120 kg of carton waste, further reducing its environmental footprint and promoting efficient resource utilization.

Julphar's Paperless Journey

As part of our commitment to sustainability and digital transformation, Julphar has been actively working towards reducing paper consumption by implementing a paperless strategy across our operations. Through automation, digitalization, and eSignature integration, we are optimizing our processes to improve efficiency while minimizing our environmental impact.

Key Milestones Achieved

eSignature Implementation in GMP Processes

Transitioned from traditional paper-based approvals to an electronic signature system in compliance with CFR 21 Part 11.

Ensured secure, efficient, and regulatory-compliant documentation across all critical processes.

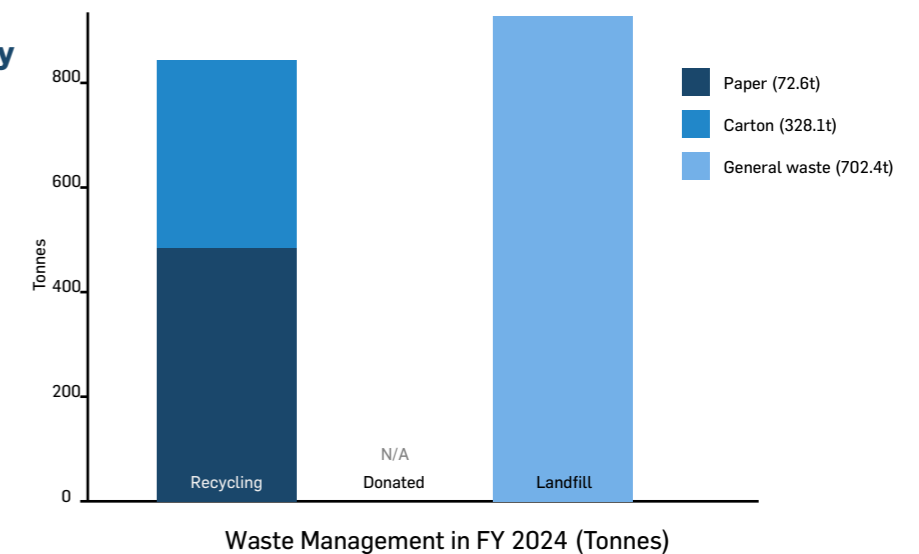
Reduced paper usage significantly by replacing manual approvals with a validated digital system.

Digital Transformation & System Integration

Successfully identified, implemented, and qualified a comprehensive eSignature software system.

Enabled seamless integration with existing GMP processes, ensuring compliance and operational efficiency.

Achieved a 50% reduction in paper usage across targeted departments.



Future Roadmap: Towards Zero Paper by 2026

Ongoing Digitalization Roadmap

A structured digital transformation plan is in place to progressively eliminate paper usage.

The transition includes the digitization of batch records, quality control documents, training records, and regulatory submissions.

Expansion of e-documentation and workflow automation to all operational and administrative functions.

Next Milestone:

By next year, aim for 75% paper reduction, with the ultimate goal of zero paper usage by 2026.










Target: Achieve 100% paperless operations by Q4 2026.











Julphar's paperless journey is a crucial step towards sustainable operations, ensuring not only a reduced environmental footprint but also improved efficiency, compliance, and innovation in our processes.


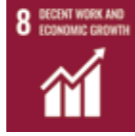





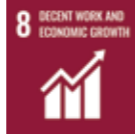
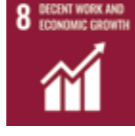







Appendices

Appendix 1 - ADX, GRI and UNSDG Index

ADX	Indicator	GRI	UN SDGS	Page Number/ Direct Answer	Omission
Environmental					
E1. GHG Emissions	E1.1) Total amount in CO2 equivalents, for Scope 1 *	GRI: 1-305			
	E1.2) Total amount in CO2 equivalents, for Scope 2 *	GRI: 2- 305		97	
	E1.3) Total amount in CO2 equivalents, for Scope 3 *	GRI: 3- 305			
E2. Emission Intensity	E2.1) Total GHG emissions per output scaling factor	GRI: 4- 305		97	
	E2.2) Total non-GHG emissions per output scaling factor	GRI: 7-305			
E3. Energy Usage	E3.1) Total amount of direct energy directly consumed	GRI: 1,2-302		97	
	E3.2) Total amount of energy indirectly consumed	GRI: 1,2-302			
E4. Energy Intensity	E4.) Total direct energy usage per output scaling factor	GRI: 1-302		97	
					
E5. Energy Mix	E5.) Percentage: Energy usage by generation Type	GRI: 302-1, 302-2		97	
E6. Water Usage	E6.1) Total amount of water consumed	GRI: 303-5		98	
	E6.2) Total amount of water reclaimed				
E7. Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes/No	GRI: 23-2		Yes	
	E7.2) Does your company follow specific waste, water, energy, and/ or recycling policies? Yes/No	GRI: 24-2			
	E7.3) Does your company use a recognized energy management system?	GRI: 307-1			

ADX	Indicator	GRI	UN SDGS	Page Number/ Direct Answer	Omission
E8. Environmental Oversight (Management)	E8.) Does your Management Team oversee and/or manage sustainability issues?	GRI: 2-12		Yes	
E9. Environmental Oversight (Board)	E9.) Does your Board oversee and/or manage sustainability issues?	GRI: 2-12		Yes	
E10. Climate Risk Mitigation	E10.) Total amount invested, annually, in climate-related infrastructure, resilience, and product development (R&D)	GRI: 203-1		N/A	
Social					
S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation	GRI: 2-21		N/A	
	S1.2) Does your company report this metric in regulatory filings? Yes/No			No	
S2. Gender Pay Ratio	S2.) Ratio: Median male compensation to median female compensation	GRI: 405-2		N/A	
S3. Employee Turnover Ratio	S3.1) Percentage: Year-over-year change for full-time employees	GRI: 401-1			
	S3.2) Percentage: Year-over-year change for part-time employees	GRI: 401-1		45	
	S3.3) Percentage: Year-over-year change for contractors/consultants	GRI 2: 8			
S4. Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women	GRI 2: 9 / GRI: 405-1			
	S4.2) Percentage: Entry- and mid-level positions held by men and women	GRI 2: 9 / GRI: 405-1		35	
	S4.3) Percentage: Senior- and executive-level positions held by men and women	GRI 2: 9 / GRI: 405-1			

ADX	Indicator	GRI	UN SDGS	Page Number/ Direct Answer	Omission
S5. Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees	GRI: 2-7		N/A	
	S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	GRI: 2-8			
S6. Non-Discrimination	S6.) Does your company have a non-discrimination policy?	GRI 2: 23		Yes	
S7. Injury Rate	S7.) Percentage: Frequency of injury events relative to total workforce time	GRI: 403-9		58	
S8. Global Health & Safety	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation	GRI 2: 23 GRI: 403-9 GRI: 403-9		Yes	
S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy?	GRI 2-23		Yes	
	S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors?				
S10. Human Rights	S10.1) Does your company follow a Human rights policy?	GRI 2-23		Yes	
	S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No				
S11. Nationalization	S11.1) Percentage of national employees			39	
S12. Community Investment	S12.1) Amount invested in the community, as a percentage of company revenues.	GRI 413: Local Communities 2016		17	

ADX	Indicator	GRI	UN SDGS	Page Number/ Direct Answer	Omission
Governance					
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women	GRI 405-1		25	
	G1.2) Percentage: Committee chairs occupied by men and women				
G2. Board Independence	G2.1) Does the company have a separate CEO and Chairman?	GRI 405-1		26	
	G2.2) Percentage: Total board seats occupied by independent board member				
G3. Incentivized Pay	G3.) Are executives formally incentivized to perform on sustainability?	GRI: 2-20		No	
G4. Supplier Code of Conduct	E4.) Total direct energy usage per output scaling factor	GRI: 417 -2		No	
	G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	GRI: 308-1			
G5. Ethics & Prevention of Corruption	E5.1) Percentage: Energy usage by generation Type	GRI 2-23		Yes	
	G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy		100%		
G6. Data Privacy	G6.1) Does your company follow a Data Privacy policy?	GRI: 418-1		Yes	
	G6.2) Has your company taken steps to comply with GDPR rules?		No		
G7. Sustainability Reporting	G7.) Does your company publish a sustainability report?	GRI 2-3, 2-4		Yes	
G8. Disclosure Practices	G8.1) Does your company provide sustainability data to sustainability Reporting frameworks?	GRI: 102-54		No	
	G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)?		Yes, UNSDG number 12		
	G8.3) Does your company set targets and report progress on the UN SDGs?		Yes		
G9. External Assurance	G9.) Are your sustainability disclosures assured or verified by a third party Audit firm?	GRI 2-5		No	

Appendix 2 - Definitions and Abbreviations

ADX: Abu Dhabi Securities Exchange

Board: Board of Directors

CAPA: Corrective Actions and Preventive Actions

CIS: Commonwealth of Independent States

CoC: Code of Conduct

CO2: Carbon Dioxide

CPHI: Convention on Pharmaceutical Ingredients

CSL: Customer Service Levels

DEI: Diversity, Equity, and Inclusion

DUPHAT: Dubai International Pharmaceuticals and Technologies Conference

EDA: Egyptian Drug Authority

EDE: Emirates Drug Establishment -

EHS: Environmental Health & Safety

e-PIL: Electronic Patient Leaflet

ESG: Environmental, Social, and Governance

FDA: Food and Drug Administration

FTE: Full-time Employee

GCC: Gulf Cooperation Council

GHG: Greenhouse Gas

GMP: Good Manufacturing Practices

GRI: Global Reporting Initiative

JTC: Julphar Training Centre

Julphar: Gulf Pharmaceutical Industries Co. (P.S.C.)

KPI: Key Performance Indicator

KSA: Kingdom of Saudi Arabia

L&D: Learning and Development

LTIR: Lost Time Injury Rate

MEA: Middle East and Africa

MSCI: Morgan Stanley Capital International

NHRA: National Health Regulatory Authority

OHS: Occupational Health and Safety

PICs: Pharmaceutical Inspection Conventions

PPE: Personal Protective Equipment

PTW: Permit to Work

QA: Quality Assurance

QbD: Quality by Design

RAKWA: Ras Al Khaimah Wastewater Authority

RAK: Ras Al Khaimah

R&D: Research and Development

R.O.: Reverse Osmosis

SAV: Single Approved Vendor

SASB: Sustainability Accounting Standards Board

SCA: Securities and Commodities Authority

SFDA: Saudi Food and Drug Authority

SOPs: Standard Operating Procedures

STEM: Science, Technology, Engineering, and Mathematics

tCO2: tons of Carbon Dioxide

UAE: United Arab Emirates

UNSDGs: United Nations Sustainable Development Goals

Julphar **FINANCIAL RESULTS**

For The Period Ended
December 31, 2024



Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

Report of the Board of Directors

The Board of Directors of Gulf Pharmaceutical Industries P.S.C. (the “Company”) and its subsidiaries (the “Group” or “Julphar”) is pleased to present their report along with the audited consolidated financial statements of the Group for the year as of and ended 31 December 2024.

Financial Performance

Julphar recorded net sales of AED 1,312.5 million, a 2.7% increase against net sales of AED 1,277.5 million of last year. Net sales through our pharmacy retail and whole sales operations, Planet Pharmacies, continues to show a strong momentum, with growth at 4.3% compared to last year, and reaching to net sales of AED 737.0 million.

EBITDA from Continuing Operations reaches AED 144.7 million in 2024 compared to EBITDA from continuing operations of AED 47.5 million in the previous year.

The company generated AED 245.0 million positive Cash Flow from Operating Activities compared to a cash flow of AED 93.6 million in the previous year.

Net debt stood at AED 765.8 million as of 31 December 2024, which is a 1.3% decrease compared to previous year.

Julphar continues making sustained progress on the following areas:

- a. Delivering market share growth in core markets in both private and tender sectors with strong momentum in most of the GCC markets.
- b. Continue delivering cost saving and efficiency initiatives resulting in lower costs overall for OPEX, G&A and S&D in relation to Sales compared to the previous year.
- c. Continue executing our new product launches and focusing on enhancing our product pipeline.

Outlook 2025:

The plans for growth of the Group are as follows:

1. Continued focus on the strategic areas of business.
2. Strengthen sales organization in core markets and increase market share with the existing portfolio.
3. Accelerate in-house R&D activities and enter into new alliances and partnerships to strengthen the product portfolio of the Company.
4. Launch new products in core therapeutic areas.

Proposed dividend

Due to the accumulated losses, the Board has not recommended any dividend declaration to the shareholders of the Company for the year 2024.

Auditors

M/s Ernst & Young, Dubai will retire, and new auditors will be appointed in the Annual General Meeting of the Company.

Acknowledgements

The Board would like to express their gratitude and appreciation to all shareholders, customers and business partners, government agencies, banks and financial institutions and employees, whose continued commitment, support and co-operation has been a great strength and encouragement.

On behalf of the Board,

Sh. Saqer Humaid Al Qasimi
Chairman



2025

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF GULF PHARMACEUTICALS INDUSTRIES P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Pharmaceuticals Industries P.S.C. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p><u>Impairment of non-financial assets:</u> The Group performed a quantitative and qualitative impairment assessment on its cash generating units (CGUs). Management conducted the impairment test based on its assessment of indicators such as deteriorated operational performance of the CGUs in previous years and continued under utilization of some of the CGUs or assets. These indicators may imply that the carrying value of some of the non-financial assets of the Group might not be fully recoverable.</p> <p>Management identified certain independent CGUs, for the purposes of impairment assessment of the Group. For the CGUs where impairment indicators exist or an annual impairment test is required, management estimated the recoverable amounts of the CGUs, being higher of fair value less costs of disposal (“FVLCD”) and value in use (“VIU”).</p> <p>Given the significant judgments made by management to estimate the recoverable amount of the CGUs, performing audit procedures to evaluate the reasonableness of management’s estimates and assumptions required a high degree of auditor judgment. Accordingly, we have identified this to be a key audit matter.</p> <p>Refer to notes 14 and 15 to the consolidated financial statements for the relevant disclosures and note 3.6 for key source of estimation uncertainty.</p>	<p>Our procedures to test the impairment analysis prepared by management of the Group for the identified CGUs included the following:</p> <ul style="list-style-type: none"> ▪ Where impairment indicators exist, we examined the methodology used by management to assess the recoverable amounts of the CGUs in accordance with IFRS; ▪ We evaluated the assumptions used by management of the Group in determining the recoverable amount of the CGUs and assessing valuation methodologies applied; ▪ We evaluated the reasonableness of management’s significant assumptions by comparing it to (1) the historical operating results of the CGUs and (2) internal communications to management and the Board of Directors; ▪ With the support of our internal valuation specialists, we assessed the appropriateness of Weighted Average Cost of Capital (“WACC”) used as a discount factor and terminal growth rate used in the determination of cash flow forecast; ▪ We performed sensitivity analyses of significant assumptions used to evaluate the change in the recoverable amount of the CGUs resulting from changes in the inputs and assumptions. We also assessed the historical accuracy of management’s projections by comparing it with the actual data and; ▪ Assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.



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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p><u>Allowance for slow-moving and obsolete inventories:</u></p> <p>The gross balance of inventory as at 31 December 2024 is AED 683.3 million, against which provision for slow moving and obsolete inventory amounting to AED 97.0 million was made. The Group assesses the valuation of all inventory items including raw materials, packing materials, work-in process and finished goods at each reporting date. Obsolete, expired, slow-moving and defective inventories are written down to its estimated net realisable value if less than cost.</p> <p>We have considered allowance for slow-moving inventories to be a key audit matter because it requires management’s assessment of the estimates of whether a write down is required. Key parameter for the inventory valuation includes expiration dates of the inventory. The measurement of any excess of cost over net realisable value is judgemental considering the involvement of a number of qualitative factors that are affected by market and economic conditions outside the Group’s control.</p> <p>Refer to note 3.6 to the consolidated financial statements for the key source of estimation uncertainty, note 16 for inventory disclosure and movement of allowance for slow-moving and obsolete inventories.</p>	<p>As part of our audit, the procedures to test the management’s estimate of allowance for slow-moving and obsolete inventory included the following:</p> <ul style="list-style-type: none"> ▪ We obtained through inquiry an understanding from management and evaluated the design of the internal controls over the Group’s process pertaining to inventory valuation and allowance for slow-moving and obsolete inventories. We also obtained an understanding about the management’s assessment of inventory valuation, including the development of forecasted usage of inventories and consideration of how factors outside the Group’s control might affect management’s judgement related to valuation of slow-moving, expired, obsolete and defective inventory; ▪ We observed the inventory count performed by management and assessed the physical existence and condition of selected samples of the inventories; ▪ We evaluated the significant assumptions applied by management and tested the completeness of the underlying data used by management to value the slow-moving and obsolete inventories; ▪ We tested the expiration dates of the inventory for a sample of inventory items based on the product expiration data and prospective assumptions on their expiries. We compared the provision based on the expiration data with the provision recognised by management; ▪ We tested the valuation of year-end inventory for a sample of selected inventory items, including review of judgements applied regarding obsolescence and net realizable value; and ▪ We also checked that appropriate disclosures have been made in the consolidated financial statements in compliance with the IFRS.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF PHARMACEUTICALS INDUSTRIES P.S.C. (continued)**

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2024:

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (32) of 2021;
- iv) the financial information included in the Board of Director's report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2024, if any, are disclosed in notes 17 and 18 to the consolidated financial statements;
- vi) note 28 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during financial year ended 31 December 2024, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and
- viii) note 8 reflects the social contributions made during the year.

For Ernst & Young

Wardah Ebrahim
Registration No: 1258

17 March 2025

Sharjah, United Arab Emirates

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	<i>Notes</i>	2024 AED millions	2023 AED millions
Continuing operations			
Revenue from contracts with customers	4	1,312.5	1,277.5
Cost of revenue	5	(793.4)	(852.4)
Gross profit		519.1	425.1
Other income - net	6	13.2	10.2
Selling and distribution expenses	7	(301.8)	(307.7)
General and administrative expenses	8	(154.2)	(150.6)
Gain from investments and others		3.3	3.5
Operating profit/(loss)		79.6	(19.5)
Finance income	9	2.6	6.0
Finance costs	10	(62.2)	(56.3)
Profit/(loss) before tax for the year from continuing operations		20.0	(69.8)
Income tax and zakat expense, net	11	(3.7)	(6.1)
Profit/(loss) for the year from continuing operations		16.3	(75.9)
Discontinued operations			
Loss for the year from discontinued operations	12(d)	(7.7)	(19.5)
Hyperinflation adjustment on net monetary position	35	(1.3)	(3.1)
Gain on disposal of a subsidiary	12(b)	37.6	-
		28.6	(22.6)
PROFIT/(LOSS) FOR THE YEAR		44.9	(98.5)
Profit/(loss) attributable to:			
Equity holders of the Parent		44.6	(99.1)
Non-controlling interests	12(d)	0.3	0.6
		44.9	(98.5)
Earnings per share:			
Basic and diluted			
Profit/(loss) per share attributable to the equity holders of the Parent (in UAE fils)	13	3.9	(8.6)
Earnings per share for continuing operations:			
Basic and diluted			
Profit/(loss) per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	13	4.7	(6.6)

The attached notes 1 to 37 form part of these consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 AED millions	2023 AED millions
Profit/(loss) for the year		44.9	(98.5)
Other comprehensive (loss)/ income			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods (net of taxes):</i>			
Currency translation differences		(37.6)	(23.6)
Hyperinflation adjustment relating to discontinued operations	34	6.6	3.5
Loss on cash flow hedge	33	(8.9)	(8.5)
Reclassification adjustment to profit or loss	33	1.4	1.4
		(38.5)	(27.2)
<i>Other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods (net of taxes):</i>			
Net change in fair value of financial asset at fair value through other comprehensive income (FVTOCI)	18	(0.1)	-
Actuarial (loss)/gain on employees' end of service benefits	23	(2.9)	3.7
Total other comprehensive loss for the year		(41.5)	(23.5)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		3.4	(122.0)
Total comprehensive income/ (loss) attributable to:			
Equity holders of the Parent		4.9	(122.3)
Non-controlling interests	12(d)	(1.5)	0.3
		3.4	(122.0)


The attached notes 1 to 37 form part of these consolidated financial statements.


Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Notes</i>	<i>2024 AED millions</i>	<i>2023 AED millions</i>
ASSETS			
Non-current assets			
Property, plant and equipment	14	255.6	573.6
Right of use assets	29	58.4	135.5
Intangible assets	15	81.3	143.8
Deferred tax asset	11	0.8	0.8
Derivative financial instrument	33	12.7	18.6
Financial asset at fair value through other comprehensive income	18	0.2	0.3
		409.0	872.6
Current assets			
Inventories	16	413.7	661.7
Financial assets at fair value through profit or loss	17	21.3	20.5
Trade and other receivables	19	925.1	621.9
Restricted cash	35	76.2	36.0
Bank balances and cash	20	147.3	204.8
		1,583.6	1,544.9
Assets held for sale	12(e)	448.4	36.4
		2,032.0	1,581.3
TOTAL ASSETS		2,441.0	2,453.9
EQUITY AND LIABILITIES			
Equity			
Share capital	21	1,155.3	1,155.3
Statutory reserve	22	185.5	185.5
Foreign currency translation reserve		(241.7)	(212.5)
Cash flow hedging reserve	33	12.1	19.6
Fair value reserve	18	(7.1)	(7.0)
Accumulated losses		(305.0)	(346.7)
		799.1	794.2
Equity attributable to shareholders of the Parent		799.1	794.2
Non-controlling interests	32	10.5	12.0
		809.6	806.2
Total equity		809.6	806.2


 Sh Saqer Humaid Al Qasimi
 Chairman


 Mr. Basel Nimer Ali Ziyadeh
 Chief Executive Officer


The attached notes 1 to 37 form part of these consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2024

	<i>Notes</i>	2024 AED millions	2023 AED millions
Non-current liabilities			
Provision for employees' end of service benefits	23	76.3	84.0
Bank and other borrowings	24	612.5	765.0
Deferred tax liability	11	8.3	8.0
Lease liabilities	29	8.5	91.6
		705.6	948.6
Current liabilities			
Trade payables and accruals	25	398.7	427.7
Income tax and zakat payable		5.2	7.7
Bank and other borrowings	24	300.6	215.4
Lease liabilities	29	49.4	38.6
		753.9	689.4
Liabilities directly associated with the assets held for sale	12(e)	171.9	9.7
		925.8	699.1
Total liabilities		1,631.4	1,647.7
TOTAL EQUITY AND LIABILITIES		2,441.0	2,453.9



Sh Saqer Humaid Al Qasimi
Chairman



Mr. Basel Nimer Ali Ziyadeh
Chief Executive Officer

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Attributable to the equity holders of the Parent</i>								
	<i>Share capital</i> AED million	<i>Statutory reserve</i> AED million	<i>Foreign currency translation reserve</i> AED million	<i>Cashflow hedge reserve</i> AED million	<i>Fair value reserve</i> AED million	<i>Accumulated losses</i> AED million	<i>Total</i> AED million	<i>Non-controlling interests</i> AED million	<i>Total equity</i> AED million
As at 1 January 2023	1,155.3	185.5	(192.7)	26.7	(7.0)	(251.3)	916.5	11.7	928.2
Loss for the year	-	-	-	-	-	(99.1)	(99.1)	0.6	(98.5)
Other comprehensive (loss)/ income for the year	-	-	(19.8)	(7.1)	-	3.7	(23.2)	(0.3)	(23.5)
Total comprehensive (loss)/ income for the year	-	-	(19.8)	(7.1)	-	(95.4)	(122.3)	0.3	(122.0)
As at 31 December 2023	1,155.3	185.5	(212.5)	19.6	(7.0)	(346.7)	794.2	12.0	806.2
Profit for the year	-	-	-	-	-	44.6	44.6	0.3	44.9
Other comprehensive loss for the year	-	-	(29.2)	(7.5)	(0.1)	(2.9)	(39.7)	(1.8)	(41.5)
Total comprehensive (loss)/ income for the year	-	-	(29.2)	(7.5)	(0.1)	41.7	4.9	(1.5)	3.4
As at 31 December 2024	1,155.3	185.5	(241.7)	12.1	(7.1)	(305.0)	799.1	10.5	809.6

The attached notes 1 to 37 form part of these consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	<i>Notes</i>	2024 AED millions	2023 AED millions
OPERATING ACTIVITIES			
Profit/ (loss) before tax for the year from continuing operations		20.0	(69.8)
Loss before tax for the year from discontinued operations	12(d)	30.7	(17.4)
		<hr/>	<hr/>
Profit/ (loss) before tax for the year		50.7	(87.2)
Adjustments for:			
Depreciation of property, plant and equipment	14	76.2	80.8
Depreciation of right of use asset	29	43.2	42.2
Amortisation of intangible assets	15	16.0	18.6
Liabilities written back	6	(2.1)	(1.5)
Impairment loss of intangible assets	15	1.5	-
Allowance for slow-moving and obsolete inventories	16(a)	76.4	47.8
Allowance for expected credit loss on receivables	19(a)	9.4	12.7
Other receivables written off		-	2.3
Provision for employees' end of service benefits	23(a)	12.0	13.0
Hyperinflation adjustment	35	1.3	3.1
Fair valuation gain on financial asset at FVTPL	17	(0.8)	(1.0)
Gain on disposal of a subsidiary	12(b)	(37.6)	-
Gain on disposal of property, plant and equipment		-	(0.1)
Finance income	9	(2.6)	(6.0)
Finance costs	10	70.8	64.0
		<hr/>	<hr/>
		314.4	188.7
Changes in working capital			
Trade and other receivables		(29.7)	10.6
Inventories		(28.2)	(36.1)
Trade payables and accruals		1.9	(57.0)
		<hr/>	<hr/>
Cash used in operations		258.4	106.2
Employees' end of service benefits paid	23	(9.5)	(6.2)
Income tax and zakat paid		(3.9)	(6.4)
		<hr/>	<hr/>
Net cash flows from operating activities		245.0	93.6
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(43.7)	(22.1)
Purchase of intangible assets	15	(9.4)	(4.9)
Proceeds from write-off and disposal of property, plant and equipment		1.1	0.1
Advance received on divestment of a subsidiary		(40.2)	-
Deposits having maturities after three months and less than one year		(29.0)	(3.3)
Finance income received		2.6	6.0
		<hr/>	<hr/>
Net cash flows used in investing activities		(118.6)	(24.2)
		<hr/>	<hr/>

The attached notes 1 to 37 form part of these consolidated financial statements.

Gulf Pharmaceutical Industries P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2024

		2024	2023
		AED	AED
		millions	millions
FINANCING ACTIVITIES			
Proceeds from bank borrowings	24(c)	-	150.0
Utilization of bank overdraft and trust receipts facility, net	24(c)	22.7	104.9
Repayment of bank borrowings	24(c)	(90.0)	(45.0)
Repayment of lease liabilities	29(b)	(58.4)	(48.6)
Restricted cash		-	(25.4)
Interest paid		(64.6)	(57.9)
Net cash (used in)/ from financing activities		(190.3)	78.0
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS			
		(63.9)	147.4
Currency translation differences		(30.6)	(23.0)
Cash and cash equivalents at 1 January		217.2	92.8
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	122.7	217.2
NON-CASH TRANSACTION:			
Receivable from divestment of a subsidiary	12(b)	330.5	-

The attached notes 1 to 37 form part of these consolidated financial statements.

1. ACTIVITIES

Gulf Pharmaceutical Industries P.S.C is a public shareholding company (the “Company” or “Parent Company”) domiciled in Digdaga - Ras Al Khaimah. It was incorporated by the Emiri decree No.5/80 issued by H.H. The Ruler of the Emirate of Ras Al Khaimah and its dependencies on 30 March 1980 and the Emiri decree No.9/80 on 4 May 1980.

The Company’s registered office address is P.O. Box. 997 Ras Al Khaimah, United Arab Emirates (UAE). The Company commenced its commercial activities effective from November 1984. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its subsidiaries (the “Group” or “Julphar”) are the manufacturing and selling of medicines, drugs and various other types of pharmaceutical and medical compounds in addition to cosmetic compounds.

Information on the Group’s structure is provided in note 2.

The consolidated financial statements were authorised for issue in accordance with the resolution of the Board of Directors on 17 March 2025.

2. GROUP INFORMATION

These consolidated financial statements reflect the operations of the Group as at 31 December 2024. By virtue of shareholders and other agreements, the Company holds directly or indirectly a controlling interest and has the power to govern the financial and operating policies in each of the subsidiaries listed below (collectively referred to as the "Group" and individually referred to as "Group Entities"):

<i>Serial No.</i>	<i>Name of subsidiary</i>	<i>Country of Incorporation</i>	<i>Percentage of Ownership</i>		<i>Subsidiary activity</i>
			<i>2024</i>	<i>2023</i>	
<i>Direct subsidiaries</i>					
1.	Mena Cool Transportation F.Z.E.	United Arab Emirates	100%	100%	Transportation
2.	Julphar Pharmaceuticals P.L.C. (note (b))	Ethiopia	55%	55%	Manufacturing medicines
3.	Julphar SES L.L.C. (note (a))	Egypt	99.8%	99.8%	General trading
4.	Diabtec L.L.C. formerly Julphar Diabetes L.L.C. (note (d))	United Arab Emirates	-	100%	Manufacturing medicines
5.	Julphar Company for Trading and Distribution L.L.C. (note (a))	Egypt	99.8%	99.8%	General trading
6.	Mena Cool Machinery Trading (note (a))	United Arab Emirates	100%	100%	General trading
7.	Julphar Life L.L.C. (note (a))	United Arab Emirates	100%	100%	General trading
8.	Julphar Tunisie (note (a))	Tunisia	99%	99%	Distributor of Julphar’s products in Tunisia
9.	Julphar Gulf Pharmaceuticals Kenya Limited (note (a))	Kenya	100%	100%	Distributor of Julphar's products in Kenya
10.	Planet Pharmacies L.L.C	United Arab Emirates	100%	100%	Distribution, wholesale and retail trading of medicines and cosmetic products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. GROUP INFORMATION (continued)

Serial No.	Name of subsidiary	Country of Incorporation	Percentage of Ownership		Subsidiary activity
			2024	2023	
Indirect subsidiaries					
<i>Subsidiary of Mena Cool Machinery Trading</i>					
1.	Julphar General Trading L.L.C. (note (a) and (c))	United Arab Emirates	100%	100%	General trading
<i>Subsidiary of Julphar Company for Trading and Distribution L.L.C.</i>					
1.	Julphar Egypt Company L.L.C.	Egypt	100%	100%	Distributors of Julphar's products in Egypt
<i>Subsidiary of Julphar Egypt Company L.L.C.</i>					
1.	Julphar Plus (note (a) and (c))	Egypt	100%	100%	Manufacturing and distribution of medicines
<i>Subsidiaries of Planet Pharmacies L.L.C.</i>					
1.	Julphar Drug Store Sharjah	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
2.	Julphar Drug Store LLC (Abu Dhabi)	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
3.	Awafi Drug Store	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
4.	Julphar Healthy Services	United Arab Emirates	100%	100%	Facilities management services, health treatment undertaking services and hospitals management
5.	Health First Investment LLC	United Arab Emirates	100%	100%	Investment in commercial, industrial, and healthcare enterprises and their management
6.	Health First Pharmacy LLC (Abu Dhabi)	United Arab Emirates	100%	100%	Trading in medicines and medical equipment
7.	Kawakeb Al Saydaliyat Company LLC	Kingdom of Saudi Arabia	100%	100%	Trading in medicines and medical equipment
8.	Planet Pharmacies LLC	Sultanate of Oman	100%	100%	Trading in medicines and medical equipment
9.	Future Medical Co. Ltd	Sultanate of Oman	100%	100%	Trading in medicines and medical equipment
<i>Subsidiaries of Julphar Healthy Services</i>					
1.	Scientific Pharmacy LLC	Sultanate of Oman	100%	100%	Trading in medicines and medical equipment
<i>Subsidiary of Kawakeb Al Saydaliyat Company LLC</i>					
1.	Zahrat Al Rawdah Pharmacies Limited Liability Company (note (e))	Kingdom of Saudi Arabia	100%	100%	Retail and wholesale trading in medicines and cosmetics
<i>Subsidiary of Health First Investment LLC</i>					
1.	Health First Pharmacy (Sharjah)	United Arab Emirates	100%	100%	Retail and wholesale trading in medicines and cosmetics

2. GROUP INFORMATION (continued)

- a) These subsidiaries are not operational, and the financial results are immaterial to the overall consolidated financial statements of the Group.
- b) During the year ended 31 December 2024, the Board of Directors of the Group has renewed its intention to sell this subsidiary and thus as of 31 December 2024, management has classified the subsidiary as a disposal group held for sale (note 12 (a)). As of the reporting date, the sale of the subsidiary has not been completed and the sale is expected to be completed within the next year.
- c) Certain % of the Group's ownership stake in these entities is held through beneficial ownership arrangement with the legal owner.
- d) During the year ended 31 December 2024, the Board of Directors of the Company has decided to divest its holding in Diabtec LLC ("Diabtec") through a Sale and Purchase Agreement ("SPA") dated 14 March 2024. The sale was completed on 19 December 2024 and accordingly the results of Diabtec has been presented as discontinued operations (note 12(b)).
- e) During the year ended 31 December 2024, the Board of Directors of the Company has decided to divest its holding in Zahrat Al Rawdah Pharmacies Limited Liability Company ("Zahrat") through a Share Purchase Agreement ("SPA") dated 31 October 2024. The results of Zahrat has been presented as discontinued operations (note 12(c)). The sale of Zahrat was completed subsequent to the year ended 31 December 2024.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is also the functional currency of the Company. All values are rounded to the nearest million except where otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value through profit or loss (note 17), financial assets measured at fair value through other comprehensive income (note 18) and derivative financial instruments measured at fair value (note 33).

The consolidated financial statements provide comparative information in respect of the previous period.

3.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and in compliance with the applicable provisions of the Articles of Association of the Company and UAE Federal Law No. (32) of 2021.

3.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

3.4 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024 as mentioned below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These new standards and interpretations are disclosed below.

a) *New and amended standards and interpretations*

- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

The amendments and interpretations apply for the first time in 2024, but do not have any material impact on the consolidated financial statements of the Group.

b) *Standards issued but not yet effective*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group is currently assessing the impact of these new standards and intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Lack of exchangeability - Amendments to IAS 21 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.)
- Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later)
- Hedge Accounting by a First-time Adopter - IFRS 1 First-time Adoption of International Financial Reporting Standards (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Gain or Loss on Derecognition - IFRS 7 Financial Instruments: Disclosures (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Lessee Derecognition of Lease Liabilities - IFRS 9 Financial Instruments (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Changes in accounting policies and disclosures (continued)

b) Standards issued but not yet effective (continued)

- Transaction Price - IFRS 9 Financial Instruments (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Determination of a 'De Facto Agent'- IFRS 10 Consolidated Financial Statements (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Cost Method - IAS 7 Statement of Cash Flows (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted, but will need to be disclosed)
- IFRS 18 Presentation and Disclosure in Financial Statements (The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is still permitted and must be disclosed)

3.5 Material accounting policy information

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets, including those assets that meet the definition of, and recognition criteria for intangible assets in IAS 38, and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

For the business combination achieved in stages, the Group is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Acquisition of controlling interest in an entity that is not a business

When the Group acquires controlling interest in an entity that is not considered a business, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for intangible assets in IAS 38) and liabilities assumed. Asset or a group of assets that does not constitute a business is recognised at cost, which is the amount of consideration paid or payable, plus any non-controlling interest recognised related to that asset or a group of assets. The cost of the Group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Acquisition of an asset or a group of assets that does not constitute a business does not give rise to goodwill or gain on bargain purchase.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and non-financial assets such as a disposal group held for sale, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosure for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 31.

Revenue from contracts with customers

The Group is in the business of manufacturing and selling of medicines, drugs and various other types of pharmaceutical and medical compounds in addition to cosmetic compounds. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the medicines at the customer's location.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration.

Variable consideration

If the variable consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Contracts with the sale of goods provide customers with a right to return the goods when the goods actually expire. The rights of return give rise to variable consideration.

Rights of return

The Group uses the expected value method to estimate the variable consideration. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer in relation to non-pharmaceutical items.

Volume rebates

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

The disclosures of significant estimates and assumptions relating to the estimation of variable consideration for returns and volume rebates are provided in note 3.6.

Loyalty discounts

Some of the Group's subsidiaries have a loyalty programme for retail customers which allows customers to accumulate discounts on every purchase that can be redeemed against goods and services. The loyalty discounts give rise to a separate performance obligation as they provide a material right to the customer.

Customer option that provides a material right

Free goods

Free goods are issued to customers as sales incentives. The free goods give rise to a separate performance obligation as they provide a material right to the customer that the customer would not receive without entering into that contract.

A portion of the transaction price is allocated to the separate performance obligation based on relative stand-alone selling price and recognised as deferred revenue until the free goods are provided. The Group recognises revenue for the option when those future goods or services are transferred to the customer.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Assets and liabilities arising from rights of return

Rights of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's carrying amount.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

	<i>Life</i>
Buildings	10 to 25 years
Plant and machinery	3 to 17 years
Installations	4 to 25 years
Motor vehicles	3 to 10 years
Furniture and fixtures	4 to 10 years
Tools and equipment	3 to 10 years
Leasehold improvements	4 to 25 years

Capital work-in-progress is not depreciated and is stated at cost. When ready for intended use, capital work in progress is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with Group's policy.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognised upon disposal (i.e., at the date of the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Research and development costs

Research and development costs are charged to the consolidated statement of profit or loss in the period in which they are incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Licenses and permits

Licenses, registrations and permits comprise of rights to distribute Julphar's products in certain countries that have been acquired as part of a business combination and are recognised at fair value at the acquisition date. The amount is recognised by calculating the present value of the expected future economic benefits to arise from these licenses and permits. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 5 to 20 years.

Trade names

Trade names acquired are recognised initially at fair value. Trade names are assessed to have an indefinite useful life and are assessed for impairment at least on an annual basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Intangible assets (continued)

Customer and supplier relations

Customer and supplier relations represent the value attributed to the long-term relationships held with existing customers and suppliers at the date of acquisition of a subsidiary and are amortised over their useful economic life. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 10 years and 15.5 years for customer relations and supplier relations respectively.

Hospital relations

Hospital relations represent the value attributed to the relationships with the hospitals and clinics for managing and operating the pharmacies within the hospitals and clinics. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 4.5 years.

Loyalty program

Loyalty program is operated by the Group to generate a base of customers to provide the Group with repeat sales over the forecast period. Amortisation is calculated using the straight-line method to allocate the costs over its estimated useful life of 6.5 years.

Computer Software

Acquired computer software is capitalized and it amortised using the straight-line basis over the useful life of 3 years.

	<i>Useful lives</i>	<i>Amortisation method</i>	<i>Internally generated or acquired</i>
Licenses and permits	5 to 20 years	Amortised on a straight-line basis	Acquired
Trade name	Infinite	No amortisation	Acquired
Customer and supplier relations	10 to 15.5 years	Amortised on a straight-line basis	Acquired
Hospital relations	4.5 years	Amortised on a straight-line basis	Acquired
Loyalty program	6.5 years	Amortised on a straight-line basis	Acquired
Computer software	3 years	Amortised on a straight-line basis	Acquired

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials and packing materials: purchase cost on weighted average basis; and
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Inventories are initially valued at standard cost, which approximates to historical cost determined on a weighted average basis. At the reporting date, the management determines the variances between the actual cost and the standard cost of the inventory items and recognise the variances within the cost of goods sold.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials and packing materials held for use in the production of inventories are not written down below cost if the final finished goods in which they are to be used is expected to be sold at or above cost.

The Group reviews the inventory quantities on hand and recognises a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, discontinued, defective due to quality issues, damaged, if they become obsolete, expired, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory which is no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions are recognised.

Goods-in-transit

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon up to the reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Inventories (continued)

Spare parts and consumables

Spare parts and consumables that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment and are integral to the functionality of the related equipment are capitalised and amortised as part of that equipment when used. In all other cases, spare parts and consumables are carried as inventory and recognised in the consolidated statement of profit or loss as consumed.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows.

	<i>Life</i>
Offices and pharmacies	1 to 10 years

Right-of-use assets are subject to impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

The Group's financial assets include bank balances, trade receivables other receivables, financial assets at fair value through profit or loss, financial assets fair value through other comprehensive income and other financial assets.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's bank balances, trade receivables and other receivables are financial assets measured at amortised cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes an unquoted investment which the Group had not irrevocably elected to classify at fair value through OCI.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Dividends on investments are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as investment income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investment under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated statement of comprehensive income.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables and accruals, bank borrowings and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

The Group has no financial liability classified at fair value through profit or loss.

Financial liabilities at amortised cost (bank borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

This category generally applies to bank borrowings, trade payables, accruals and lease liabilities.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, bank balances and cash consist of cash and short-term deposits.

Employee's end of service benefits

Employees' benefits to non-UAE nationals' employees

Accruals are made for employees in the UAE for estimated liability for their entitlement to annual leave and leave passage as a result of services rendered up to the statement of financial position date. Provision is also made, for the end of service benefits, using actuarial techniques, due to employees in accordance with the Labour Law of the counties in which they reside for their periods of service up to the statement of financial position date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Employee's end of service benefits (continued)

Employees' benefits to non-UAE nationals' employees (continued)

The accruals relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension and social security policy with the UAE

The Group is a member of the pension scheme operated by the federal Pension General and Social Security Authority. Contributions for eligible UAE national employees are made and charged to the consolidated statement of profit or loss in accordance with the provisions of the applicable law. The Group has no further payment obligations once the contribution has been paid. The Group has categorized the contribution policy as defined contribution plan.

Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Taxes (continued)

Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Zakat

Zakat is calculated by the Group in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalisation.

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Foreign currencies (continued)

ii) Group companies (continued)

Effective 1 January 2023, on adoption of IAS 29, the financial statements of the subsidiary, having operations in Ethiopia, has been adjusted for the effects of inflation as per the requirements of IAS 29. Hence, the subsidiary's assets, liabilities, income and expenses are expressed in AED using exchange rates prevailing at the reporting date. Refer to note 35 for the details.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured and presented in the consolidated statement of profit or loss net of any reimbursement.

Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Material accounting policy information (continued)

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3.6 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that may affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Spare parts and consumables as inventory

The Group has determined that it has very large number of minor items of spare parts and consumables and concluded that these items are recognised as inventory. These are expensed out when consumed.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Assets held for sale and discontinued operations

During the years ended 31 December 2024 and 2023, the Group has classified its 55% of shareholding of Julphar Pharmaceutical PLC ("Julphar Ethiopia") and its 100% of shareholding in Zahrat Al Rawdah Pharmacies Limited Liability Company ("Zahrat") as assets held for sale. The Board considered the subsidiaries to meet the criteria to be classified as held for sale at that date for the following reasons:

- The subsidiaries are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- The management is committed to sell the asset and an active programme to locate a buyer has already been initiated.
- Represents a separate major line of business or geographical area of operations

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Assets held for sale (continued)

For more details on discontinued operations refer note 12.

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed, and information is provided to the management. The information considered included:

- the stated policies and objectives for the financial asset and the operation of those policies in practise;
- how the performance of the financial asset is evaluated and reported to the Group's management;
- the risks that affect the performance of the business mode (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and time of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiary is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non -monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the consolidated financial statements of a Group becomes necessary. Following management's assessment, the Group's subsidiary, operating in Ethiopia have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of Ethiopian subsidiary have been expressed in terms of the measuring units current at the reporting date.

The economy of Ethiopia was assessed to be hyperinflationary during 2024, and hence hyperinflation accounting has been applied.

The cumulative impact of adjusting the Group's results for the effects of hyperinflation is set out in note 35.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for stock losses

The Group's management determines the amount of provision for stock as follows:

1. Raw materials - Raw materials with near expiry are assessed for use in the production or for any alternative options. If the raw materials are deemed not to be usable, provision for expiry is recorded in the consolidated statement of financial position.
2. Packaging materials - Packaging materials which are for discontinued products or inactive are assessed for any other alternative options. If the packaging materials are deemed not to be usable, provision is recorded in the consolidated statement of financial position.
3. Finished Goods – (a) Manufacturing segment - finished goods with less than 1/3 year shelf life are deemed not to be usable or sold in the market as per regulations in which the Group operates. Full provision for finished goods with less than 1/3 shelf life is recorded in the consolidated statement of financial position. (b) Planet segment - full provision is required for finished goods with less than 90 days shelf life for the stock existed in the retail pharmacies and 180 days for the stock existed in the wholesale warehouses. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.
4. Other inventories – Includes goods in transit, consumables, work-in-progress, and spare parts are assessed for obsolescence or for any other alternative uses. If these are deemed not to be usable/obsolete, provision is recorded in the consolidated statement of financial position.

At the reporting date, provision for stock losses were AED 97.0 million (2023: AED 60.7 million) (note 16). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the dividend growth mode (“DGM”). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculations are based on available data from binding sales transactions, for similar assets or observable market prices less incremental costs of disposing of the asset and using cost approach adjusted for obsolescence that market participant buyers would consider. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group's management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the Group's management believes the useful lives differ from previous estimates.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses on financial assets

When measuring ECL, probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The operation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Estimating sales return liability

The Group estimates the sales return liability based on historic data of past 3 years by analysing sales return on a monthly basis and by using a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the sales return liability.

Estimating volume rebates

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group applied the statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected volume rebates quarterly and the rebates accruals are adjusted accordingly. Estimates of volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. As at 31 December 2024, the amount recognised as accruals for the volume rebates was AED 18.7 million (2023: AED 19.9 million) (note 25).

Estimating the incremental borrowing rate for lease

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates etc.) when available and is required to make certain entity-specific estimates (such as the Group's economic environment).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**3.6 Significant accounting judgements, estimates and assumptions (continued)****Estimates and assumptions (continued)***Useful lives of intangible assets*

The Group's management estimates the useful lives of intangible assets based on the period during which the assets are expected to be available for use and also estimates their recoverability to assess if there has been an impairment. The amounts and timing of recorded expenses for amortization and impairments of intangible assets for any period are affected by these estimates. The estimates are reviewed at least annually and are updated if expectations change as a result of commercial obsolescence, generic threats and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's intangible assets in the future.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS**4.1 Disaggregated revenue information**

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Gross sales	1,791.6	1,700.0
Less: commission	(48.6)	(46.9)
Net Sales	1,743.0	1,653.1
Less: net sales relating to discontinued operations (note 12(d))	(430.5)	(375.6)
	1,312.5	1,277.5

The Group derives its revenue from sale of medicines, drugs and various other types of pharmaceuticals and medical compounds in addition to cosmetic compounds. The revenue is recognised on the basis of at "point in time" revenue recognition criteria. The geographical split of gross revenue is as follows:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Geographic information		
UAE	576.2	608.3
Other GCC countries	834.9	744.3
Other countries	331.9	300.5
	1,743.0	1,653.1
Less: net sales relating to discontinued operations (note 12(d))	(430.5)	(375.6)
	1,312.5	1,277.5

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At 31 December 2024

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**4.2 Contract balances**

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Contract assets		
Trade receivables (note 19)	565.7	530.5
Contract liabilities		
Refund liabilities (note 25)	56.7	68.4
Rebate and accruals (note 25)	18.7	19.9
Advances from customers (note 25)	1.6	1.5
Commissions payable (note 25)	22.2	22.9
	99.2	112.7

4.3 Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 6 to 12 months from delivery in case of distribution sales and immediately on delivery for retail sales.

The Group generally grants its customers the right of return within a period of 14 days from the date of purchase only for non-medicine items in retail sales. However, the Group does not record a provision for sales returns in retail sales as these returns are insignificant to overall consolidated financial statements.

5. COST OF REVENUE

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Raw materials consumed and third-party purchases (note (a))	808.1	812.8
Salaries and wages	97.5	112.2
Depreciation of property, plant and equipment (note 14(b))	60.9	63.8
Scrapping	35.9	24.7
Consumption of laboratory items	34.3	45.7
Electricity and water	26.4	27.9
Others	12.9	9.8
	1,076.0	1,096.9
Less: cost of sales relating to discontinued operations (note 12(d))	(282.6)	(244.5)
	793.4	852.4

- a) As at 31 December 2024, this includes AED 108.1 million (2023: AED 90.1 million) which relates to retail space listing income, shelf space rental and display income which are received from suppliers in connection with the purchase of goods and are considered as a reduction of the purchased price.

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At 31 December 2024

6. OTHER INCOME - NET

	2024	2023
	AED	AED
	millions	millions
Value added tax refund (note (a))	25.7	-
Other provisions (note (b))	(21.3)	-
Liabilities written back (note (c))	2.1	1.5
Exchange gain	0.7	-
Others	9.0	10.9
	16.2	12.4
Less: other income relating to discontinued operations (note 12(d))	(3.0)	(2.2)
	13.2	10.2

- a) During the year ended 31 December 2024, the Company has received a Value Added Tax (“VAT”) refund of AED 25.7 million from Zakat, Tax and Customs Authority (“ZATCA”) relating to VAT expenses on transactions incurred from 2018 to 2023 in the Kingdom of Saudi Arabia.
- b) During the year ended 31 December 2024, the Company has recognized certain specific provision related to inventories which are expected to be not realizable. As these losses are identified due to certain unforeseen events, are one-off in nature and did not arise in the normal activities of the Company, it is recorded as part of other income - net line item in the consolidated statement of profit or loss. Management does not consider such one-off nature provisions for the evaluation of the Group's performance at the gross margin level and it is the Company's policy to record such one-off inventory provision as part of other income – net.
- c) In 2024 and 2023, the Company has written off certain liabilities which are no longer required.

7. SELLING AND DISTRIBUTION EXPENSES

	2024	2023
	AED	AED
	millions	millions
Salaries, wages and related expenditures	219.1	208.2
Advertisement and promotion	55.8	61.9
Research and development expenditures (note 15(b))	22.9	19.4
Freight charges	15.0	12.1
Variable lease payment recognised as rent expenses (note 29(c))	14.7	12.9
Scrapping	12.6	10.7
Sales expenses	9.7	16.5
Allowance for expected credit losses (note 19)	9.4	12.7
Product registration	4.2	3.2
Marketing materials	2.9	4.0
Depreciation of property, plant and equipment (note 14(b))	2.2	2.4
Penalties on sales	1.2	1.1
Others	24.3	24.0
	394.0	389.1
Less: selling and distribution expenses relating to discontinued operations (note 12(d))	(92.2)	(81.4)
	301.8	307.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

8. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Salaries, wages and related expenditures	74.4	68.5
Depreciation of right of use assets (note 29(a))	43.2	42.2
Legal and professional	27.0	28.7
Amortisation of intangible assets (note 15)	16.0	18.6
Depreciation of property, plant and equipment (note 14(b))	13.1	14.6
Utilities	10.0	10.3
Bank charges and commission	4.4	4.0
Services	1.9	2.1
Transportation and visa charges	1.1	0.9
Loss on exchange	0.9	1.1
Value added tax expense	0.3	5.9
Others	17.6	12.2
	<u>209.9</u>	<u>209.1</u>
Less: general and administrative expenses relating to discontinued operations (note 12(d))	(55.7)	(58.5)
	<u>154.2</u>	<u>150.6</u>

9. FINANCE INCOME

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Interest income on fixed deposits	<u>2.6</u>	<u>6.0</u>

10. FINANCE COSTS

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Interest on bank and other loans	55.1	49.7
Interest on lease liabilities (note 29(b))	7.3	6.1
Interest on bank overdraft	7.0	6.8
Amortisation of time value of money relating to interest rate cap (note 33)	1.4	1.4
	<u>70.8</u>	<u>64.0</u>
Less: finance costs relating to discontinued operations (note 12(d))	(8.6)	(7.7)
	<u>62.2</u>	<u>56.3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

11. INCOME TAX AND ZAKAT

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Group. The Group is subject to the provisions of the UAE CT Law for year ended 31 December 2024.

The Group calculates the year income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss for the years ended 31 December 2024 and 2023 are as follows.

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Current income tax		
Current year	6.8	6.6
Deferred tax (credit)/charge		
Current year (credit)/charge	(1.0)	4.7
Total income tax charge reported in the consolidated statement of profit or loss	5.8	11.3
Less: income tax expense relating to discontinued operations (note 12(d))	(2.1)	(5.2)
	3.7	6.1

Components of deferred tax are as follows:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Difference in accounting and tax base of intangible assets	56.1	62.7
Deferred tax liability	8.3	8.0
Deferred tax asset mainly on account of temporary differences	0.8	0.8
Total deferred tax liabilities, net	(7.5)	(7.2)

The Group's operations in countries including UAE, Egypt, Kingdom of Saudi Arabia, Sultanate of Oman and Ethiopia are subject to taxation at the rates applicable in the respective countries.

For the year ended 31 December 2024, the Group has recorded a provision of income tax of AED 3.0 million in relation to the UAE Corporate Tax (2023: AED nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS**a) Julphar Pharmaceuticals P.L.C.**

During the year ended 31 December 2021, the Board of Directors of the Company decided to sell Julphar Pharmaceuticals P.L.C. (“Julphar Ethiopia”). The sale of Julphar Ethiopia is expected to be completed within a year from the reporting date. As at 31 December 2024, the Board of Directors has renewed its intention to sell Julphar Ethiopia. Accordingly, Julphar Ethiopia has been classified as a disposal group held for sale and as a discontinued operation.

With Julphar Ethiopia being classified as a discontinued operation, the results of Julphar Ethiopia have not been presented in the segment information (note 28). There was no write-down of carrying amount immediately before and after the classification of the disposal group as held for sale. The comparative consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Julphar Ethiopia separately from continuing operations in 2024 and 2023.

The net cash flows (used in)/generated by Julphar Ethiopia are as follows:

	2024 AED <i>millions</i>	2023 AED <i>millions</i>
Operating	(5.2)	8.8
Financing	(0.1)	(3.2)
Investing	(1.0)	-
Net cash (outflow)/inflow	(6.3)	5.6

Basic and diluted profit/ (loss) per share

Basic and diluted *profit/ (loss)* per share is disclosed in note 13.

b) Diabtec L.L.C.

During the year ended 31 December 2024, the Board of Directors of the Company decided to sell Diabtec LLC. (“Diabtec”), a wholly owned subsidiary. The Company entered into a Sale and Purchase Agreement (“SPA”) dated on 14 March 2024. All the legal formalities related to the divestment have been fulfilled and the sale of Diabtec was completed during the year ended 31 December 2024. Accordingly, a gain of AED 37.6 million was recorded by the Group on derecognition as at 31 December 2024. The proceeds from disposal has been received in 2025 (note 19).

With Diabtec being classified as a discontinued operation, the results of Diabtec have not been presented in the segment information (note 28). The comparative consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Diabtec separately from continuing operations in 2024 and 2023.

The net cash flows generated by Diabtec are as follows:

	2024 AED* <i>millions</i>	2023 AED <i>millions</i>
Operating	7.0	(40.8)
Investing	-	(289.6)
Financing	(7.0)	330.4
Net cash outflow	-	-

*Represents 12 months of activity prior to sale on 19 December 2024.

Basic and diluted profit/ (loss) per share

Basic and diluted *profit/ (loss)* per share is disclosed in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**c) Zahrat Al Rawdah Pharmacies Limited Liability Company**

During the year ended 31 December 2024, the Board of Directors of the Company decided to sell Zahrat Al Rawdah Pharmacies Limited Liability Company (“Zahrat”), a wholly owned subsidiary. The Company entered into a Sale and Purchase Agreement (“SPA”) on 31 October 2024. The legal formalities related to the divestment have been completed subsequent to the year end. Accordingly, the Zahrat has been classified as a disposal group held for sale and as a discontinued operation as at 31 December 2024.

With Zahrat being classified as a discontinued operation, the results of Zahrat have not been presented in the segment information (note 28). The comparative consolidated statement of comprehensive income of the Group has been represented to show the discontinued operation of Zahrat separately from continuing operations in 2024 and 2023.

The net cash flows used in Zahrat are as follows:

	2024	2023
	AED	AED
	millions	millions
Operating	34.6	30.0
Investing	(4.8)	(6.0)
Financing	(34.0)	(26.8)
Net cash outflow	(4.2)	(2.8)

Basic and diluted profit/ (loss) per share

Basic and diluted profit/ (loss) per share is disclosed in note 13.

d) The results of the discontinued operation for the year is presented below:

	2024				2023			
	<i>Julphar Pharmaceuticals P.L.C. AED millions</i>	<i>Diabtec L.L.C. AED millions</i>	<i>Zahrat Al Rawdah Pharmacies L.L.C. AED millions</i>	<i>Total AED millions</i>	<i>Julphar Pharmaceuticals P.L.C. AED millions</i>	<i>Diabtec L.L.C. AED millions</i>	<i>Zahrat Al Rawdah Pharmacies L.L.C. AED millions</i>	<i>Total AED millions</i>
Revenue from contracts with customers	8.5	-	422.0	430.5	15.1	-	360.5	375.6
Cost of revenue	(4.4)	(31.3)	(246.9)	(282.6)	(7.6)	(29.1)	(207.8)	(244.5)
Gross profit/(loss)	4.1	(31.3)	175.1	147.9	7.5	(29.1)	152.7	131.1
Other income	-	-	3.0	3.0	-	-	2.2	2.2
Selling and distribution expenses	(1.3)	-	(90.9)	(92.2)	(0.9)	-	(80.5)	(81.4)
General and administrative expenses	-	-	(55.7)	(55.7)	-	-	(58.5)	(58.5)
Operating profit/(loss)	2.8	(31.3)	31.5	3.0	6.6	(29.1)	15.9	(6.6)
Finance costs	-	-	(8.6)	(8.6)	-	-	(7.7)	(7.7)
Hyperinflation adjustment on net monetary position (note 35)	(1.3)	-	-	(1.3)	(3.1)	-	-	(3.1)
Profit/(loss) before tax for the year	1.5	(31.3)	22.9	(6.9)	3.5	(29.1)	8.2	(17.4)
Income tax and zakat	(0.9)	-	(1.2)	(2.1)	(2.1)	-	(3.1)	(5.2)
PROFIT/(LOSS) FOR THE YEAR	0.6	(31.3)	21.7	(9.0)	1.4	(29.1)	5.1	(22.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

d) The results of the discontinued operation for the year is presented below (continued):

	2024				2023			
	Julphar Pharmaceuticals		Zahrat Al Rawdah Pharmacies		Julphar Pharmaceuticals		Zahrat Al Rawdah Pharmacies	
	P.L.C. AED millions	L.L.C. AED millions	L.L.C. AED millions	Total AED millions	P.L.C. AED millions	L.L.C. AED millions	L.L.C. AED millions	Total AED millions
Profit/(loss) for the year	0.6	(31.3)	21.7	(9.0)	1.4	(29.1)	5.1	(22.6)
Other comprehensive income								
Hyperinflation adjustment (note 35)	6.6	-	-	6.6	3.5	-	-	3.5
Currency translation differences	(10.5)	-	-	(10.5)	(4.2)	-	-	(4.2)
Total other comprehensive loss	(3.9)	-	-	(3.9)	(0.7)	-	-	(0.7)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(3.3)	(31.3)	21.7	(12.9)	0.7	(29.1)	5.1	(23.3)
Profit/(loss) attributable to:								
Equity holders of the Parent	0.3	(31.3)	21.7	(9.3)	0.8	(29.1)	5.1	(23.2)
Non-controlling interests	0.3	-	-	0.3	0.6	-	-	0.6
	0.6	(31.3)	21.7	(9.0)	1.4	(29.1)	5.1	(22.6)
Total comprehensive (loss)/income attributable to:								
Equity holders of the Parent	(1.8)	(31.3)	21.7	(11.4)	0.4	(29.1)	5.1	(23.6)
Non-controlling interests	(1.5)	-	-	(1.5)	0.3	-	-	0.3
	(3.3)	(31.3)	21.7	(12.9)	0.7	(29.1)	5.1	(23.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

- e) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December 2024 are as follows:

	2024			2023
	<i>Julphar Pharmaceuticals P.L.C. AED millions</i>	<i>Zahrat Al Rawdah Pharmacies L.L.C. AED millions</i>	<i>Total AED millions</i>	<i>Julphar Pharmaceuticals P.L.C. AED millions</i>
ASSETS				
Property, plant and equipment	9.1	22.9	32.0	9.1
Right of use assets	-	127.7	127.7	-
Intangible assets	-	53.4	53.4	-
Inventories	11.2	161.4	172.6	4.2
Trade and other receivables	1.3	47.8	49.1	1.5
Bank balances and cash	5.7	7.9	13.6	21.6
Assets held for sale	27.3	421.1	448.4	36.4
LIABILITIES				
Provision for employees' end of service benefits	-	13.1	13.1	-
Lease liabilities	-	114.9	114.9	-
Trade payables and accruals	3.4	33.0	36.4	7.6
Income tax and zakat payable	0.5	7.0	7.5	2.1
Liabilities directly associated with assets held for sale	3.9	168.0	171.9	9.7
Net assets directly associated with assets held for sale	23.4	253.1	276.5	26.7
Less: net assets attributable to non-controlling interests	(10.5)	-	(10.5)	(12.0)
Group's share of net assets directly associated with disposal group	12.9	253.1	266.0	14.7

13. BASIC/ DILUTED EARNINGS/ (LOSS) PER SHARE (EPS)

- a) Basic EPS is calculated by dividing the loss for the year attributable to equity holders of the Parent by the weighted average number of outstanding shares during the year.

	2024 AED millions	2023 AED millions
Profit/(loss) for the year attributable to the equity holders of the Parent:		
Continuing operations	53.9	(99.9)
Discontinued operations	(9.3)	0.8
Profit/(loss) for the year attributable to the equity holders of the Parent	44.6	(99.1)
Weighted average number of shares	1,155.3	1,155.3
Basic profit/(loss) per share attributable to the equity holders of the Parent (in UAE fils)	3.9	(8.6)
Basic profit/(loss) per share from continuing operations attributable to the equity holders of the Parent (in UAE fils)	4.7	(6.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

13. BASIC/ DILUTED EARNINGS/(LOSS) PER SHARE (EPS) (continued)

- b) To calculate EPS for discontinued operations, the weighted average number of shares is as per the table above. The following table provides the profit amount used:

	<i>2024</i>	<i>2023</i>
	<i>AED</i>	<i>AED</i>
	<i>millions</i>	<i>millions</i>
(Loss)/profit for the year attributable to the equity holders of the Parent from discontinued operations	<u>(9.3)</u>	<u>(23.2)</u>
Basic (loss)/profit per share from discontinued operations attributable to the equity holders of the Parent (in UAE fils)	<u>(0.8)</u>	<u>(2.0)</u>

- c) The Group does not have any potential equity shares and accordingly the basic and diluted earnings per share is the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

14. PROPERTY PLANT AND EQUIPMENT

	<i>Land AED millions</i>	<i>Buildings AED millions</i>	<i>Plant and machinery AED millions</i>	<i>Installations AED millions</i>	<i>Motor vehicles AED millions</i>	<i>Furniture and fixtures AED millions</i>	<i>Tools and equipment AED millions</i>	<i>Leasehold improvements AED millions</i>	<i>Capital - work-in progress AED millions</i>	<i>Total AED millions</i>
Cost										
At 1 January 2023	3.7	508.1	1,101.2	136.9	34.0	40.9	9.8	19.7	31.4	1,885.7
Additions	-	-	5.8	0.7	0.5	5.2	2.9	2.5	4.5	22.1
Transfer from CWIP	-	-	19.0	2.4	-	0.3	-	-	(21.7)	-
Disposals	-	-	(1.0)	-	(1.2)	-	(0.1)	-	-	(2.3)
At 31 December 2023	3.7	508.1	1,125.0	140.0	33.3	46.4	12.6	22.2	14.2	1,905.5
Additions	-	0.2	4.3	0.7	0.5	2.2	2.7	2.9	30.2	43.7
Transfer from CWIP	-	0.6	4.5	0.4	-	0.8	0.2	-	(6.5)	-
Disposals	-	-	(0.7)	-	(1.7)	(0.1)	-	-	-	(2.5)
Write offs	-	-	-	-	-	(0.7)	(0.8)	(1.0)	(0.2)	(2.7)
Derecognized on disposal of a subsidiary	-	(140.7)	(459.3)	(1.5)	-	(0.5)	-	-	(2.1)	(604.1)
Reclassified to assets held for sale	-	-	-	-	(0.2)	(26.5)	(5.8)	(5.6)	-	(38.1)
Exchange differences	-	-	-	-	-	-	(0.1)	-	-	(0.1)
At 31 December 2024	3.7	368.2	673.8	139.6	31.9	21.6	8.8	18.5	35.6	1,301.7

Gulf Pharmaceutical Industries P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

14. PROPERTY PLANT AND EQUIPMENT (continued)

	<i>Land AED millions</i>	<i>Buildings AED millions</i>	<i>Plant and machinery AED millions</i>	<i>Installations AED millions</i>	<i>Motor vehicles AED millions</i>	<i>Furniture and fixtures AED millions</i>	<i>Tools and equipment AED millions</i>	<i>Leasehold improvements AED millions</i>	<i>Capital - work-in progress AED millions</i>	<i>Total AED millions</i>
Depreciation and impairment										
At 1 January 2023	-	283.7	779.8	124.5	30.8	19.0	3.1	12.4	-	1,253.3
Charge for the year (note (b))	-	17.5	47.0	3.4	1.0	4.8	3.4	3.7	-	80.8
Disposals	-	-	(1.0)	-	(1.1)	-	(0.2)	-	-	(2.3)
Exchange differences	-	-	-	-	-	-	0.1	-	-	0.1
At 31 December 2023	-	301.2	825.8	127.9	30.7	23.8	6.4	16.1	-	1,331.9
Charge for the year (note (b))	-	17.5	43.8	3.4	1.0	3.9	3.3	3.3	-	76.2
Disposals	-	-	(0.7)	-	(1.5)	(0.1)	-	-	-	(2.3)
Write offs	-	-	-	-	-	(0.3)	(0.8)	(0.7)	-	(1.8)
Derecognized on disposal of a subsidiary	-	(58.6)	(282.3)	(1.2)	-	(0.5)	-	-	-	(342.6)
Reclassified to assets held for sale	-	-	-	-	(0.1)	(10.6)	(2.4)	(2.1)	-	(15.2)
Exchange differences	-	-	-	-	-	-	(0.1)	-	-	(0.1)
At 31 December 2024	-	260.1	586.6	130.1	30.1	16.2	6.4	16.6	-	1,046.1
Net book value:										
At 31 December 2024	3.7	108.1	87.2	9.5	1.8	5.4	2.4	1.9	35.6	255.6
At 31 December 2023	3.7	206.9	299.2	12.1	2.6	22.6	6.2	6.1	14.2	573.6

d) Certain property, plant and equipment of the Group are mortgaged against bank facilities (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

14. PROPERTY PLANT AND EQUIPMENT (continued)

e) The above depreciation charge has been allocated in the consolidated statement of income as follows:

	2024 AED millions	2023 AED millions
Cost of sales (note 5)	60.9	63.8
General and administrative expenses (note 8)	2.2	2.4
Selling and distribution expenses (note 7)	13.1	14.6
	76.2	80.8

f) The factory and its related buildings of the Parent Company are constructed on plots of land amounting to AED 3.7 million (2023: AED 3.7 million) which are owned by the Government of Ras Al Khaimah.

g) Capital work-in-progress mainly includes significant modification/enhancement of plant and machinery of the Parent Company.

15. INTANGIBLE ASSETS

	<i>Licenses and permits (note (c)) AED millions</i>	<i>Trade name (note (a)) AED millions</i>	<i>Supplier relations AED millions</i>	<i>Customers relations AED millions</i>	<i>Loyalty program AED millions</i>	<i>Hospital relations AED millions</i>	<i>Others AED millions</i>	<i>Total AED millions</i>
Cost:								
At 1 January 2023	35.1	53.2	26.8	35.6	22.2	35.5	7.7	216.1
Additions	4.9	-	-	-	-	-	-	4.9
Exchange differences	0.1	-	-	-	-	-	-	0.1
At 31 December 2023	40.1	53.2	26.8	35.6	22.2	35.5	7.7	221.1
Additions	9.4	-	-	-	-	-	-	9.4
Reclassified to assets held for sale	-	(33.3)	-	-	(22.2)	(35.5)	-	(91.0)
At 31 December 2024	49.5	19.9	26.8	35.6	-	-	7.7	139.5
Accumulated amortisation:								
At 1 January 2023	25.2	-	2.6	5.4	5.1	11.8	7.7	57.8
Charge for the year (note 8)	2.0	-	1.7	3.6	3.4	7.9	-	18.6
Foreign currency translation difference	0.9	-	-	-	-	-	-	0.9
At 31 December 2023	28.1	-	4.3	9.0	8.5	19.7	7.7	77.3
Charge for the year (note 8)	1.3	-	1.7	3.6	2.8	6.6	-	16.0
Impairment loss for the year (note (b))	1.5	-	-	-	-	-	-	1.5
Reclassified to assets held for sale	-	-	-	-	(11.3)	(26.3)	-	(37.6)
Foreign currency translation difference	1.0	-	-	-	-	-	-	1.0
At 31 December 2024	31.9	-	6.0	12.6	-	-	7.7	58.2
Net book value:								
At 31 December 2024	17.6	19.9	20.8	23.0	-	-	-	81.3
At 31 December 2023	12.0	53.2	22.5	26.6	13.7	15.8	-	143.8

a) In 2021, the Group acquired an additional 60% in Planet Pharmacies LLC (“Planet”) and the Group consequently recognised certain trade names with an indefinite useful life. An impairment test was performed by management in compliance with the standards wherein any indefinite life intangible asset is tested for impairment irrespective of whether there is any indication of impairment as at reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS (continued)

- b) During the year ended 31 December 2024, impairment loss of AED 1.5 million was recognized against certain intangible assets. This was recognized as part of research and development expenditures in selling and distribution expense (note 7).
- c) Includes AED 2.2 million (2023: AED 0.7 million) which relates to development costs that were capitalized.

Impairment testing of trade name

Impairment testing of the trade name was conducted at the level of the asset itself. The recoverable amount was determined based on the fair value of the trade name calculated using the relief from royalty method using the revenue generated from the trade name.

Key assumptions

	2024	2023
Royalty rate	1.75%	1.75%
Maintenance fee	5%	5%
Growth rate	7%	7%
Terminal year growth rate	3.4% to 5.4%	3.4% to 5.4%
Discount rate	14.2% to 15.6%	14.3% to 16.9%

Sensitivity to changes in key assumptions

Management believes that any reasonably possible changes in key assumptions used to determine the recoverable amount will not result in any impairment of the trade name.

Management has adequately evaluated its future cash flows and other key assumptions and believes that the likelihood of the carrying value of the CGU exceeding their recoverable amounts is remote.

Changes made in the key assumptions as detailed below, considering all other variables are constant will change the estimated recoverable amount equal to its carrying amount:

Key assumptions

	2024	2023
Royalty rate	1.1%	1.3%
Maintenance fee	37%	25.0%
Discount rate	19.7% to 21.1%	17.9% to 21.1%

For the growth rate and terminal growth rate, only when there is a declining rate for the year ended 31 December 2024 and 31 December 2023 that the estimated recoverable amount will equal to its carrying amount.

16. INVENTORIES

	2024 AED millions	2023 AED millions
Raw materials (note (b))	92.6	143.6
Packing materials (note (b))	50.2	57.1
Work-in-progress	9.1	15.0
Finished goods	461.3	430.5
Goods in transit	12.5	6.4
Consumables	23.3	29.7
Spare parts	34.3	44.3
	<u>683.3</u>	<u>726.6</u>
Less: provision for stock losses (note (a))	(97.0)	(60.7)
	<u>586.3</u>	<u>665.9</u>
Less: inventories attributable to assets held for sale (note 12(e))	(172.6)	(4.2)
	<u>413.7</u>	<u>661.7</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. INVENTORIES (continued)

a) The movement in the Group's allowance for slow moving and obsolete inventories is as follows:

	2024 AED millions	2023 AED millions
At 1 January	60.7	46.7
Charge during the year	76.4	47.8
Written-off during the year	(40.1)	(33.8)
At 31 December	97.0	60.7

b) Inventories charged to cost of sales amounted to AED 808.1 million (2023: AED 812.8 million) (note 5).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The financial asset at fair value through profit or loss is denominated in AED and is held for trading in the UAE market amounting to AED 21.3 million (2023: AED 20.5 million).

Movements in financial assets at fair value through profit and loss are as follows:

	2024 AED millions	2023 AED millions
At 1 January	20.5	19.5
Unrealized gain on revaluation for the year	0.8	1.0
	21.3	20.5

Investment in unquoted equity security represents investment in an entity which is engaged in manufacturing of packing materials. The Group has 7.25% equity investment in the entity. Management has performed a valuation and recorded the investment at fair value. Fair value has been computed using dividend growth model (31 December 2023: dividend growth model). They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (note 30).

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	2024 AED millions	2023 AED millions
Fair value of financial assets at FVTOCI	0.2	0.3

Movements in fair value of financial asset at FVTOCI during the year are as follows:

	2024 AED millions	2023 AED millions
At 1 January	0.3	0.3
Unrealized loss on revaluation for the year	(0.1)	-
At 31 December	0.2	0.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI) (continued)

As of 31 December 2024, the Group recognized a negative fair value reserve of AED 7.1 million (2023: AED 7.0 million).

Investment in quoted equity security represents investment in an entity which is engaged in development of innovative medicines to combat cardiovascular diseases. The Group holds non-controlling interests of 2.2% in the entity. The investment was irrevocably designated at fair value through OCI as the Group considers the investment to be strategic in nature. They are classified as level 1 fair values in the fair value hierarchy (note 30).

19. TRADE AND OTHER RECEIVABLES

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Trade receivables	718.5	710.6
Less: allowance for expected credit losses (note (a))	(152.8)	(180.1)
	565.7	530.5
Advances to suppliers	25.8	46.2
Receivable from divestment of a subsidiary (note 12(b))	330.5	-
Prepayments	14.1	14.8
Rebates, commission and discount receivable from suppliers	3.3	1.6
Value added tax receivable	17.9	13.8
Other receivables	16.9	16.5
	974.2	623.4
Less: trade and other receivables attributable to assets held for sale (note 12(e))	(49.1)	(1.5)
	925.1	621.9

a) Movement in the provision for expected credit losses during the year was as follows:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
At 1 January	180.1	178.6
Charge for the year (note 7)	9.4	12.7
Written off during the year	(36.7)	(11.2)
At end of the year	152.8	180.1

b) Information regarding trade receivable is given in credit risk (note 30).

c) A provision has been made for the estimated impairment amounts of trade receivables of AED 152.8 million (2023: AED 180.1 million). This provision has been determined based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

19. TRADE AND OTHER RECEIVABLES (continued)

d) The ageing analysis of trade receivables is as follows:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
0 – 180 days	526.1	502.1
181 – 365 days	11.3	18.6
More than 365 days	181.1	189.9
	<u>718.5</u>	<u>710.6</u>

e) The Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The carrying amounts of the Group's trade and other receivables are denominated in AED, USD and EGP.

f) The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables. The other classes within trade and other receivables do not contain impaired assets.

20. BANK BALANCES AND CASH

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Current accounts	120.1	160.2
Short term bank deposits	38.2	99.4
Cash in hand	2.6	2.8
	<u>160.9</u>	<u>262.4</u>
Less: bank balances and cash attributable to assets held for sale (note 12(e))	<u>(13.6)</u>	<u>(21.6)</u>
Bank balances and cash	<u>147.3</u>	<u>240.8</u>

a) Term deposits carry interest at commercial rates.

b) For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at year end:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Current accounts	120.1	124.2
Short term bank deposits	38.2	99.4
Cash in hand	2.6	2.8
	<u>160.9</u>	<u>226.4</u>
Less: term deposits having maturities after three months and less than one year	<u>(38.2)</u>	<u>(9.2)</u>
Cash and cash equivalents	<u>122.7</u>	<u>217.2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. SHARE CAPITAL

	2024 AED <i>millions</i>	2023 AED <i>millions</i>
<i>Authorised, issued and fully paid</i>		
1,155,227,811 ordinary shares (2023: 1,155,227,811 ordinary shares at par value of AED 1)	1,155.3	1,155.3

22. STATUTORY RESERVE

In accordance with United Arab Emirates Federal Commercial Companies Law No. 32 of 2021, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year. As the Company had accumulated losses as at 31 December 2024, therefore, no additional appropriation has been made in the statutory reserve. This reserve is not available for distribution except in the circumstances stipulated by the law.

23. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision for employees' end of service indemnity is as follows:

	2024 AED <i>millions</i>	2023 AED <i>millions</i>
At 1 January	84.0	80.9
Provided during the year (note (a))	8.4	9.4
Interest cost (note (a))	3.6	3.6
Paid during the year	(9.5)	(6.2)
Actuarial loss/(gain) (note (b))	2.9	(3.7)
	89.4	84.0
Less: provision for employees' end of service benefits attributable to liability directly associated to assets held for sale (note 12(e))	(13.1)	-
At 31 December	76.3	84.0

a) Expenses recognized in consolidated statement of comprehensive income:

	2024 AED <i>millions</i>	2023 AED <i>millions</i>
Provided during the year	8.4	9.4
Interest cost	3.6	3.6
At 31 December	12.0	13.0

b) Expenses recognized in consolidated statement of other comprehensive income:

	2024 AED <i>millions</i>	2023 AED <i>millions</i>
Actuarial (loss)/gain	(2.9)	3.7

In accordance with the provisions of IAS 19, the management has carried out an exercise to assess the present value of its obligations as at 31 December 2024 and 2023 using actuarial techniques, in respect of employees' end of service benefits payable under the UAE labour Law and the Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

23. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

Under this method, an assessment has been made of the employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employees' salary in line with the Group's salary scales, past experience and market conditions. As part of their assessment, management assumes an average increment / promotion cost and the expected liability at the date of leaving the service by discounted the liability to its net present value using an appropriate discount. The discount rate used for the purpose of actuarial valuation was 5.2% to 20.4 % (2023: 4.6% to 18.5%) per annum.

24. BANK BORROWINGS

	<i>Interest rate(%)</i>	<i>Maturity</i>	2024 AED millions	2023 AED millions
Current interest bearing bank borrowings				
Bank overdraft	3m EIBOR+2.0%	On demand	148.1	125.4
Term loans – current portion	3m EIBOR+2.5%	Within 1 year	152.5	90.0
Total current interest bearing loans and borrowings			300.6	215.4
Non-current interest bearing bank borrowings				
Term loan	3m EIBOR+2.5%	28 April 2030	612.5	765.0
Total interest-bearing bank borrowings			913.1	980.4

- a) During the year 2021, the Parent Company entered into a syndicated loan arrangement with a consortium of local banks for a syndicated facility which comprises of Ijarah Term Loan Facility of AED 180 million (2023: AED 180 million), Conventional Working Capital Finance Facility of AED 260 million (2023: AED 260 million) and Conventional Term Loan Facility of AED 720 million (2023: AED 720 million) with total facility size of AED 1.16 billion (2023: AED 1.16 billion). As of the reporting date, the Company had an undrawn facility of AED 61.9 million (2023: AED 83.0 million). In 2023, the Company obtained an additional AED 150 million from the activated Accordion, increasing the facility size from AED 1.01 billion in 2022 to AED 1.16 billion in 2023.

The drawdown term loan of AED 900 million (AED 180 million from Ijarah Facility and AED 720 million from Conventional Facility) as of the reporting date is payable in quarterly instalments which has started from 30 July 2023. Further, on 29 April 2024, an approved deferment of loan repayment was received from the local banks regarding the Parent Company's syndicated loan wherein 2024 quarterly loan repayments of April, July and October 2024 were deferred and were paid on 31 December 2024. The deferment of loan repayment did not qualify as a loan modification as per the requirements of IFRS 9 and no modification gain/loss was recorded as the amount was immaterial to the consolidated financial statements.

During the year ended 31 December 2024 on the divestment of Diabtec LLC (note 12(b)), the Parent Company has agreed with the banks to prepay the Ijarah Term Loan and Conventional Term Loan Facilities in an aggregate amount equal to AED 152.5 million in the manner specified below which has been classified as current liability as of 31 December 2024:

- AED 90.0 million against prepayment in full of upcoming quarterly instalments of 2025.
- AED 62.5 million on a pro rata basis against partial prepayment of the balance of the Term Facilities outstanding on the Termination Date.

Subsequent to the year ended 31 December 2024, AED 152.5 million has been prepaid to the banks as per the agreed terms following the collection of divestment proceeds in relation to Diabtec LLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

24. BANK BORROWINGS (continued)

The early loan repayment did not qualify as a loan modification as per the requirements of IFRS 9 and no modification gain/loss was recorded as the amount was immaterial to the consolidated financial statements.

The Group has obtained AED 1.16 billion banking facilities against the following securities:

- Negative pledge over all assets except or otherwise specified as permitted assets.
- Assignment of insurance policy over its business and assets (including Secured Assets and the assets that represent Ijara Assets from time to time).
- Assignment of receivables of key customers up to 75% and undertaking to route them annually through Obligor's collection account with the Bank.
- General Mortgage over Property, Plant & Equipment and Inventory.
- Corporate guarantee of a subsidiary

The Group's syndicated loan agreement is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios on an annual basis as below:

- Finance service ratio of less than 1.05
- Minimum equity of AED 850 million
- Debt to equity ratio of less than 1.75

The Group was not in compliance with such covenants at 31 December 2024 and 31 December 2023. However, the Group has obtained the approval from the Financiers for the waiver of covenant compliance as at 31 December 2024 and 31 December 2023.

- b) Bank overdraft and trust receipts are repayable on demand/agreed payment dates. In general, such banking facilities are renewable on a regular basis. Both of these facilities were obtained as part of the AED 1.16 billion facility. Interest on overdrafts are computed and added to the account on a monthly basis.
- c) Movement in borrowings is as follows:

	2024	2023
	AED	AED
	millions	millions
At the beginning of the year	980.4	770.5
Add: new drawdowns of the term loan	-	150.0
Add: utilization of bank overdraft and trust receipts facility, net	22.7	104.9
Less: loans repaid during the year	(90.0)	(45.0)
	<hr/>	<hr/>
At the end of the year	913.1	980.4
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

25. TRADE PAYABLES AND ACCRUALS

	2024	2023
	AED	AED
	<i>millions</i>	<i>millions</i>
Accounts payable	182.9	214.9
Advance against sale of subsidiary (note (a))	40.2	-
Refund liabilities (note 4)	56.7	68.4
Accrued expenses	48.4	43.4
Commissions payable (note 4)	22.2	22.9
Rebate and accruals (note 4)	18.7	19.9
Employee benefits payable	18.9	19.7
Advances from customers (note 4)	1.6	1.5
Others	45.5	44.6
	435.1	435.3
Less: trade payables and accruals attributable to liability directly associated to assets held for sale (note 12(e))	(36.4)	(7.6)
	398.7	427.7

- a) Represents the cash received against the divestment of Zahrat Al Rawda Pharmacies LLC (note 12(c)). This amount is restricted for utilization (note 35).
- b) Accounts payables are non-interest bearing and are normally settled on an average of 84 days (2023: 81 days) terms. For explanations on the Company's liquidity risk management processes, refer to note 30.

26. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Company's major shareholders, key management personnel, subsidiaries, associates, directors, and other businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates"). In the normal course of business, the Group has various transactions with its related parties. Pricing policies and terms of these transactions are approved by the Group's management, or its Board of Directors.

Transactions with related parties under common ownership and management control are eliminated on consolidation.

a) Compensation of key management personnel of the Group

The remuneration of the key management personnel of the Group is as follows:

	2024	2023
	AED	AED
	<i>millions</i>	<i>millions</i>
Short-term benefits	14.7	14.1
Post-employment and other long-term benefits	3.4	1.4
Director's remuneration	1.8	1.8
	19.9	17.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. COMMITMENTS AND CONTINGENT LIABILITIES

	2024 AED millions	2023 AED millions
Capital commitments	<u>23.6</u>	<u>51.5</u>
Letters of credit	<u>11.3</u>	<u>10.9</u>
Letters of guarantee	<u>26.0</u>	<u>30.8</u>

28. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and the following reportable segments:

- a. Manufacturing
- b. Planet
- c. Investments
- d. Others

There are no sales between segments during the year.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components (i.e. combination of all products and services) by distribution and by region.

The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors rely mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

Gulf Pharmaceutical Industries P.S.C.

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At 31 December 2024

28. SEGMENT INFORMATION (continued)

	2024						2023					
	<i>Manufacturing AED millions</i>	<i>Planet AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Eliminations AED millions</i>	<i>Total AED millions</i>	<i>Manufacturing AED millions</i>	<i>Planet AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Eliminations AED millions</i>	<i>Total AED millions</i>
Segment revenue	<u>838.3</u>	<u>737.0</u>	<u>-</u>	<u>-</u>	<u>(262.8)</u>	<u>1,312.5</u>	<u>794.4</u>	<u>706.7</u>	<u>-</u>	<u>-</u>	<u>(223.6)</u>	<u>1,277.5</u>
Segment result	<u>22.2</u>	<u>49.4</u>	<u>3.3</u>	<u>(59.6)</u>	<u>1.0</u>	<u>16.3</u>	<u>(91.8)</u>	<u>57.2</u>	<u>3.5</u>	<u>(50.3)</u>	<u>5.5</u>	<u>(75.9)</u>
Depreciation expense of property, plant and equipment	<u>37.4</u>	<u>3.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41.3</u>	<u>39.5</u>	<u>4.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44.1</u>
Depreciation expense of right of use assets	<u>0.1</u>	<u>17.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17.2</u>	<u>-</u>	<u>15.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15.6</u>
Amortization expense	<u>1.3</u>	<u>5.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.6</u>	<u>2.0</u>	<u>5.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.3</u>
Impairment of intangible assets	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2024						2023					
	<i>Manufacturing AED millions</i>	<i>Planet AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Eliminations AED millions</i>	<i>Total AED millions</i>	<i>Manufacturing AED millions</i>	<i>Planet AED millions</i>	<i>Investments AED millions</i>	<i>Other segments AED millions</i>	<i>Eliminations AED millions</i>	<i>Total AED millions</i>
Segment assets	<u>2,079.2</u>	<u>1,124.7</u>	<u>21.5</u>	<u>147.3</u>	<u>(1,380.1)</u>	<u>1,992.6</u>	<u>2,441.1</u>	<u>1,438.9</u>	<u>20.8</u>	<u>204.8</u>	<u>(1,688.1)</u>	<u>2,417.5</u>
Segment liabilities	<u>371.8</u>	<u>372.1</u>	<u>-</u>	<u>913.1</u>	<u>(197.5)</u>	<u>1,459.5</u>	<u>417.7</u>	<u>477.8</u>	<u>-</u>	<u>980.4</u>	<u>(237.9)</u>	<u>1,638.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SEGMENT INFORMATION (continued)*Information by geographical region*

In accordance with IFRS 8, non-current assets below are based on the geographical location in which the Group holds assets. In accordance with IFRS 8, the non-current assets reported below exclude financial instruments.

	2024				
	Total AED millions	UAE AED millions	Oman AED millions	Saudi Arabia AED millions	Others AED millions
Non-current assets					
Property, plant and equipment	255.6	251.5	3.9	-	0.2
Right of use assets	58.4	43.9	14.4	-	0.1
Intangible assets	81.3	69.9	8.8	-	2.6
Revenue	1,312.5	576.2	151.8	203.2	381.3
	2023				
	Total AED millions	UAE AED millions	Oman AED millions	Saudi Arabia AED millions	Others AED millions
Property, plant and equipment	573.6	545.3	3.6	24.7	-
Right of use assets	135.5	37.3	9.5	88.4	0.3
Intangible assets	143.8	67.4	9.0	62.8	4.6
Revenue	1,277.5	608.3	128.0	197.0	344.2

The Group has sales to one customer whose sales individually are more than 10% of the total external sales. Total amount of sales for the year ended 31 December 2024 to this customer amounts to AED 203.2 million (2023: Top 1 customer AED 197.0 million). These revenues are included under manufacturing segment.

There are no other non-current assets included in "Others" which are more than 10% of the total segment non-current assets. There are no sales in "Others" in 2024 (2023: AED nil) which is more than 10% of the total sales.

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29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various offices and pharmacies. Leases generally have lease terms between 1 year and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

- a) Set out below are the carrying amounts of right-of-use assets recognised and the movement during the year are as follow:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
At 1 January	135.5	119.9
Additions	41.9	42.3
Remeasurement	54.4	16.5
Derecognized on lease termination	(2.4)	(1.3)
Depreciation (note 8)	(43.2)	(42.2)
Reclassified to assets held for sale (note 12(d))	(127.7)	-
Exchange difference	(0.1)	0.3
	<u>58.4</u>	<u>135.5</u>

- b) Set out below are the carrying amounts of lease liabilities and the movement during the year are as follow:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
At 1 January	130.2	115.2
Additions	41.9	42.3
Remeasurement	54.4	16.5
Accretion of interest (note 10)	7.3	6.1
Derecognized on lease termination	(2.6)	(1.3)
Payments	(58.4)	(48.6)
Reclassified to assets held for sale (note 12 (d))	(114.9)	-
	<u>57.9</u>	<u>130.2</u>
Classified in to:		
Current	49.4	38.6
Non-current	8.5	91.6
	<u>57.9</u>	<u>130.2</u>
At 31 December	<u>57.9</u>	<u>130.2</u>

- c) The following are the amounts recognised in consolidated statement of comprehensive income:

	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>
Depreciation expense of right-of-use assets (note 8)	43.2	42.2
Interest expense on lease liabilities included in finance costs (note 10)	7.3	6.0
Variable lease payment recognised as rent expenses (note 7)	14.7	12.9
	<u>65.2</u>	<u>61.1</u>

29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group had total cash outflows of AED 73.1 million in the year ended 31 December 2024 (2023: AED 61.5 million) which relates to payment of lease liabilities including finance expenses component. The weighted average incremental borrowing rate is used at the rate of 5% per annum as at 31 December 2024 (2023: 5% per annum).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The maturity analysis of lease liabilities are disclosed in note 30.

30. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, trade and other payables, trade receivables, bank balances and other receivables and investments in equity instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December in 2024 and 2023.

The sensitivity of the relevant consolidated statement of profit or loss item or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2024 and 2023.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's un-hedged debt obligations with floating interest rates and financial assets of the Group are based on fixed rates and hence there is no exposure to interest rate risk.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial liabilities held at 31 December 2024 and 31 December 2023. The effect of a decrease in interest rates on the variable rate instruments (excluding hedged debt obligations) is expected to be equal and opposite to the effect of the increases as shown below:

	<i>Bank and other borrowings AED millions</i>	<i>Increase/ decrease in basis points</i>	<i>Effect on results for the year AED millions</i>
2024	463.1	+50 -50	2.3 (2.3)
2023	530.4	+50 -50	2.7 (2.7)

30. RISK MANAGEMENT (continued)

Market risk (continued)

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements and Group's foreign currencies payable.

Foreign exchange risk arises on sales, purchases and recognised assets or liabilities that are primarily denominated in a currency that is not entity's functional currency.

The table below demonstrates the sensitivity to a reasonable possible change of the AED currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of comprehensive income (due to changes in the fair value of currency sensitive monetary assets and liabilities).

The effect of decreases in currency rates is not material to the consolidated financial statements as at 31 December 2024 and 2023.

c) Price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. However, the Group is not exposed to price risk since it has immaterial listed equity securities at the reporting date.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances and receivables as follows.

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 90 -180 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies is disclosed in note 3.6.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of these receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For forward looking factor, long term macroeconomic factor has not been considered as the maturity of invoices is typically less than one year and accordingly historical rates are adjusted only on the basis deterioration in the future economic conditions.

The collateral factored through loss given default estimates and hence are not used to adjust exposure while computing expected credit loss. The Group limits its exposure to credit risk by investing with counterparties that have credible market reputation. The Group's management does not expect any significant counterparty to fail to meet its obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

30. RISK MANAGEMENT (continued)**c) Price risk (continued)****Credit risk (continued)**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	2024		
	<i>Gross value AED millions</i>	<i>Allowance for expected credit losses AED millions</i>	<i>Expected credit loss (ECL)</i>
Trade receivables with general provision	621.9	56.2	9.0%
Specific provision for receivables	96.6	96.6	100.0%
	<u>718.5</u>	<u>152.8</u>	
	2023		
	<i>Gross value AED millions</i>	<i>Allowance for expected credit losses AED millions</i>	<i>Expected credit loss (ECL)</i>
Trade receivables with general provision	574.7	44.2	7.7%
Specific provision for receivables	135.9	135.9	100%
	<u>710.6</u>	<u>180.1</u>	

Financial instruments and cash deposit

Credit risk from balances with banks and other financial institutions is managed by the Group by investing surplus funds only with approved and reputable counterparties and within credit limits assigned to each counterparty. Bank deposits, and term deposits are limited to high-credit-quality financial institutions. Accordingly, the ECL as at the reporting date against bank balances is minimal. Credit risk on other financial assets are assessed to be minimal based on historical default and the fact that they are held with counterparties with creditworthiness evaluated to be good by the Company's internal process.

Other receivables

With respect to credit risk arising from other financial assets including deposits and other receivables, the Group's exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these assets.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

30. RISK MANAGEMENT (continued)**c) Price risk (continued)****Liquidity risk**

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the liabilities at the reporting date based on contractual repayment arrangements was as follows:

2024

	<i>Less than 1 year AED millions</i>	<i>1 to 5 years AED millions</i>	<i>More than 5 years AED millions</i>	<i>Total AED millions</i>
Trade payables and accruals	435.1	-	-	435.1
Bank borrowings	321.1	651.5	2.7	975.3
Lease liabilities	135.1	41.1	0.3	176.5
	<u>891.3</u>	<u>692.6</u>	<u>3.0</u>	<u>1,586.9</u>

2023

	<i>Less than 1 year AED millions</i>	<i>1 to 5 years AED millions</i>	<i>More than 5 years AED millions</i>	<i>Total AED millions</i>
Trade payables and accruals	435.3	-	-	435.3
Bank borrowings	230.1	384.5	432.6	1,047.2
Lease liabilities	44.1	98.0	-	142.1
	<u>709.5</u>	<u>482.5</u>	<u>432.6</u>	<u>1,624.6</u>

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio at the year end was as follows:

	<i>2024 AED millions</i>	<i>2023 AED millions</i>
Bank borrowings	913.1	980.4
Less: bank balances and cash	(147.3)	(240.8)
Net debt	<u>765.8</u>	<u>739.6</u>
Total equity	<u>809.6</u>	<u>806.2</u>
Net debt to equity ratio (times)	<u>0.9</u>	<u>1.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

30. RISK MANAGEMENT (continued)**Capital management (continued)**

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the banks and other borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

31. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the fair value of financial assets and financial liabilities are not materially different from their carrying values at reporting date since assets and liabilities not already measured at fair value have either short-term maturities or in the case of borrowings are frequently repriced and the prevalent interest rates reflect risks associated with the borrowings.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the annual consolidated financial statements for the year ended 31 December 2024.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period.

The following table gives information about how the fair values of these financial assets are determined:

	<i>Fair value as at</i>		<i>Fair Value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	
	<i>2024</i> <i>AED</i> <i>millions</i>	<i>2023</i> <i>AED</i> <i>millions</i>			<i>31 December</i> <i>2024</i>	<i>31 December</i> <i>2023</i>
<i>Financial assets</i>						
Unquoted equity investments						
– FVTPL	21.3	20.5	Level 3	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)	- Cost of equity - Growth rate - Discount for lack of marketability	- Discount rate - Growth rate - Discount for lack of marketability
Quoted equity investments						
– FVOCI	0.2	0.3	Level 1	Quoted prices (unadjusted in active markets for identical assets or liabilities)	- None	- None
	21.5	20.8				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

31. FAIR VALUE MEASUREMENTS (continued)

	<i>Fair value as at</i>		<i>Fair Value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	
	<i>31 December 2024</i>	<i>31 December 2023</i>			<i>31 December 2024</i>	<i>31 December 2023</i>
	<i>AED millions</i>	<i>AED millions</i>				
<i>Derivative financial instrument</i>						
Interest rate cap	12.7	18.6	Level 2	N/A	N/A	N/A

Fair value hierarchy

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

32. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Portion of equity interest held by non-controlling interests:

<i>Name</i>	<i>Place of incorporation and operation</i>	<i>2024 Percentage of ownership</i>	<i>2023 Percentage of ownership</i>
Julphar Pharmaceuticals PLC	Ethiopia	55.0%	55.0%
		2024 AED millions	2023 AED millions

Accumulated balances of material non-controlling interests:

Julphar Pharmaceuticals PLC (note 12(e))	10.5	12.0
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Profit allocated to material non-controlling interests:

Julphar Pharmaceuticals PLC (note 12(d))	0.3	(0.6)
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The summarised financial information is disclosed in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

33. DERIVATIVE FINANCIAL INSTRUMENT

During 2021, the Group entered into an “Interest Rate Cap” (“IR Cap”) agreement to hedge its exposure to the variability in cash flows arising from interest payment on syndicated loans from local banks.

The Company entered into IR Cap, that to effectively fix the interest rate on its term loans upto 67.7%. Under the terms of this contract, the Group pays a floating rate of interest up to the pre-determined capped rate of interest on the principal balance.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate cap match the terms of the syndicated loans (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate cap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties’ credit risk differently impacting the fair value movements of the hedging instrument and hedged item

For the purpose of hedge accounting, IRS is classified as cash flow hedge. The fair value and notional amount of the hedge are as follows:

	<u>2024</u>		<u>2023</u>	
	<i>Positive Fair value AED Millions</i>	<i>Notional amount AED millions</i>	<i>Positive fair value AED millions</i>	<i>Notional amount AED millions</i>
Interest rate cap	<u>12.7</u>	<u>450.0</u>	<u>18.6</u>	<u>450.0</u>

The interest rate cap is assessed to be effective and as at 31 December 2024, an unrealized loss of AED 8.9 million (2023: unrealized loss of AED 8.5 million) has been included in equity as cash flow hedge reserve.

During the year ended 31 December 2024, the Group has reclassified an amount of AED 1.4 million which relates to the amortisation of the time value of money over the period of the hedge relating to the year (2023: AED 1.4 million).

The amount shown as cash flow hedge reserve under equity as at 31 December 2024 of AED 13.2 million (2023: AED 19.6 million) is mainly expected to affect profit or loss during the period until maturity of IR Cap.

There was no ineffectiveness recognised in the consolidated statement of profit or loss as the same was immaterial to the overall consolidated financial statements.

34. IAS 29 FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES ('IAS 29')

Ethiopia has been determined to be a hyperinflationary economy under IAS 29 with the three-year accumulated inflation exceeding 100 percent since the year ended 31 December 2022. IAS 29 requires non-monetary assets and liabilities of the Group's Ethiopian subsidiary, to be restated to reflect their current prices using the Consumer Pricing Index (CPI) in the local currency of the reporting unit before translation to the Group's functional currency.

As at 31 December 2024, the three-year cumulative inflation rate has been 101.5% (2023: 132.6%) based on the Ethiopian consumer price index ('CPI'). The consumer price index at the beginning of the reporting period was 423.3 points and closed at 495.4 points resulting in an increase of 17.0% (2023: increase of 28.7%). Qualitative indicators, such as the deteriorating economic condition, support the conclusion that Ethiopia is a hyperinflationary economy for accounting purposes for year ended 31 December 2024 and 31 December 2023.

Therefore, entities whose functional currency is the Ethiopian Birr, should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatement shall be made as if the Ethiopian economy have always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

As of 31 December 2024, all conditions have been met for the Julphar Pharmaceuticals P.L.C ("Julphar Ethiopia"), a subsidiary operating in Ethiopia, on such date to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies" in their year-end financial statements. IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period.

- Net non-monetary position (excluding equity) has been indexed by applying the difference in CPI from 31 December 2023 to 31 December 2024 resulting in a loss of AED 1.3 million (2023: AED 0.4 million) in the consolidated statement of profit or loss to the extent determined to be recoverable.
- Monetary assets and liabilities are already reported at the current measuring unit and are not adjusted for inflation. However, the CPI index is applied to measure the loss of purchasing power and for the net monetary position, a hyperinflation adjustment is made in the consolidated statement of profit and loss, amounting to AED 1.3 million (2023: AED 3.1 million) with an equal corresponding credit to other comprehensive income (OCI).
- The Group has recognised in OCI an amount of AED 6.6 million (2023: AED 3.5 million) which represents the impact of indexing of non-monetary items from the date these were acquired by applying fluctuation in the CPI from the date of acquisition to 31 December 2021 to the extent determined to be recoverable.

During the year ended 31 December 2024, the profit for the Group was AED 44.9 million (2023: loss of AED 98.5 million). Overall, the hyperinflation adjustment resulted in a AED 1.3 million loss for the year ended 31 December 2024 (2023: AED 3.1 million loss).

The hyperinflationary adjustments are not taxable or tax deductible in either Ethiopia or the UAE, resulting in a permanent tax difference.

35. RESTRICTED CASH

- a) Includes AED 40.2 million (2023: AED nil) restricted from being exchanged and received against the divestment of Zahrat (note 25(a)).
- b) Includes AED 36.0 million (2023: AED 36.0 million) restricted from being exchanged and to be used to settle a quarterly installment of Term Loan and its related interests.

36. COMPARATIVE INFORMATION

Certain corresponding figures for previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported loss or shareholder's equity.

37. SUBSEQUENT EVENTS

The below material subsequent events have occurred:

- a) Subsequent to the year ended 31 December 2024, the divestment of Zahrat Al Rawdah Pharmacies Limited Liability Company ("Zahrat") has been completed on 16 February 2025. This is considered as non-adjusting event as at 31 December 2024. Accordingly, the consolidated financial position and results of operations as of and for the year ended 31 December 2024 have not been adjusted to reflect the impact.
- b) Subsequent to the year ended 31 December 2024, upon completion of divestment process of Zahrat, the Parent Company has agreed with the banks to prepay the Ijarah Term Loan and Conventional Term Loan Facilities in an aggregate amount equal to AED 184.2 million in the manner specified below:
 - AED 90.0 million against prepayment in full of quarterly instalments of 2026.
 - AED 94.2 million on a pro rata basis against partial prepayment of the balance of the Term Facilities outstanding on the Termination Date.

The amount of AED 184.2 million has been prepaid to the banks as per the agreed terms following the collection of divestment proceeds in relation to Zahrat.