

**Pharmacare PLC's Annual Board of Directors and Management Report
Pertaining to Financial Statements as of 31/12/2016 and Mid Year 2017**

Dear Shareholders of Pharmacare PLC,

It gives me great pleasure to present to you today the 2016 Consolidated Financial Statements and the Mid-Year Reviewed Statements for Pharmacare PLC Palestine and its subsidiaries in Malta.

I would like to highlight some of the major accomplishments and challenges:

1. **Joint Venture with "Hikma Pharmaceuticals":** Pharmacare will form a new Joint Venture under the name of "Hikma Care". As is known, "Hikma" is a major generic pharmaceutical company. Its turnover is about 2.5 Billion USD annually and it owns more than 20 manufacturing sites in the US, Europe, Africa and Asia. "Hikma" wants to access the Palestinian market through an alliance with us, thus Pharmacare PLC will manufacture Hikma's products in Palestine. Various product registration files were already delivered to the Palestinian Ministry of Health.
2. **Implementation of "Pharmacare 2020" Strategic Plan:**
The plan included an investment of about 7.5m USD to build new building adjacent to the company on part Pharmacare's lands. The goal is to increase production capacity and to start new unique production lines in Palestine. We finished the skeleton part of the building which includes an 8-story building of around 500 m² each. In addition to a parking area of around 350 m² and a tunnel for raw and finished materials transfer. We are now in the finishes stage which is around 50% complete. This expansion which cost 7.5m USD was financed from company's operations and some loans from different parties.
3. **Investments in Quality:** At the end of 2016, the company renewed its EU-GMP certificate for the fourth consecutive time for another three years. With this certificate, we were able to export 251 million tablets through 220 shipments from the year 2009 till 2017, which were sold in 9 European markets. Additionally, the company signed a 5-year Supply Agreement with a new European company.
4. **New developments in Subsidiary Companies in Malta:** A substantial change took place in our subsidiary Pharmacare Premium. It was able to benefit from the Investment Promotion Law in Malta, directed to the industrial sector; whereby the company was able to acquire a land of 10,000 m² including the buildings set on that piece of land. It was appraised by an official party accredited by the Maltese government and was valued at around 12m USD (10.325 m Euro). In exchange, the company paid around USD 800,000 as a token payment. This allowed Pharmacare Premium to capitalize huge

that they will continue to give and that the accomplishments will also continue, to the benefit of employees, the company and its shareholders and to our National Economy. It is important to note that the number of employees in the mother company increased to 330, of which 52% having university degrees.

I want to repeat what I stated in previous meeting because it also reflects our current reality. Pharmacare is a continuous building / construction stage. Results will not be quick as the company has embarked on bold investment decisions locally and internationally. The new local expansion plan explained above and the establishment, the investment in the oncology facility in Europe and investing in Iraq are the three pillars of this expansion strategy. I would like to reaffirm that we have done these investments because we believe that the company will never achieve its dream of becoming an international player without investing abroad. Thus, it can operate in an environment away from the current economic and political impediments in Palestine. We are very confident that these bold investment decisions will continue to positively affect the company's standing in years to come.

As such, we as shareholders and as Board of Director members must answer a very important question: How to pass these challenging times and how to deal with the distribution of dividends. Thus I recommend maintaining the current policy pertaining to dividends which has proved its effectiveness.

Finally, I would like to thank all shareholders for their trust in the company and for continuing to invest in its shares in spite of the changes in share prices. This reflects their commitment to the company and their trust in its future.

I wish you all the best this year and always.

Bassim Subhi Farah Khoury Nasr

Chairman of the Board