

Discussion report and analysis of the board of directors of the listed public shareholding company

Date	9 May 2021
Name of the Listed Company	Gulf Pharmaceutical Industries PSC
The period of the financial statements covered by the report	Q1 2021
Overview of the main results during the financial period	<ol style="list-style-type: none"> 1. Net sales reached 166.8 mAED and increased during the period versus previous period by 60%. 2. The company achieved a positive EBTIDA of 3.3 mAED compared to -35.7 mAED in the previous period. 3. The net loss is -29.2 mAED, which is a substantial improvement versus Q1 of the previous year. 4. The decrease of the net loss during Q1 is achieved due to the substantially increased net sales, expense reduction and gross margin improvement. 5. The company continued the successful market re-entry to the markets in KSA, Oman, Kuwait and Bahrain after the lifting of the temporary export suspension into these countries.
Securities issued during the financial period	AED nil
Summary of the most important non-financial events and developments during the financial period	<ol style="list-style-type: none"> 1. Continuation of the strategic turnaround project. 2. Manufacturing partnership with G42 for the COVID-19 vaccine Hayat
Summary of operational performance during the financial period	The operational performance of the company showed a significant improvement as compared to previous year due to the resumption of shipments to KSA and strong growth in other core markets like Egypt and Lebanon. The Group also reported substantial cost savings in selling & distribution expenses. Production output increased by 74% compared to Q1 of the previous year to satisfy the market demand.
Summary of profit and loss during the financial period	The net loss of the Group decreased from -68.9 mAED in Q1 2020 to -29.2 mAED in 2021 (58% reduction compared to previous period).
Summary of financial position as at the end of the financial period	The equity of the Group decreased from 1,069.9 mAED to 1,042.0 mAED in 2021 following the loss in Q1 2021.
Summary of cash flows during the financial period	Cash flow from operating activities reached 3.3 mAED. Investments in working capital and capital expenditure reduced the net cash flow before financing activities to -9.4 mAED.
Main performance indicators	Net Sales 166.8 mAED Net Loss -29.2 mAED EBITDA 3.3 mAED
Expectations for the sector and the company's role in these expectations	The size of the pharmaceutical market in Middle East & North Africa is valued at USD 42.9 bn in 2020 and is expected to reach USD 52.9 bn in 2024. The pharma market is expected to grow at a CAGR of 5.4%.

	<p>In 2020, the generic market in MENA accounted for ~33% value of the total pharmaceutical market. Generics are showing about 6.6% CAGR in the private segment of the key markets, while the total market is growing by 6.8% CAGR in the private segment of key markets (UAE, KSA, Egypt, Algeria, Tunisia, Jordan, Kuwait and Lebanon). It is expected that the generics market will maintain higher growth for reasons like public budgetary pressures, the support for the local manufacturers and patent expiry. (source IMS Data)</p>
<p>Expectations regarding the economy and its impact on the company and the sector</p>	<p>UAE witnessed a -8.5% growth in 2020. Continued government stimulus, a gradual easing of the pandemic impact, 2021 Expo etc., should eventually help the economy to revert to its pre-COVID-19 crisis level toward the end of 2021, with full recovery expected only by 2022.</p> <p>In 2021 it is expected that growth will rebound as the policy makers take measures to stimulate aggregate demand. The economy is expected to grow by 3.3% in 2021.</p> <p><i>Source: Oxford economics, Reuters, IMF, Bloomberg, Moody's, ENBD</i></p>
<p>Future plans for growth and changes in operations in future periods</p>	<p>The future plans for growth of the company are as follows:</p> <ol style="list-style-type: none"> 1. Focus on strategic areas of business as the company divests from non-core subsidiaries. 2. Regain market leading positions in KSA, Kuwait, Oman & Bahrain. 3. Strengthen sales organization in core markets and increase market share with existing portfolio. 4. New alliances and partnerships to strengthen the product portfolio of the company, including biosimilar products and added value generics. 5. Launch new products in core therapeutic areas. 6. Invest in capital expenditure to improve operations efficiency.
<p>The size and impact of current and projected capital expenditures on the company</p>	<p>The Group expects continued investment in capital expenditures due to the following:</p> <ol style="list-style-type: none"> 1. Expand its product portfolio by investing in new product dossiers, covering existing as well as new therapy areas. 2. Upgrading of existing facilities. 3. Purchase of new machinery to increase capacity & achieve efficiency improvements. 4. Redesign current processes to address new requirements from government authorities.

The developments of the implementation of projects, plans and transactions and deals that were discussed by the company's board of directors in the report for the previous fiscal year	The implementation of the following projects has been discussed in the board of directors meetings: 1. Strategic turnaround of the company 2. Divestments of non-core areas of business 3. New product pipeline initiative
The name of the chairman of the company or the authorized signatory	Saqr Humaid AlQassimi Chairman
Signature and Date	9 May 2021

