


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

Date	10 November 2023
Name of the Listed Company	Gulf Pharmaceutical Industries PSC Julphar
The period of the financial statements covered by the report	For Q3 2023
Overview of the main results during the financial period	<ol style="list-style-type: none"> 1) Revenue in Q3'23 experience a decline of -12.0% vs. Q3'22 (-10.0% at constant currency) to 366.0 mAED due to geopolitical and economical situations in Iraq, Sudan, and currency devaluation in Egypt, affecting the quarter, mitigated by continued strong revenue development in UAE and GCC region. 2) Amid the challenges, the revenue for the 9-month period remained stable, showing a marginal decrease of 2.3% year-over-year to 1.2 billion AED (-0.2% at constant currency), by properly balancing geographical presence. 3) During Q3, Julphar has delivered strong market performance with most of the GCC countries growing at double digit across the geography. 4) Revenue through our pharmacy retail and whole sales operations, Planet Pharmacies, continues to show a strong momentum, with YTD growth at 5% compared to the same period in the PY, and reaching sales of 776.3 mAED. 5) Gross Margin development continues the positive momentum improving Quarter over Quarter from 25.8% in Q2'23 to 27.7% thanks to focus on operational improvement. 6) Julphar has recognized the impact of UAE Corporate Tax implementation amounting -5.6 mAED related to Purchase Price Allocation (PPA) adjustments carried on the Group's consolidated statement relating to business combination undertaken in UAE prior to 16 January 2023. 7) Reported EBITDA for 9M'23 reaches +74.7 mAED (6.1% on Net Sales), and 87.6 mAED (7.1% of Net Sales) when adjusting from one off event related to impairment of overdue receivables of Lebanon subsidized business and other one-time events. 8) Quarter over Quarter EBITDA, evolving from 8.2 mAED in Q2'23, to 21.2 in Q3'23, as impact of the operational improvements, thanks to disciplined cost management, and operational efficiencies. 9) Julphar continues making sustained progress on the following areas: <ol style="list-style-type: none"> a. Delivering strong market share increase in core markets including United Arab Emirates, GCC countries, with special emphasis in Kingdom of Saudi Arabia. b. Continue delivering cost saving and efficiency initiatives resulting in lower cost in G&A and S&D in relation to Sales compared to previous year when excluding one time events. c. Continue executing new product launches initiatives and increasing the products pipeline.
Securities issued during	AED nil

the financial period																																											
Summary of the most important non-financial events and developments during the financial period	<ul style="list-style-type: none"> • Successful licensing and technology transfer agreement signed in the 1st half of the year Sunshine Lake Pharma to Pioneer Insulin Biosimilar Manufacturing in MENA • Strong development on our new product launches strategy, with 32 new products approved in different countries in 2023, which will be consequently launched in future periods. 																																										
Summary of operational performance during the financial period	<ul style="list-style-type: none"> • Company continues focusing on: <ol style="list-style-type: none"> a. Continuous increase of the market share in core markets including United Arab Emirates, Kingdom of Saudi Arabia and other GCC countries. b. Continue implementing sustained cost saving initiatives. c. Manufacturing excellence. d. New product launches and execution of the company's product pipeline. e. Implementing effective country risk mitigation plans for Sudan, Iraq Egypt 																																										
Summary of profit and loss during the financial period	<table border="1"> <thead> <tr> <th>in mAED</th> <th>Q3'23</th> <th>Q3'22</th> <th>YoY Change</th> <th>9M'23</th> <th>9M'22</th> <th>YoY Change</th> </tr> </thead> <tbody> <tr> <td>Net Sales</td> <td>366.0</td> <td>415.8</td> <td>-12.0%</td> <td>1225.4</td> <td>1254.3</td> <td>-2.3%</td> </tr> <tr> <td>Gross profit</td> <td>101.2</td> <td>124.7</td> <td>-18.8%</td> <td>344.0</td> <td>399.1</td> <td>-13.8%</td> </tr> <tr> <td>Net Income (Cont. oper.)</td> <td>-37.8</td> <td>3.6</td> <td>-1150.0%</td> <td>-79.9</td> <td>8.9</td> <td>-997.8%</td> </tr> <tr> <td>EBITDA</td> <td>21.2</td> <td>48.0</td> <td>-55.8%</td> <td>74.7</td> <td>132.2</td> <td>-43.5%</td> </tr> <tr> <td>EBITDA (% of net Sales)</td> <td>5.8%</td> <td>11.5%</td> <td></td> <td>6.1%</td> <td>10.5%</td> <td></td> </tr> </tbody> </table>	in mAED	Q3'23	Q3'22	YoY Change	9M'23	9M'22	YoY Change	Net Sales	366.0	415.8	-12.0%	1225.4	1254.3	-2.3%	Gross profit	101.2	124.7	-18.8%	344.0	399.1	-13.8%	Net Income (Cont. oper.)	-37.8	3.6	-1150.0%	-79.9	8.9	-997.8%	EBITDA	21.2	48.0	-55.8%	74.7	132.2	-43.5%	EBITDA (% of net Sales)	5.8%	11.5%		6.1%	10.5%	
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Summary of financial position as at the end of the financial period	<ul style="list-style-type: none"> • The total equity decreased to 831.40 mAED compared to 928.2 mAED (-96.8 mAED) in Dec'22. • Equity decreases mainly driven by total net loss for the period of 86.2 mAED (including discontinued operations) and the foreign currency translation reserve impact of -10.5 mAED. 																																										
Summary of cash flows during the financial period	<ul style="list-style-type: none"> • Cashflow used in operating activities reached -21.4 mAED at September YTD, showing an improvement of 24.3 mAED vs same period last year. • During the current period, cashflows from financing activities reached 156.2 mAED, including the execution of the accordion rights for 150 mAED, in relation to the existing long-term facility, as part of the plans for the Year 2023 and beyond. 																																										
Expectations for the sector and the company's role in these expectations	<ul style="list-style-type: none"> • The total spending and global demand for medicines will increase over the next five years to approximately \$1.9 trillion by 2027 (growth rate of 3-6%). • The highest volume growth is expected in Latin America, Asia, and Africa, driven by a mix of population growth and expanded access. • Demand for innovative drugs will drive oncology spending almost double the current level. <p>Source: IQVIA Data (Jan 18, 2023)</p>																																										
Expectations regarding the economy and its impact on the company and the sector	<ul style="list-style-type: none"> • UAE economy to grow by 3.5% in 2023, with the country's non-oil economy projected to grow by a robust 4.5 per cent this year. • The introduction of a 9 per cent corporate tax this year, following the adoption of a 5 per cent value-added tax (VAT) in 2018, contributes to bolstering public finances, contributing to supporting macroeconomic stability. 																																										

	<i>Source: GULF BUSINESS SEPTEMBER 3, 2023, UBS</i>
Future plans for growth and changes in operations in future periods	<p>The plans for growth of the Company are as follows:</p> <ol style="list-style-type: none"> 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. New alliances and partnerships to strengthen the product portfolio of the Company. 4. Launch new products in core therapeutic areas. 5. Invest in capital expenditure new manufacturing technologies and improve operations efficiency
The size and impact of current and projected capital expenditures on the company	<p>The Company continues to invest in capital expenditure for achieving targeted growth and sustained performance by:</p> <ol style="list-style-type: none"> 1. Expanding the product portfolio with investing in new product dossiers 2. Continuing upgrading the existing production facilities, to continue keeping highest quality standard levels and efficiency. 3. Redesigning current processes to address evolving 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	<p>The implementation of the following projects have been discussed in the Board of Directors' meetings:</p> <ol style="list-style-type: none"> 1. Progress on divestment of non-core areas of business.

The name of the chairman of the company	Sheikh Saqr Humaid AlQasimi
Signature and Date	10 November 2023 
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