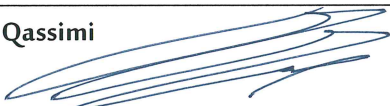


## Discussion report and analysis of the board of directors of the listed public shareholding company

<b>Date</b>	17 March 2022
<b>Name of the Listed Company</b>	Gulf Pharmaceutical Industries PSC Julphar
<b>The period of the financial statements covered by the report</b>	Financial Year 2021
<b>Overview of the main results during the financial period</b>	<p>1. Net sales reached 1,143.2 mAED and increased by 100% versus the previous year.</p> <p>2. The net profit from continuing operations for the year 2021 is 41.5 mAED, which is a substantial improvement compared to a net loss from continuing operations of -271.7 mAED in 2020.</p> <p>3. Acquisition of 60% shareholding in Planet Pharmacies LLC</p> <p>4. The Group has been successful in its financial turnaround and reached profitability in the reporting period due to:</p> <ul style="list-style-type: none"> <li>• The company continued the successful market re-entry to the markets in KSA, Oman, Kuwait and Bahrain.</li> <li>• Increase in sales and market share in other markets including United Arab Emirates, Morocco, Iraq and Egypt.</li> <li>• Implementation of cost saving initiatives</li> <li>• Contract manufacturing of COVID-19 vaccine</li> <li>• Divestment of non-core and loss making activities.</li> </ul>
<b>Securities issued during the financial period</b>	AED nil
<b>Summary of the most important non-financial events and developments during the financial period</b>	<p>1. Completion of the strategic turnaround program.</p> <p>2. Increased focus on the development of the company's product pipeline.</p> <p>3. Consolidation of Planet Pharmacies</p> <p>4. Divestment of the company's shares in Gulf Inject, Alpha Pharma and Julphar Bangladesh</p> <p>5. Manufacturing partnership with G42 for the COVID-19 vaccine Hayat.</p>
<b>Summary of operational performance during the financial period</b>	<p>The operational performance of the company showed a significant improvement as compared to previous period due to the sales growth of key brands, market share gain in several MENA markets and the vaccines contract manufacturing. Total production output increased by 27% to 144 million packs in 2021.</p>

<b>Summary of profit and loss during the financial period</b>	<table border="1"> <thead> <tr> <th>Key Figures</th> <th>2021</th> <th>2020*</th> </tr> </thead> <tbody> <tr> <td>Net Sales (m AED)</td> <td>1,143.2</td> <td>573.0</td> </tr> <tr> <td>Gross Margin</td> <td>34%</td> <td>32%</td> </tr> <tr> <td>Net Profit (m AED)</td> <td>59.4</td> <td>-317.4</td> </tr> <tr> <td>EBITDA from continuing operations (m AED)</td> <td>164.8</td> <td>-165.8</td> </tr> </tbody> </table>	Key Figures	2021	2020*	Net Sales (m AED)	1,143.2	573.0	Gross Margin	34%	32%	Net Profit (m AED)	59.4	-317.4	EBITDA from continuing operations (m AED)	164.8	-165.8
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<p>Planet Pharmacies LLC financial results have been fully consolidated in the Julphar Group as of July 1, 2021. It contributed 444.2 mAED net sales and 22.2 mAED net profit in 2021. The Group's gross margin of 34% is affected by one-time effects related to the first-time consolidation of Planet Pharmacies and the lower gross margin of the distribution business of Planet Pharmacies. The gross margin of the Julphar business segment continued its recovery and reached 42%.</p> <p>*after reclassification of divested entities into 'Discontinued Operations'.</p>																
<b>Summary of financial position as at the end of the financial period</b>	<p>The equity of the Group decreased from 1,069.9 mAED to 963.8 mAED in 2021, caused by the deconsolidation effect of the divestment of the shareholding in Alpha Pharma, Gulf Inject and Julphar Bangladesh, compensated by the net profit during the period and the acquisition of Planet Pharmacies.</p> <p>The company entered into a new syndicated loan facility and repaid all past bank debt. The net debt increased during 2021 by 4% to 560.1 mAED. Total liabilities of the Group increased by 205.1 mAED, resulting from the consolidation of Planet Pharmacies.</p>															
<b>Summary of cash flows during the financial period</b>	<p>Net cash flow from operating activities reached 47.1 mAED during the year 2021, a substantial improvement compared to -168.6 mAED in the previous year. Capital expenditure in property, plant &amp; equipment reduced the net cash flow by -45.7 mAED. The company received proceeds from divestments in the amount of 93.8 mAED during the year and spent 286 mAED on acquisition of the remaining 60% shareholding in Planet Pharmacies.</p>															
<b>Main performance indicators</b>	<p>Net Sales 1,143.2 mAED  Net Profit 59.4 mAED  EBITDA from continuing operations 164.8 mAED</p>															
<b>Expectations for the sector and the company's role in these expectations</b>	<p>The size of the pharmaceutical market in Middle East &amp; North Africa is valued at USD 44.8 bn in 2021 and is expected to reach USD 56 bn in 2025. The pharma market is expected to grow at a CAGR of 5.7%.</p> <p>Generics are showing about 9.5% CAGR in the private segment of the key markets, while the total market is growing by 7.4% 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</p>															

	budgetary pressures, the support for the local manufacturers and patent expiry. (source IQVIA Data)
<b>Expectations regarding the economy and its impact on the company and the sector</b>	UAE witnessed a 2.2% real GDP growth in 2021. Continued government stimulus, a gradual easing of the pandemic impact, Expo 2020, etc., is helping the economy to revert to its pre-COVID-19 crisis level, with full recovery expected by 2022. The economy is expected to grow by 3% in 2022.  <i>Source: Oxford economics, Reuters, IMF, Bloomberg, Moody's, ENBD, Central Bank UAE</i>
<b>Future plans for growth and changes in operations in future periods</b>	The future plans for growth of the company are as follows: 1. Focus on strategic areas of business as the company has divested from non-core subsidiaries. 2. Continue retail pharmacies expansion in UAE and KSA 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. 5. Launch new products in core therapeutic areas and new therapeutic areas. 6. Invest in capital expenditure to increase production capacity and new manufacturing technologies and improve operations efficiency.
<b>The size and impact of current and projected capital expenditures on the company</b>	The Group expects continued investment in capital expenditures due to the following: 1. Expand its product portfolio by investing in new product dossiers. 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.
<b>The developments of the implementation of projects, plans and transactions and deals that were discussed by the company's board of directors during the reporting period</b>	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. Acquisition of 60% shareholding in Planet Pharmacies 3. New product pipeline initiative

<b>The name of the chairman of the company</b>	<b>Saqer Humaid Al Qassimi</b> Chairman 
<b>Signature and Date</b>	17 March 2022
<b>Company's Seal</b>	