

## Template for discussion report and analysis of the board of directors of the listed public shareholding company

Date	11 August 2020
Name of the Listed Company	Gulf Pharmaceutical Industries PSC
The period of the financial statements covered by the report	2nd Quarter 2020
Overview of the main results during the financial period	<p>1. Sales reached AED 169.7 mio and increased during the period by 90% versus previous year, primarily because of the lifting of the temporary suspension on export of products to KSA, Oman, Kuwait &amp; Bahrain.</p> <p>2. The net loss is AED -25.6 mio, which is an improvement of 73% versus previous year.</p> <p>3. The decrease of the net loss during the quarter &amp; H1 2020 is achieved due to the substantially increased net sales, expense reduction and gross margin improvement. In addition, the previous year period included one-time expenses for penalties, provision for inventories etc.</p> <p>4. As a result of the successful GMP re-inspection by SFDA and GHC in January 2020, the Saudi Food &amp; Drug Authorities (SFDA), lifted the suspension to export goods to Saudi Arabia except for certain goods that still remain suspended. Further, the temporary suspension to export goods to Bahrain and Kuwait was also lifted during the period.</p> <p>6. The Group has successfully restructured its capital base by reducing the issued share capital to extinguish the accumulated losses as at 31 December 2019 followed by a rights issue at a price of AED 1 per share. The rights issue was successfully completed in July 2020 and was oversubscribed 2.3 times.</p>
Securities issued during the financial period	None
Summary of the most important non-financial events and developments during the financial period	<p>1. Appointment of new CEO, CHR and CSO.</p> <p>2. Lifting of the temporary suspension to export goods to Saudi Arabia, Kuwait and Bahrain</p> <p>3. Continuation of the strategic turnaround project.</p>
Summary of operational performance during the financial period	The operational performance of the company showed a significant improvement as compared to the previous period due to resumption of shipments to KSA, Oman, Kuwait & Bahrain. The Group also reported substantial cost savings in selling & distribution expenses.

	Further, the associate of the Group (Planet Pharmacies) reported a profit as the associate took back control of its pharmacies in KSA.
<b>Summary of profit and loss during the financial period</b>	The losses of the Group have decreased from the previous period from AED -96.2mio in 2019 to AED -25.6 mio in 2020.
<b>Summary of financial position as at the end of the financial period</b>	The equity of the Group has reduced from AED 878 mio to AED 787.1 mio in 2020 due to continued losses in 2020.
<b>Summary of cash flows during the financial period</b>	Cash flow from operations was negative during the period due to losses of the Group and investment in working capital. The Group has received AED 150 mio from its shareholder to support its operations and fund its working capital.
<b>Main performance indicators</b>	Net Sales AED 169.7 mio Net Loss AED -25.6 mio
<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; Africa is valued at USD 43.8 bn in 2020 and is expected to reach USD 54.4 bn in 2024. The pharma market is expected to grow at a CAGR of 6%.</p> <p>The Group expects that it's CAGR between 2020-2024 will reach low double-digit percentage.</p> <p>Generally, the generic market is accounting for about 40% of the total pharmaceutical market and it is showing about 7.7% growth while the total market is growing by 6.2% in the private segment of key markets (UAE, KSA, Egypt, Algeria, Tunisia, Jordan, Kuwait and Lebanon). It is expected that the generic market will maintain higher growth for reasons like economic pressure, the support for the local manufacturers and patent expiry. (source IMS Data)</p>
<b>Expectations regarding the economy and its impact on the company and the sector</b>	<p>UAE is projected to witness a -3.5% growth in 2020. UAE's non-oil segment comprising sectors like tourism and real estate are expected to record 0.1% GDP growth, down from 2.5% forecasted previously. In 2021 it is expected that growth will rebound as the policy makers take measures to stimulate aggregate demand.</p> <p>The COVID pandemic represents considerable uncertainties for the company. Product demand is negatively affected in product areas related to elective treatment procedures. However this also represents an opportunity for Julphar to reposition itself in GCC as a leading healthcare provider by providing affordable medicines to governments &amp; hospitals and addressing the increased demand in COVID-19 related medication.</p>
<b>Future plans for growth and changes in operations in</b>	The future plans for growth of the company are

future periods	as follows:  1. Focus on strategic areas of business as the company divests from non-core subsidiaries. 2. Re-enter markets in KSA, Kuwait & Oman and regain leading market position. 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 to improve operations efficiency.
The size and impact of current and projected capital expenditures on the company	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.
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

The name of the chairman of the company or the authorized signatory	
Signature and Date	11/08/2020
Company's Seal	