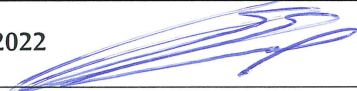


Discussion report and analysis of the board of directors of the listed public shareholding company

Date	09 November 2022
Name of the Listed Company	Gulf Pharmaceutical Industries PSC Julphar
The period of the financial statements covered by the report	For Q3 - 2022
Overview of the main results during the financial period	<ol style="list-style-type: none"> 1. Net sales for the period reached 415.8 mAED as compared to 362.8 mAED representing an increase of 14.6% 2. EBITDA from continuing operations reached in Q3 2022 to 47.5 mAED as compared to 40.6 mAED in Q3 2021 (EBITDA for Q3 2021 after eliminating onetime events of acquisition and others of 59.1 mAED) 3. The continued growth in performance and profitability from Q3 2022 due to: <ul style="list-style-type: none"> • Increase in market share in its core markets including United Arab Emirates, Kingdom of Saudi Arabia and other GCC countries. Also, overcoming geopolitical challenges in Algeria, Lebanon, Ethiopia and Sudan • Implementation of various cost saving initiatives
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. Continued and increased focus on the development of the Company's products pipeline 2. Successful licensing arrangements for the co-development of products 3. Continued successful implementation of two-year strategic turnaround plan 4. Approval of new products launches which is in line with the strategic roadmap

Summary of operational performance during the financial period	<p>The operational performance of the Company has shown a strong and continued positive trend while overcoming geopolitical challenges which is evident by the increase in net sales as compared to Q3 2021.</p> <p>Q3 2022 production output remained strong with sustained output and targeting to cross the 20 mio units milestone in Q4 evidencing the strong progress towards strategic roadmap</p>																		
Summary of profit and loss during the financial period	<table><tr><th>Key figures</th><th>Q3 2022</th><th>Q3 2021*</th></tr><tr><td>Net sales (mAED)</td><td>415.8</td><td>362.8</td></tr><tr><td>Gross margin (%)</td><td>30.0%</td><td>24.3%</td></tr><tr><td>Net profit (mAED)</td><td>4.5</td><td>53.8</td></tr><tr><td>EBITDA from continuing operations (mAED)</td><td>47.5</td><td>99.7</td></tr><tr><td>EBITDA from continuing operations - normalized (mAED)</td><td>47.5</td><td>40.6</td></tr></table> <p>Plant Pharmacies LLC (“Planet”) financial results were fully consolidated in Julphar Group from 1 July 2021. During Q3 2022, Planet contributed 241.8 mAED in the net sales. The Group’s gross margins were affected by Planet’s lower gross margin on distribution business. However, the gross margins continued to be sustained and reached 30.0% in Q3 2022 as compared to 24.3% in Q3 2021 (if normalized, the gross margins were 21.9% in Q3 2021 after eliminating the one-time events).</p> <p>*after reclassification of Julphar Ethiopia as ‘discontinued operations’.</p>	Key figures	Q3 2022	Q3 2021*	Net sales (mAED)	415.8	362.8	Gross margin (%)	30.0%	24.3%	Net profit (mAED)	4.5	53.8	EBITDA from continuing operations (mAED)	47.5	99.7	EBITDA from continuing operations - normalized (mAED)	47.5	40.6
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Summary of financial position as at the end of the financial period	<p>The total equity of the Group increased by 10.0 mAED and reaching to 973.8 mAED. The increase was due to net profit for the year of 10.4 mAED followed by the increase in cashflow hedge reserve by 25.6 mAED. These increases were effected by sharp decline in foreign currency translation reserve by 27.2 mAED. No significant changes in the financial position of the Group compared to the year-end 2021.</p>																		
Summary of cash flows during the financial period	<p>Cashflow used in operating activities reached -45.7 mAED during the period from January to September 2022 as</p>																		

	<p>compared to 7.2 mAED in 2021. The cashflow from investing activities has also contributed 23.9 mAED which is also supported by cashflow from financing activities of 10.4 mAED.</p>
Main performance indicators	<p>Net sales 415.8 mAED</p> <p>Net profit 4.5 mAED</p> <p>EBITDA from continuing operations 47.5 mAED</p>
Expectations for the sector and the company's role in these expectations	<p>The size of the pharmaceutical market in Middle East & 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 budgetary pressures, the support for the local manufacturers and patent expiry. <i>(Source IQVIA Data)</i></p>
Expectations regarding the economy and its impact on the company and the sector	<p>UAE witnessed a 2.2% real GDP growth in 2021. Continued government stimulus, a gradual easing of the pandemic impact, Expo 2020, etc., are 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 4.2% in 2022.</p> <p><i>Source: Oxford economics, Reuters, IMF, Bloomberg, Moody's, ENBD, Central Bank UAE</i></p>
Future plans for growth and changes in operations in future periods	<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 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.

The size and impact of current and projected capital expenditures on the company	<p>The Group 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 3. Redesigning 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	<p>The implementation of the following projects have been discussed in the Board of Directors' meetings:</p> <ol style="list-style-type: none"> 1. Growth strategy 2030 2. New products launch to add in the product portfolio 3. License agreement for co-development of products 4. Divestment of non-core areas of business
The name of the chairman of the company or the authorized signatory	Sheikh Saqr Humaid AlQasimi
Signature and Date	09 November 2022 
Company's Seal	

