


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

<b>Date</b>	17 March 2020
<b>Name of the Listed Company</b>	Gulf Pharmaceutical Industries PSC
<b>The period of the financial statements covered by the report</b>	Financial Year 2020
<b>Overview of the main results during the financial period</b>	<p>1. Sales reached 581.2 mAED and increased during the period versus previous period by 93%.</p> <p>2. The company achieved a 7.1 mAED operational EBITDA before one-time effects.</p> <p>3. The net loss is -317.4 mAED, which is a substantial improvement versus previous year. The net loss includes 201.3 mAED one-time effects related to asset write offs, provisions for tender penalties and other expenses primarily related to the transformation program.</p> <p>4. The substantial decrease of the net loss during the year is achieved due to the substantially increased net sales, expense reduction and gross margin improvement.</p> <p>5. The company successfully reentered the market in KSA, Oman, Kuwait and Bahrain after the lifting of the temporary export suspension into these countries.</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. The funds were used to settle the loan from a related party and for working capital financing.</p> <p>7. During the year ended 31 December 2020, loans with an outstanding balance of 445.2 mAED were restructured by the banks to postpone the repayment of principal.</p>
<b>Securities issued during the financial period</b>	AED 500 million
<b>Summary of the most important non-financial events and developments during the financial period</b>	<p>1. Lifting of the temporary import suspension to Saudi Arabia, Bahrain, Kuwait and Oman</p> <p>2. Appointment of new Chief Executive Officer &amp; Chief Commercial Officer.</p> <p>3. Continuation of the strategic turnaround project.</p> <p>4. Signing of share sale agreement of Julphar Bangladesh Ltd.</p>
<b>Summary of operational performance during the financial period</b>	The operational performance of the company showed a significant improvement as compared to previous year due to the resumption of shipments to KSA, Oman, Kuwait & Bahrain and strong growth in other core markets like Egypt and Iraq. The Group also reported substantial cost savings in selling & distribution expenses before write-offs related to

	<p>one-time expenses like inventory provisions, tender penalties &amp; product recalls. The Group added 42 products to its active product portfolio in 2020.</p> <p>Further, Planet Pharmacies (an associate company of the Group) returned to profitability in 2020 as the legal issues in KSA were resolved and the implemented operational improvements contributed to the positive results.</p>
<b>Summary of profit and loss during the financial period</b>	The net loss of the Group decreased from -518.9 mAED in 2019 to -317.4 mAED in 2020.
<b>Summary of financial position as at the end of the financial period</b>	The equity of the Group has increased from 878 mAED to 1,069.9 mAED in 2020 following the successful restructuring of the capital base of the Group.
<b>Summary of cash flows during the financial period</b>	Cash flow from operations was negative during the period due to the net loss and the necessary investment in working capital. The Group obtained cash inflows from the rights issue of 500 mAED in July 2020. 300 mAED were used to repay a shareholder loan.
<b>Main performance indicators</b>	<p>Net Sales 120.1 mAED (Q4 only) Net Loss -201.1 mAED (Q4 only)</p> <p>Net Sales 581.2 mAED (Full year) Net Loss -317.4 mAED (Full year)</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; 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> <p>In 2020, the generic market 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 generic market will maintain higher growth for reasons like public budgetary pressures owing to the COVID pandemic, 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 witnessed a -8.5% growth in 2020. Continued government stimulus, a gradual easing of the lockdown, 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>Source: Oxford economics, Reuters, IMF, Bloomberg, Moody's, ENBD</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 future periods</b>	<p>The future plans for growth of the company are as follows:</p> <ol style="list-style-type: none"> <li>1. Focus on strategic areas of business as the company divests from non-core subsidiaries.</li> <li>2. Regain market leading positions in KSA, Kuwait &amp; Oman.</li> <li>3. Strengthen sales organization in core markets and increase market share with existing portfolio.</li> <li>4. New alliances and partnerships to strengthen the product portfolio of the company.</li> <li>5. Launch new products in core therapeutic areas.</li> <li>6. Invest in capital expenditure to improve operations efficiency.</li> <li>7. Restructure existing bank loans and use funds for working capital &amp; capex requirements and financing of further growth initiatives.</li> </ol>
<b>The size and impact of current and projected capital expenditures on the company</b>	<p>The Group expects continued investment in capital expenditures due to the following:</p> <ol style="list-style-type: none"> <li>1. Expand its product portfolio by investing in new product dossiers.</li> <li>2. Upgrading of existing facilities.</li> <li>3. Purchase of new machinery to increase capacity &amp; achieve efficiency improvements.</li> <li>4. Redesign current processes to address new requirements from government authorities.</li> </ol>
<b>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</b>	<p>The implementation of the following projects has been discussed in the board of directors meetings:</p> <ol style="list-style-type: none"> <li>1. Strategic turnaround of the company</li> <li>2. Divestments of non-core areas of business</li> <li>3. New product pipeline initiative</li> </ol>

<b>The name of the chairman of the company or the authorized signatory</b>	<b>Saqer Humaid Al Qasimi</b>
<b>Signature and Date</b>	
<b>Company's Seal</b>	