


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

Date	10 August 2023
Name of the Listed Company	Gulf Pharmaceutical Industries PSC Julphar
The period of the financial statements covered by the report	For Q2 2023
Overview of the main results during the financial period	<ol style="list-style-type: none"> <li>1) Revenue in Q2 decreased by 3.5% vs. Q2'22 (-1.9% at constant currency) to 405.3 mAED due to geopolitical and economical situations in Iraq, Sudan, and currency devaluation in Egypt, mitigated by continued strong revenue development in UAE and GCC region.</li> <li>2) Amid headwinds in specific geographies, including currency devaluations, Julphar continues delivering Year to Date Net Sales growth of +2.5% (+4.7% at constant currency), reaching 859.4 mAED, actively managing risks while leveraging opportunities overcoming challenges with proper portfolio and country prioritization.</li> <li>3) Revenue through our chain of pharmacies, Planet, continues to show a strong momentum, with H1 growth at 7.1% compared to the same period in the previous year, and reaching sales of 532.3 mAED.</li> <li>4) Reported EBITDA for H1 2023 reaches 53.4 mAED (6.2% on Net Sales), and 64.0 mAED (7.4% of Net Sales) when adjusting from one off event related to impairment of overdue receivables of Lebanon subsidized business.</li> <li>5) Julphar continues making sustained progress on the following areas: <ol style="list-style-type: none"> <li>a. Delivering strong market share increase in core markets including United Arab Emirates, GCC countries, with special emphasis in Kingdom of Saudi Arabia.</li> <li>b. Continue delivering cost saving and efficiency initiatives resulting in lower cost in SG&amp;A and S&amp;D in relation to Sales compared to previous year.</li> <li>c. Continue executing new product launches initiatives and increasing the products pipeline.</li> </ol> </li> </ol>
Securities issued during the financial period	AED nil

Summary of the most important non-financial events and developments during the financial period	<ul style="list-style-type: none"> <li>• Successful licensing and technology transfer agreement signed in the 1st half of the year Sunshine Lake Pharma to Pioneer Insulin Biosimilar Manufacturing in MENA</li> <li>• Strong development on our new products launches strategy execution, with 25 new products approved in different countries in the first half of year 2023, which will be consequently launched.</li> </ul>																																										
Summary of operational performance during the financial period	<ul style="list-style-type: none"> <li>• Company continues focusing on:             <ol style="list-style-type: none"> <li>a. Continuous increase of the market share in core markets including United Arab Emirates, Kingdom of Saudi Arabia and other GCC countries.</li> <li>b. Continue implementing sustained cost saving initiatives.</li> <li>c. Manufacturing excellence.</li> <li>d. New product launches whereby increasing the products pipeline.</li> </ol> </li> </ul>																																										
Summary of profit and loss during the financial period	<table border="1"> <thead> <tr> <th>in mAED</th> <th>Q2'23</th> <th>Q2'22</th> <th>YoY Change</th> <th>H1'23</th> <th>H1'22</th> <th>YoY Change</th> </tr> </thead> <tbody> <tr> <td>Net Sales</td> <td>405.3</td> <td>419.9</td> <td>-3.5%</td> <td>859.4</td> <td>838.5</td> <td>2.5%</td> </tr> <tr> <td>Gross profit</td> <td>104.5</td> <td>143.8</td> <td>-27.3%</td> <td>242.8</td> <td>274.4</td> <td>-11.5%</td> </tr> <tr> <td>Net Income (Cont. oper.)</td> <td>-40.4</td> <td>4.2</td> <td>-1061.9%</td> <td>-42.1</td> <td>5.3</td> <td>-894.3%</td> </tr> <tr> <td>EBITDA</td> <td>8.2</td> <td>44.2</td> <td>-81.4%</td> <td>53.4</td> <td>84.2</td> <td>-36.6%</td> </tr> <tr> <td>EBITDA (% of net Sales)</td> <td>2.0%</td> <td>10.5%</td> <td></td> <td>6.2%</td> <td>10.0%</td> <td></td> </tr> </tbody> </table>	in mAED	Q2'23	Q2'22	YoY Change	H1'23	H1'22	YoY Change	Net Sales	405.3	419.9	-3.5%	859.4	838.5	2.5%	Gross profit	104.5	143.8	-27.3%	242.8	274.4	-11.5%	Net Income (Cont. oper.)	-40.4	4.2	-1061.9%	-42.1	5.3	-894.3%	EBITDA	8.2	44.2	-81.4%	53.4	84.2	-36.6%	EBITDA (% of net Sales)	2.0%	10.5%		6.2%	10.0%	
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Summary of financial position as at the end of the financial period	<ul style="list-style-type: none"> <li>• The total equity decreased to 873.3 mAED compared to 928.2 mAED (-54.9 mAED) in Dec'22.</li> <li>• Equity decreases mainly driven by net loss for the period of 45.7 mAED and the foreign currency translation reserve impact of -15.5 mAED resulted in a decline in total equity.</li> </ul>																																										
Summary of cash flows during the financial period	<ul style="list-style-type: none"> <li>• Cashflow used in operating activities reached -22.4 mAED during the current period, followed by cash flow used in investing activities of -11.0 mAED.</li> <li>• During the current period, cashflows from financing activities reached 135.8 mAED, including the execution of the accordion rights for 75 mAED (of 150 mAED) in Q2, in relation to the existing long term facility, as part of the plans for the Year 2023 and beyond.</li> </ul>																																										
Expectations for the sector and the company's role in these expectations	<ul style="list-style-type: none"> <li>• 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%).</li> <li>• The highest volume growth is expected in Latin America, Asia, and Africa, driven by a mix of population growth and expanded access.</li> <li>• Demand for innovative drugs will drive oncology spending almost double the current level.</li> </ul> <p><i>Source: IQVIA Data (Jan 18, 2023)</i></p>																																										

Expectations regarding the economy and its impact on the company and the sector	<ul style="list-style-type: none"> <li>UAE's economy is projected to expand 3.5% (real GDP growth). Continued government stimulus, strong rebound in tourism and construction etc., helped the economic recovery to its pre-COVID-19 crisis level.</li> </ul> <p><i>Source: Oxford economies, Reuters, IMG, Bloomberg, Moody's, Central Bank UAE</i></p>
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"> <li>Continued focus on the strategic areas of business.</li> <li>Strengthen sales organization in core markets and increase market share with the existing portfolio.</li> <li>New alliances and partnerships to strengthen the product portfolio of the Company.</li> <li>Launch new products in core therapeutic areas.</li> <li>Invest in capital expenditure to increase production capacity and new manufacturing technologies and improve operations efficiency</li> </ol>
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"> <li>Expanding the product portfolio with investing in new product dossiers</li> <li>Continuing upgrading the existing production facilities, to continue keeping highest quality standard levels and efficiency.</li> <li>Redesigning current processes to address new requirements from government authorities</li> </ol>
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"> <li>New products launches to add in the product portfolio</li> <li>License arrangement for co-development of products</li> <li>Expedite divestment of non-core areas of business</li> </ol>

The name of the chairman of the company or the authorized signatory	<p><b>Sheikh Saqr Humaid AlQasimi</b></p>
Signature and Date	<p>10 August 2023</p> 
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