

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

<b>Date</b>	20 March 2023
<b>Name of the Listed Company</b>	Gulf Pharmaceutical Industries PSC Julphar
<b>The period of the financial statements covered by the report</b>	Audited financial 2022
<b>Overview of the main results during the financial period</b>	<ol style="list-style-type: none"> <li>1. The net sales for the year reached to 1,616 .1 mAED representing an increase of 41.4% as compared to the previous year.</li> <li>2. The EBITDA from the continuing operations reached 144.6 mAED representing 8.9% of net sales for the year.</li> </ol>
<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>	<ol style="list-style-type: none"> <li>1. Continued and increased focus on the development of the Company's products pipeline</li> <li>2. Successful licensing arrangements for the co-development of products</li> <li>3. Continued successful implementation of two-year strategic turnaround plan</li> <li>4. Approval of new products launches which is line with the strategic roadmap</li> <li>5. The company signed an MOU with the Ministry of Industry and Advanced Technology (MoiAT) to build the Middle East's first factory to produce the first long-acting biological alternative to insulin.</li> </ol>
<b>Summary of operational performance during the financial period</b>	The operational performance of the Company has shown a strong and continued positive trend while overcoming the challenges, including geopolitical challenges. This continued and strong commitment is evidenced by

	<p>the increase in net sales by 41.4% during the year.</p> <p>The Company's strong focus on the output efficiency continues, with sustained output and target of 20 million units' milestone in the last quarter of the year evidencing the strong progress towards strategic roadmap.</p>															
Summary of profit and loss during the financial period	<table><tr><td></td><td>2022</td><td>2021</td></tr><tr><td>Net sales (mAED)</td><td>1,616.1</td><td>1,143.2</td></tr><tr><td>Gross margins (mAED)</td><td>498.6</td><td>383.4</td></tr><tr><td>Gross margins (%)</td><td>30.9%</td><td>33.5%</td></tr><tr><td>EBITDA from continued operations (mAED)</td><td>144.6</td><td>164.8</td></tr></table> <p>Planet Pharmacies LLC ("Planet") financial results were fully consolidated in the Julphar Group from 1 July 2021. During the year 2022, Planet contributed 1,005.3 mAED net sales.</p> <p>The gross margins continued to be sustained and reached 30.9% in the year 2022. This significant improvement after considering the elimination of the one-off event related to the Vaccine business of the previous year which contributed approximately 151.1 mAED gross margins.</p>		2022	2021	Net sales (mAED)	1,616.1	1,143.2	Gross margins (mAED)	498.6	383.4	Gross margins (%)	30.9%	33.5%	EBITDA from continued operations (mAED)	144.6	164.8
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Summary of financial position as at the end of the financial period	<p>The total equity has decreased by 35.6 mAED resulted from net loss for the year of 31.7 mAED (of which 9.0 mAED due to hyperinflation adjustment). The further decline in equity was the result of foreign currency translation reserve by 24.0 mAED followed by the increase in cashflow hedge reserve of 28.2 mAED.</p>															
Summary of cash flows during the financial period	<p>Cashflow from operating activities reached to 19.3 mAED during the year 2022, followed by cashflow used in investing and financing activities of 7.3 mAED and 26.3 mAED during the year 2022.</p>															

<b>Main performance indicators</b>	<p>Net sales 1,616.1 mAED</p> <p>Gross margins 498.6 mAED</p> <p>EBITDA from continuing operations 144.6 mAED</p>
<b>Expectations for the sector and the company's role in these expectations</b>	<p>The global medicine market is expected to grow at 3–6% CAGR through 2027 to about USD1.9 tn with diverging trends by region. Growth in developed economies continues at relatively steady rates with new products offset by patent expires. COVID-19 continues to have an impact on pharmaceutical markets globally and is estimated to expand the net cumulative pharmaceutical market by USD 500 bn from 2020 through 2027</p> <p><i>Source : IQVIA Data</i></p>
<b>Expectations regarding the economy and its impact on the company and the sector</b>	<p>UAE's economy expanded 7.6% real GDP growth in 2022, double the rise from 2021 as the Gulf state rebounded sharply from the Covid-19 pandemic. Continued government stimulus, strong rebound in tourism, construction, and Expo 2020 etc., helped the economic recovery to its pre-COVID-19 crisis level. The economy is expected to grow by 3.9% in 2023.</p> <p><i>Source: Oxford economies, Reuters, IMG, Bloomberg, Moody's, ENBD, Central Bank UAE</i></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 has divested from non-core subsidiaries</li> <li>2. Continue retail pharmacies expansion in UAE and KSA</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 and new therapeutic areas.</li> </ol>



	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 company continues to invest in capital expenditure for achieving targeted growth and sustained performance by:</p> <ol style="list-style-type: none"> <li>1. Expanding the product portfolio with investing in new product dossiers.</li> <li>2. Continuing upgrading the existing production facilities.</li> <li>3. 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>1. Growth strategy 2030</li> <li>2. New products launch to add in the product portfolio</li> <li>3. License agreement for co-development of products</li> <li>4. Divestment of non-core areas of business</li> </ol>

The name of the chairman of the company or the authorized signatory	Sheikh Saqr Humaid AlQasimi
Signature and Date	20 March 2023
Company's Seal	

