


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

Date	14 March 2024
Name of the Listed Company	Gulf Pharmaceutical Industries PSC Julphar
The period of the financial statements covered by the report	Audited financials 2023
Overview of the main results during the financial period	<ol style="list-style-type: none"> 1) Amid the current situation affecting the region and currency devaluation in Egypt, the revenue for the year showed an increase of 1.2% year-over-year (+2.1% at constant currency) and reached to 1.6 billion AED, by properly balancing geographical presence. 2) During the year, Julphar has delivered strong market performance in the GCC with most countries showing a double digit growth. 3) Revenue through our pharmacy retail and whole sales operations, Planet Pharmacies, continues to show a strong momentum, with growth at 6.2% compared to last year, and reaching sales of 1,067 mAED. 4) Gross Margin reached 33.5% compared to 34.5% in 2022. The focus on manufacturing efficiencies started in the year 2023, resulted in sustained cost reduction impact compared to previous year, diluted by onetime events amongst the same. 5) Julphar has recognized the impact of UAE Corporate Tax implementation amounting to 5.4 mAED related to Purchase Price Allocation (PPA) adjustments carried on the Group's consolidated from business combination undertaken in UAE prior to 16 January 2023. 6) Reported EBITDA reached 108.9 mAED (6.6% on Net Sales), and 127.6 mAED (7.7% of Net Sales) when adjusting from one time events related to impairment of overdue receivables of Lebanon subsidized business and other one-time events. 7) Julphar continues making progress on the following areas: <ol style="list-style-type: none"> a. Delivering strong market share increase in core markets in both private and tender sectors with strong momentum in most of the GCC markets. b. Continue delivering cost saving and efficiency initiatives resulting in lower OPEX, in relation to Sales compared to previous year when excluding one time events. c. Continue executing our new product launches and focusing on enhancing our product pipeline.
Securities issued during the financial period	AED nil

<p>Summary of the most important non-financial events and developments during the financial period</p>	<ul style="list-style-type: none"> • Successful licensing and technology transfer agreement signed with Sunshine Lake Pharma to pioneer Insulin Biosimilar Manufacturing in MENA • Strong development on our new product launches strategy, with 54 new product approvals in different countries in 2023, which will be consequently launched in future periods. 																												
<p>Summary of operational performance during the financial period</p>	<ul style="list-style-type: none"> • Company continues focusing on: <ol style="list-style-type: none"> a. Continuous increase of the market share in core markets including United Arab Emirates, Kingdom of Saudi Arabia and other GCC countries while carefully managing the development in the Egyptian market b. Continue implementing sustained cost saving initiatives across most of the areas c. Manufacturing excellence. d. New product launches and execution of the company's product pipeline. e. Implementing effective country risk mitigation plans for Sudan, Iraq and Egypt. 																												
<p>Summary of profit and loss during the financial period</p>	<table border="1"> <thead> <tr> <th><i>in mAED</i></th> <th>YE'23</th> <th>YE'22</th> <th>YoY Change</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>1638.0</td> <td>1616.1</td> <td>1.4%</td> </tr> <tr> <td>Gross profit</td> <td>548.7</td> <td>557.9</td> <td>-1.6%</td> </tr> <tr> <td>Net Income (Cont. oper.)</td> <td>-99.9</td> <td>-26.7</td> <td>274.2%</td> </tr> <tr> <td><i>Net Income (Cont. oper.) Adjusted (*)</i></td> <td><i>-69.6</i></td> <td><i>-26.7</i></td> <td><i>160.8%</i></td> </tr> <tr> <td>EBITDA</td> <td>108.9</td> <td>144.6</td> <td>-24.7%</td> </tr> <tr> <td><i>EBITDA Adjusted (*)</i></td> <td><i>127.6</i></td> <td><i>144.6</i></td> <td><i>-11.8%</i></td> </tr> </tbody> </table>	<i>in mAED</i>	YE'23	YE'22	YoY Change	Net sales	1638.0	1616.1	1.4%	Gross profit	548.7	557.9	-1.6%	Net Income (Cont. oper.)	-99.9	-26.7	274.2%	<i>Net Income (Cont. oper.) Adjusted (*)</i>	<i>-69.6</i>	<i>-26.7</i>	<i>160.8%</i>	EBITDA	108.9	144.6	-24.7%	<i>EBITDA Adjusted (*)</i>	<i>127.6</i>	<i>144.6</i>	<i>-11.8%</i>
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<p>Summary of financial position as at the end of the financial period</p>	<ul style="list-style-type: none"> • The total equity decreased to 806.2 mAED compared to 928.2 mAED (-122.0 mAED) in Dec'22. • Equity decreases mainly driven by total net loss for the year of 98.5 mAED (including discontinued operations), the foreign currency translation reserve impact of -20.1 mAED and the heightened interest rates in 2023 																												
<p>Summary of cash flows during the financial period</p>	<ul style="list-style-type: none"> • Cashflow from operating activities reached +94.2 mAED, showing substantial improvement of 74.9 mAED vs last year thanks to the focus on better management of the working capital. • Cashflows from financing activities reached 103.4 mAED, including the execution of the accordion rights for 150 mAED, in relation to the existing long-term facility, as part of the plans for the Year 2023 and beyond. 																												
<p>Expectations for the sector and the company's role in these expectations</p>	<ul style="list-style-type: none"> • 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%). • The highest volume growth is expected in Latin America, Asia, and Africa, driven by a mix of population growth and expanded access. • Demand for innovative drugs will drive oncology spending almost double the current level. <p><i>Source: IQVIA Data (Jan 18, 2023)</i></p>																												

<p>Expectations regarding the economy and its impact on the company and the sector</p>	<ul style="list-style-type: none"> • UAE economy to grow by 5% in 2024, exceeding the 2.8 per cent growth forecast for the global economy. • The introduction of a 9 per cent corporate tax this year, following the adoption of a 5 per cent value-added tax (VAT) in 2018, contributes to bolstering public finances, contributing to supporting macroeconomic stability. <p><i>Source: GULF BUSINESS JANUARY 2024, S&P GLOBAL</i></p>
<p>Future plans for growth and changes in operations in future periods</p>	<p>The plans for growth of the Company are as follows:</p> <ol style="list-style-type: none"> 1. Continued focus on the strategic areas of business. 2. Strengthen sales organization in core markets and increase market share with the existing portfolio. 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 new manufacturing technologies and improve operations efficiency
<p>The size and impact of current and projected capital expenditures on the company</p>	<p>The Company 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, to continue keeping highest quality standard levels and efficiency. 3. Redesigning current processes to address evolving requirements from government authorities
<p>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>	<p>The implementation of the following projects have been discussed in the Board of Directors' meetings:</p> <ol style="list-style-type: none"> 1. Progress on divestment of non-core areas of business. 2. Update on the progress in the portfolio strategy execution

<p>The name of the chairman of the company or the authorized signatory</p>	<p>Sheikh Saqr Humaid AlQasimi</p>
<p>Signature and Date</p>	<p>14 March 2024</p> 
<p>Company's Seal</p>	