

**discussion report and analysis of the board of directors of the listed
public shareholding company**

Date	13 May 2022
Name of the Listed Company	Gulf Pharmaceutical Industries PSC Julphar
The period of the financial statements covered by the report	Quarter 1 2022
Overview of the main results during the financial period	<p>1. Net sales reached 418.6 mAED and increased by 156% versus Q1 2021.</p> <p>2. EBITDA from continuing operations for the Q1 2022 is 40.0 mAED, which is a substantial improvement compared to an EBITDA from continuing operations of 0.2 mAED in Q1 2021.</p> <p>3. The Group has been successful in its financial turnaround and reached profitability in the reporting period due to:</p> <ul style="list-style-type: none"> • Increase in sales and market share in its core markets including United Arab Emirates, Kingdom of Saudi Arabia, Iraq and Kuwait. • Implementation of cost saving initiatives. • Divestment of non-core activities.
Securities issued during the financial period	AED nil
Summary of the most important non-financial events and developments during the financial period	<p>1. Completion of the strategic turnaround program.</p> <p>2. Increased focus on the development of the company's product pipeline.</p> <p>3. Successful GMP audit by MOHAP and renewal of the GMP certificate.</p>
Summary of operational performance during the financial period	The operational performance of the company showed a significant improvement as compared to previous period due to the sales growth of key brands, market share gain in several MENA markets. Total production output increased by 22% and reached the highest level since 2018.

Summary of profit and loss during the financial period	<table border="1"> <thead> <tr> <th>Key Figures</th> <th>2022</th> <th>2021*</th> </tr> </thead> <tbody> <tr> <td>Net Sales (m AED)</td> <td>418.6</td> <td>163.5</td> </tr> <tr> <td>Gross Margin</td> <td>31%</td> <td>28%</td> </tr> <tr> <td>Net Profit / (Loss) (m AED)</td> <td>1.9</td> <td>(29.2)</td> </tr> <tr> <td>EBITDA from continuing operations (m AED)</td> <td>40.0</td> <td>0.2</td> </tr> </tbody> </table>	Key Figures	2022	2021*	Net Sales (m AED)	418.6	163.5	Gross Margin	31%	28%	Net Profit / (Loss) (m AED)	1.9	(29.2)	EBITDA from continuing operations (m AED)	40.0	0.2
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<p>Planet Pharmacies LLC financial results have been fully consolidated in the Julphar Group as of July 1, 2021. It contributed 258.0 mAED net sales in the period. The Group's gross margin of 31% is affected by one-time effects related to the consolidation of Planet Pharmacies and the lower gross margin of the distribution business of Planet Pharmacies. The gross margin of the Julphar business segment continued its recovery and reached 41% compared to 28% in the previous year period.</p> <p>*after reclassification of Ethiopia into 'Discontinued Operations'.</p>																
Summary of financial position as at the end of the financial period	<p>The equity of the Group decreased from 963.8 mAED to 960.8 mAED in 2022 caused by the EGP currency devaluation impact on the foreign currency translation reserve. There were no significant changes in the financial position of the Group compared to the year end.</p>															
Summary of cash flows during the financial period	<p>Net cash flow from operating activities reached 10.2 mAED during the period 2022, improving from -3.0 mAED in the previous year period. Capital expenditure in property, plant & equipment reduced the net cash flow by -12.0 mAED.</p>															
Main performance indicators	<p>Net Sales 418.6 mAED Net Profit 1.9 mAED EBITDA from continuing operations 40.0 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. (source IQVIA Data)</p>															

<p>Expectations regarding the economy and its impact on the company and the sector</p>	<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 3% in 2022. <i>Source: Oxford economics, Reuters, IMF, Bloomberg, Moody's, ENBD, Central Bank UAE</i></p>
<p>Future plans for growth and changes in operations in future periods</p>	<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.
<p>The size and impact of current and projected capital expenditures on the company</p>	<p>The Group expects continued investment in capital expenditures due to the following:</p> <ol style="list-style-type: none"> 1. Expand its product portfolio by investing in new product dossiers. 2. Upgrading of existing facilities. 3. Purchase of new machinery to increase capacity & achieve efficiency improvements. 4. Redesign current processes to address new 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 during the reporting period</p>	<p>The implementation of the following projects has been discussed in the board of directors' meetings:</p> <ol style="list-style-type: none"> 1. Growth Strategy 2030 2. Divestments of non-core areas of business 3. New product pipeline initiative

<p>The name of the chairman of the company or the authorized signatory</p>	<p>Saqr Humaid Al Qassimi Chairman</p> 
<p>Signature and Date</p>	<p>13 May 2022</p>
<p>Company's Seal</p>	