

## Report and analysis of the board of directors of the listed public shareholding company

<b>Date</b>	10 November 2021
<b>Name of the Listed Company</b>	Gulf Pharmaceutical Industries PSC
<b>The period of the financial statements covered by the report</b>	Q3 2021
<b>Overview of the main results during the financial period</b>	<p>1. Net sales reached 365.7 mAED and increased by 95% versus the previous year period.</p> <p>2. The net profit from continuing operations for the period is 33.3 mAED, which is a substantial improvement compared to a net loss from continuing operations of -.8.5 mAED in Q3 2020.</p> <p>3. Acquisition of 60% shareholding in Planet Pharmacies LLC</p> <p>4. 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"> <li>• The company continued the successful market re-entry to the markets in KSA, Oman, Kuwait and Bahrain after the lifting of the temporary export suspension in 2020.</li> <li>• Increase in sales and market share in other markets including United Arab Emirates, Morocco, Algeria and Egypt.</li> <li>• Contract manufacturing of COVID-19 vaccine</li> <li>• Divestment of non-core activities.</li> </ul>
<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. Manufacturing partnership with G42 for the COVID-19 vaccine Hayat.</li> <li>2. Consolidation of Planet Pharmacies</li> <li>3. Divestment of the company's shares in Gulf Inject</li> <li>4. Continuation of the strategic turnaround project.</li> <li>5. Increased focus on the development of the company's product pipeline.</li> </ol>
<b>Summary of operational performance during the financial period</b>	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 and the vaccines contract manufacturing.

	<table border="1"> <thead> <tr> <th>Key Figures</th> <th>Q3 2021</th> <th>Q3 2020</th> </tr> </thead> <tbody> <tr> <td>Net Sales (m AED)</td> <td>365.7</td> <td>186.9</td> </tr> <tr> <td>Gross Margin</td> <td>25%</td> <td>42%</td> </tr> <tr> <td>Net Profit (m AED)</td> <td>53.8</td> <td>-21.8</td> </tr> <tr> <td>EBITDA from continuing operations (m AED)</td> <td>70.0</td> <td>8.5</td> </tr> </tbody> </table>	Key Figures	Q3 2021	Q3 2020	Net Sales (m AED)	365.7	186.9	Gross Margin	25%	42%	Net Profit (m AED)	53.8	-21.8	EBITDA from continuing operations (m AED)	70.0	8.5
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<p><b>Summary of profit and loss during the financial period</b></p>	<p>Planet Pharmacies LLC financial results have been fully consolidated in the Julphar Group as of July 1, 2021. It contributed 211.8 mAED net sales and 7.9 mAED net profit in Q3 2021. The Group's gross margin of 25% is affected by one-time effects related to the first-time 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 improved by +2.9 %pts compared to Q3 2020.</p> <p>Adjusted EBITDA from continuing operations, excluding the Planet Pharmacies first-time consolidation impact and impact from distributor settlements, reaches 106.1 mAED in the 9-months period.</p>															
<p><b>Summary of financial position as at the end of the financial period</b></p>	<p>The equity of the Group decreased from 1,069.9 mAED to 1,005.9 mAED in 2021, caused by the deconsolidation effect of the divestment of the shareholding in Alpha Pharma and Julphar Bangladesh, compensated by the net profit during the period and the acquisition of Planet Pharmacies.</p> <p>Total liabilities of the Group increased by 198.0 mAED, resulting from the consolidation of Planet Pharmacies.</p>															
<p><b>Summary of cash flows during the financial period</b></p>	<p>Net cash flow from operating activities reached 2.3 mAED during the period January to September 2021, a substantial improvement compared to -139.6 mAED in the previous year. Capital expenditure reduced the net cash flow by -15.0 mAED. The company received proceeds from divestments in the amount of 93.8 mAED during the 9-months period and spent 286 mAED on acquisitions.</p> <p>Furthermore, the company entered a new syndicated loan facility and repaid all past bank debt.</p>															

<b>Main performance indicators</b>	Net Sales 365.7 mAED Net Profit 53.8 mAED EBITDA from continuing operations 70.0 mAED
<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; North 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 in MENA 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 generics market will maintain higher growth for reasons like public budgetary pressures, 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 pandemic impact, Expo 2020, etc., should eventually help the economy to revert to its pre-COVID-19 crisis level toward the end of 2021, with full recovery expected by 2022. The economy is expected to grow by 2.4% in 2021.</p> <p><i>Source: Oxford economics, Reuters, IMF, 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. 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 and new therapeutic areas.</li> <li>6. Invest in capital expenditure to increase production capacity and new manufacturing technologies and improve operations efficiency.</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 during the reporting period</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. Acquisition of 60% shareholding in Planet Pharmacies</li> <li>3. New product pipeline initiative</li> </ol>

<b>The name of the chairman of the</b>	<b>Saqr Humaid Al Qassimi</b>
<b>The authorized signatory</b>	<b>Chairman</b>
<b>Signature and Date</b>	<b>10 November 2021</b>