

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

Date	12 November 2020
Name of the Listed Company	Gulf Pharmaceutical Industries PSC
The period of the financial statements covered by the report	3rd Quarter 2020
Overview of the main results during the financial period	<p>1. Sales reached 186.9 mAED and increased during the period versus previous period, primarily because of the lifting of the temporary suspension on export of products to KSA, Oman, Kuwait & Bahrain.</p> <p>2. The net loss is -21.8 mAED, which is a substantial improvement versus previous year.</p> <p>3. The decrease of the net loss during the quarter is achieved due to the substantially increased net sales, expense reduction and gross margin improvement. In addition, the previous year period included one-time expenses for penalties, provision for inventories etc.</p> <p>4. The company continued its successful market reentry into KSA, Oman, Kuwait and Bahrain after the lifting of the temporary export suspension into these countries.</p> <p>6. The Group has successfully restructured its capital base by reducing the issued share capital to extinguish the accumulated losses as at 31 December 2019 followed by a rights issue at a price of AED 1 per share. The rights issue was successfully completed in July 2020 and was oversubscribed 2.3 times. The funds were used to settle the loan from a related party and for working capital financing.</p>
Securities issued during the financial period	Share capital increase of AED 500 million through the issuance of new shares with a nominal value of AED 1 (one dirham)
Summary of the most important non-financial events and developments during the financial period	<p>1. Appointment of new Chief Commercial Officer .</p> <p>2. Continuation of the strategic turnaround project.</p> <p>3. Signing of share sale agreement of Julphar Bangladesh Ltd.</p>
Summary of operational performance during the financial period	The operational performance of the company showed a significant improvement as compared

	<p>to previous year due to the resumption of shipments to KSA, Oman, Kuwait & Bahrain. The Group also reported substantial cost savings in selling & distribution expenses.</p> <p>Further, the associate of the Group (Planet Pharmacies) reported a profit as the associate took back control of its pharmacies in KSA.</p>
Summary of profit and loss during the financial period	The losses of the Group have decreased from the previous period from -202.7 mAED in 2019 to -21.8 mAED in 2020.
Summary of financial position as at the end of the financial period	The equity of the Group has increased from 878 mAED to 1,267.1 mAED in 2020 following the successful completion of the rights issue
Summary of cash flows during the financial period	Cash flow from operations was negative during the period due to the necessary investment in working capital. The Group obtained cash inflows from the rights issue of 500 mAED in July 2020. 300 mAED were used to repay a shareholder loan.
Main performance indicators	<p>Net Sales 186.9 mAED</p> <p>Net Loss 21.8 mAED</p>
Expectations for the sector and the company's role in these expectations	<p>The size of the pharmaceutical market in Middle East & Africa is valued at USD 43.8 bn in 2020 and is expected to reach USD 54.4 bn in 2024. The pharma market is expected to grow at a CAGR of 6%.</p> <p>The Group expects that its CAGR between 2020-2024 will reach low double-digit percentage.</p> <p>Generally, the generic market is accounting for about 40% of the total pharmaceutical market and it is showing about 7.7% growth while the total market is growing by 6.2% in the private segment of key markets (UAE, KSA, Egypt, Algeria, Tunisia, Jordan, Kuwait and Lebanon). It is expected that the generic market will maintain higher growth for reasons like public budgetary pressure, the support for the local manufacturers and patent expiry. (source IMS Data)</p>
Expectations regarding the economy and its impact on the company and the sector	<p>UAE is projected to witness a -5.2% growth in 2020. UAE's non-oil segment comprising sectors like tourism and real estate are expected to record 0.1% GDP growth, down from -2.5% forecasted previously. In 2021 it is expected that growth will rebound as the policy makers take measures to stimulate aggregate demand.</p> <p>The COVID pandemic represents considerable uncertainties for the company. Product demand is negatively affected in product areas related to elective treatment procedures. However this</p>

	also represents an opportunity for Julphar to reposition itself in GCC as a leading healthcare provider by providing affordable medicines to governments & hospitals and addressing the increased demand in COVID-19 related medication.
Future plans for growth and changes in operations in future periods	The future plans for growth of the company are as follows: 1. Focus on strategic areas of business as the company divests from non-core subsidiaries. 2. Regain market leading positions in KSA, Kuwait & Oman. 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 to improve operations efficiency.
The size and impact of current and projected capital expenditures on the company	The Group expects continued investment in capital expenditures due to the following: 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.
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	The implementation of the following projects has been discussed in the board of directors meetings: 1. Strategic turnaround of the company 2. Divestments of non-core areas of business
The name of the chairman of the company or the authorized signatory	Saqr Humaid AlQassimi Chairman
Signature and Date	November 12, 2020
Company's Seal	

