

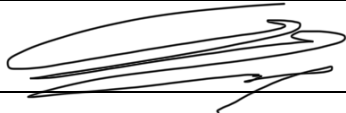
Discussion report and analysis of the board of directors of the listed public shareholding company

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| Date | 17 March 2025 |
| Name of the Listed Company | Gulf Pharmaceutical Industries PSC Julphar |
| The period of the financial statements covered by the report | Audited Financials 2024 |
| Overview of the main results during the financial period | <ol style="list-style-type: none"> 1. Revenue Performance: Revenue from continued operations for the fiscal year amounted to 1,312.5 mAED, reflecting a 2.7% year-over-year expansion (4.1% at constant currency), underscoring the company's sustained growth trajectory and robust financial standing. 2. Market Performance & Regional Challenges: Despite the macroeconomic and geopolitical challenges across different markets in the region including currency devaluation in Egypt and Ethiopia, the company delivered double-digit revenue growth across GCC markets, showcasing its resilience and strategic adaptability. 3. Gross Margin Improvement: Gross margin from continued operations expanded to 39.6%, compared to 33.3% in the prior year, enhanced by strong operational efficiency programs, cost optimization strategies, and manufacturing excellence initiatives. 4. EBITDA Growth: Reported EBITDA from continued operations surged to 144.7 mAED (11.0% of net sales), a substantial increase from 47.5 mAED (3.7% of net sales) in the previous year, reflecting the company's commitment to operational excellence, margin expansion, and cost optimization. 5. The company recorded a net income from continued operations of 16.3 mAED delivering a growth of 92.2 mAED, primarily driven by operating income growth from -19.5 mAED to 79.6 mAED (508.2%) 6. Julphar continues to make significant strides in the following areas: <ol style="list-style-type: none"> a. Expanding Market Share: Sustaining growth across core markets in both private and tender sectors, with strong momentum across key GCC regions. |

| | <p>b. Enhancing Operational Efficiencies: Driving cost optimization initiatives and streamlining operations to improve financial and operational performance.</p> <p>c. Advancing New Launches: Executing new product launches while strengthening and expanding the product pipeline to enhance market competitiveness.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------------------------|------------|-------|------------|-----------|--------|--------|------|--------------|-------|-------|-------|------------|------|-------|--------|--------|-------|------|--------|-----------------------------------|-------|-------|------------|------------|------|-------|--------|--------|-------|-------|--------|
| Securities issued during the financial period | AED nil | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Summary of the most important non-financial events and developments during the financial period | <ul style="list-style-type: none"> The Company announced a Greenfield project in KSA as part of the strategic growth of the company The company has successfully registered 72 new products across MENA. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Summary of operational performance during the financial period | <p>Julphar continues to advance in key strategic areas:</p> <ul style="list-style-type: none"> Market Share Expansion: The company will continue to enhance its footprint in core therapeutic segments, delivering robust performance in private and tender markets across the UAE, KSA, and other GCC countries. Operational Efficiencies & Cost Optimization: Sustained focus on enhancing operational efficiencies and cost management with the cost of sales decreasing by 6.9% and operational expenses decreasing by 1.1%. Product Portfolio Expansion: Accelerating new product launches and pipeline development to fortify market leadership and revenue diversification. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Summary of profit and loss during the financial period | <table border="1"> <thead> <tr> <th><i>in mAED (Cont. operations)</i></th> <th>YE'24</th> <th>YE'23</th> <th>YoY Change</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>1312.5</td> <td>1277.5</td> <td>2.7%</td> </tr> <tr> <td>Gross profit</td> <td>519.1</td> <td>425.1</td> <td>22.1%</td> </tr> <tr> <td>Net Income</td> <td>16.3</td> <td>-75.9</td> <td>121.5%</td> </tr> <tr> <td>EBITDA</td> <td>144.7</td> <td>47.5</td> <td>204.6%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th><i>in mAED (Total operations)</i></th> <th>YE'24</th> <th>YE'23</th> <th>YoY Change</th> </tr> </thead> <tbody> <tr> <td>Net Income</td> <td>44.9</td> <td>-98.5</td> <td>145.6%</td> </tr> <tr> <td>EBITDA</td> <td>254.3</td> <td>112.4</td> <td>126.2%</td> </tr> </tbody> </table> <p>*** During 2024 the company divested the wholly owned subsidiary Diabtec LLC, partially contributing to the growth of total operational EBITDA, where a one-time capital gain recorded of 37.6 mAED.</p> | <i>in mAED (Cont. operations)</i> | YE'24 | YE'23 | YoY Change | Net sales | 1312.5 | 1277.5 | 2.7% | Gross profit | 519.1 | 425.1 | 22.1% | Net Income | 16.3 | -75.9 | 121.5% | EBITDA | 144.7 | 47.5 | 204.6% | <i>in mAED (Total operations)</i> | YE'24 | YE'23 | YoY Change | Net Income | 44.9 | -98.5 | 145.6% | EBITDA | 254.3 | 112.4 | 126.2% |
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| Summary of financial position as at the end of the financial period | <ul style="list-style-type: none"> Total equity reached 809.6 mAED, compared to 806.2 mAED in December 2023, reflecting a net increase of 3.4mAED. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <ul style="list-style-type: none"> • This increase was primarily driven by a total net profit of 44.9 mAED (including discontinued operations). • However, the impact of currency devaluation in the Egyptian pound and Ethiopian birr resulted in a negative adjustment of 31.0 mAED on the foreign currency translation reserve, further impacted by a fair valuation loss on the cash flow hedge. |
| <p>Summary of cash flows during the financial period</p> | <p>1) Operating Cash Flow:</p> <ul style="list-style-type: none"> • Strengthened significantly from 93.6 mAED in YE 2023 to 245.0 mAED in YE 2024, marking an uplift of 151.4 mAED, reflecting optimized working capital management and enhanced cash conversion cycles. <p>2) Financing Activities:</p> <p>Cash flow from financing activities amounts to -190.3 mAED, with the following break- up:</p> <ul style="list-style-type: none"> Term loan repayment of -90.0 mAED. Financing costs of -64.6 mAED. |
| <p>Expectations for the sector and the company's role in these expectations</p> | <p>1) The MEA pharmaceutical market reached \$32.2 B in value and 8.7 B units in 2023.</p> <p>2) MEA region sales showed a split trend: value sales grew significantly by 12.2% (9.6% CAGR), while volume sales achieved a minor 0.7% decrease, despite a 1.6% CAGR</p> <p>3) Market Segmentation:</p> <ul style="list-style-type: none"> • Retail channel dominates the MEA, accounting for 68.9% (\$23.3 b) of total value sales, with a 13.9% PPG. In volume, retail represents 81.8% (7.0 b units) with 1.1% PPG . • Hospital channel sales grew 8.6% PPG in value, but volume declined by -8.1% PPG. <p>4) Future Market Projections (2028):</p> <ul style="list-style-type: none"> • The global pharmaceutical market is projected to reach \$2.27 T by 2028, with a CAGR of 7.4% (2023–2028). • The MEA pharmaceutical market is expected to reach \$63.3 billion (CAGR: 7.4% globally, 5.7% in MEA). <i>Source: IQVIA Data Middle East & Africa Pharmaceutical Market Insights (September 2024)</i> |
| <p>Expectations regarding the economy and its impact on the company and the sector</p> | <ul style="list-style-type: none"> • According to the IMF World Economic Outlook, the UAE's real GDP is projected to sustain at 4.0% in 2024 and increase to 5.1% in 2025. |

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| | <ul style="list-style-type: none"> This economic growth is expected to catalyze pharmaceutical sector growth, fostering greater healthcare investments and a stronger demand for pharmaceutical products. |
| Future plans for growth and changes in operations in future periods | <p>Julphar continues to advance its long-term strategic priorities, including:</p> <ol style="list-style-type: none"> 1) Expanding market share in strategic markets. 2) Accelerating in-house R&D efforts and fostering strategic alliances to enhance the product portfolio. 3) Launching new products in core therapeutic areas to drive growth and market competitiveness. 4) Investment in new pharma and biotech manufacturing facility in the Kingdom of Saudi Arabia. |
| The size and impact of current and projected capital expenditures on the company | <p>To drive long-term value creation and operational excellence, the company remains focused on:</p> <ol style="list-style-type: none"> 1. Research & Development: Expanding and enriching the product portfolio through R&D investments. 2. Manufacturing Facility Enhancements: Upgrading existing production facilities to maintain high-quality standards and improve operational efficiency. <p>The company invested 53.1 million AED in capital expenditures, which included infrastructure upgrades, equipment modernization, process optimization, and research and development, to enhance performance of the company and improve productivity .</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>The Board of Directors has reviewed and discussed the following key areas:</p> <ol style="list-style-type: none"> 1) Performance Evaluation: Assessment of progress against the 2024 budget. 2) Business Portfolio Optimization: Updates on the divestment of non-core business areas. 3) Product Portfolio Development: Review of advancements in portfolio expansion and strategic growth initiatives. |

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| The name of the chairman of the company or the authorized signatory | Sheikh Saqr Humaid Al Qasimi |
| Signature and Date | 17 March 2025  |
| Company's Seal | |

