

Sopharma Group

Annual consolidated financial results for 2021





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Who are we?

Sopharma Group

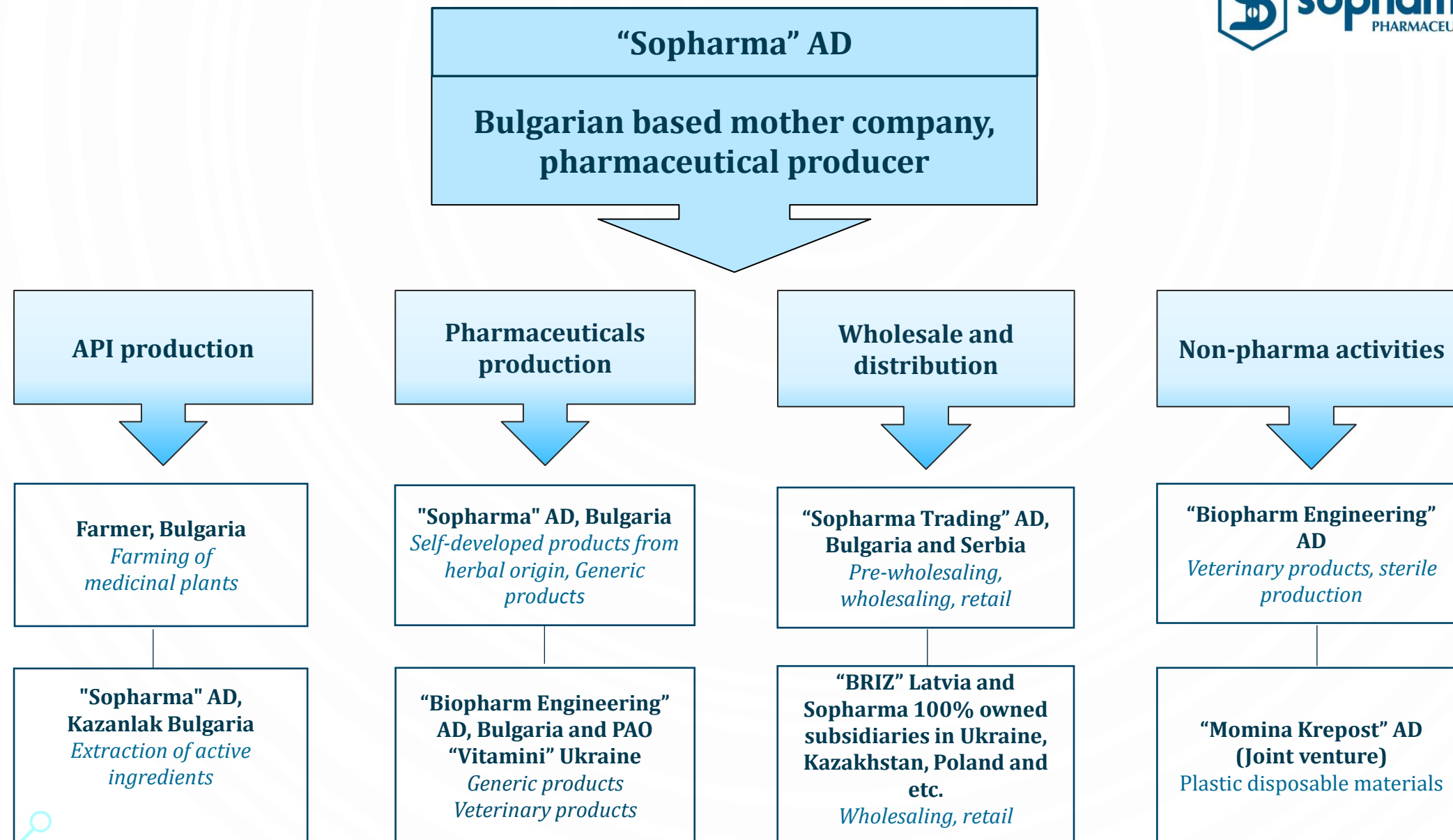


The Group is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other health related products and services.

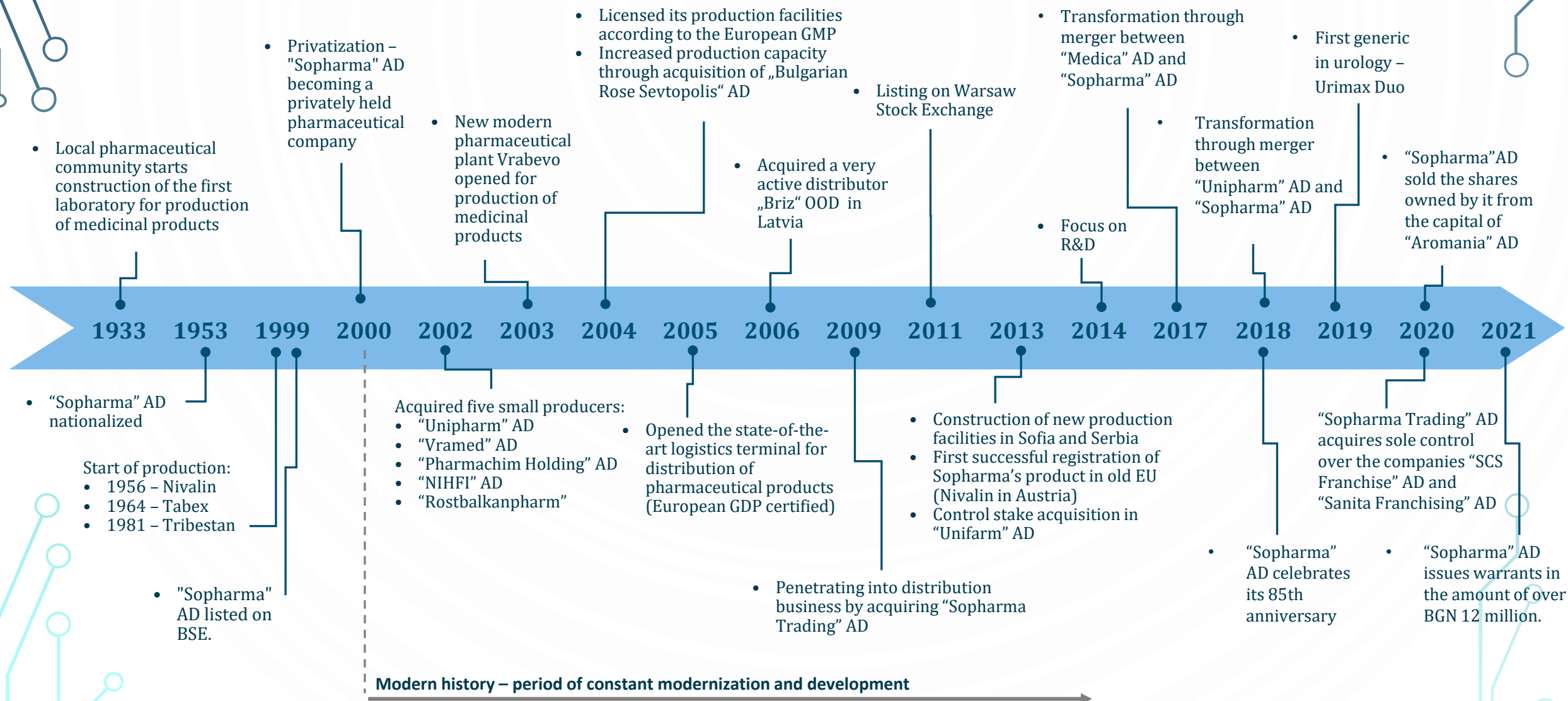
The Group works in the following areas:

- Production of active pharmaceutical ingredients;
- Pharmaceutical production;
- Wholesale and distribution;
- Non-pharmaceutical activities.





Brief history and key milestones:





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Our business

Sopharma Group



**№1 manufacturer of
ampules and suppositories**



**Revenues
BGN 1 603 310
thousand**



**More than 200
products**



**Company with established
traditions and experience**



**EBITDA
BGN 116 706
thousand**



**8
manufacturing plants**



**134 797 899
shares**

Key financial indicators



Sales revenues increase with 11.4%



EBITDA increases with 26.3%



Operating profit increases with 38.7%



Net profit increases with 262.7%



Capex increases with 4.4%

Indicators	2021	2020
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenues	1 603 310	1 438 826
EBITDA	116 706	92 433
Operating profit	63 519	45 800
Net profit	91 703	25 280
CAPEX	43 538	41 720
	31.12.2021	31.12.2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	633 746	629 935
Current assets	571 232	612 177
Owners' equity	658 868	566 595
Non-current liabilities	122 218	131 066
Current liabilities	423 892	544 451

“Sopharma” AD as a partner:



Team work



Experience



Partner in success

Our company offers a large variety of CM services:

- EU-GMP compliant pharmaceutical contract manufacturing;
- EU primary and secondary packaging services for international markets;
- Development of various dosage forms;
- Technological transfer of customer-developed products;
- Process validation;
- EU batch release and batch control.

Sopharma offers manufacturing of different dosage forms:

- Solid dosage forms (film-coated tablets, hard gelatin capsules);
- Semi-solid dosage forms (creams, gels, ointments, suppositories);
- Sterile dosage forms (terminal sterilization and aseptic preparation, BFS technology);
- Non-sterile solutions (syrups, oral suspensions, ear drops, liquids for external use).

Ecology and environmental protection



The Company applies measures to:

- separate collection of waste, minimization, recovery and recycling of production and household waste;
- provide appropriate personnel training on environmental and pollution prevention issues;
- responsibly fulfill the imperative requirements of the Packaging and Waste Ordinance and pays its product tax in accordance with Regulation for Packaging and Wastage from Packaging;
- measure annual emissions of waste gases into the ambient air from the Solid Form Factory;
- once every two years, own periodic measurements (STI) of waste gases in the atmospheric air are carried out at the Steam Power Plant Installation at sites "A" and "B". Emissions are measured and reported in 2021;
- Sofiyska Voda measures on a monthly basis emissions in wastewater at production sites A and B;
- every quarter the drinking water from the production plants is given for testing (short chemical and microbiological analysis) in an accredited laboratory;
- twice a year the groundwater and wastewater are given for testing in an accredited laboratory according to the permits for water abstraction and for use of surface water body.

In 2021 the separately collected waste was decreased by 0.3% compared to the previous year.





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Management, shares and dividends

Board of Directors



Ognian Donev, PhD
Chairman of the BoD
and Executive Director

He studied in Hamburg, Vienna, and graduated in "International Economic Relations" in Sofia University of Economics. Mr. Donev obtained a Doctor's degree in Economics in 1986 in Berlin. Ognian Donev is a Executive director of "Sopharma" AD since 2000.



Vessela Stoeva
Deputy-chairman of the BoD

Completes her higher education in the Economic University in Sofia with "Finance and credit". She is at "Sopharma" AD since 2000 as an economic advisor to the CEO and Deputy-chairman of the Board of directors. Mrs. Stoeva is also Deputy-chairman of the Board of Directors of Elpharma AD.



Ivan Badinski
Member of the BoD

Mr. Badinski owns an "Organization and Economics of Distribution and Pharmacy Practice" and professional qualification as a "Health manager". In 2000 Mr. Badinski worked in the company as a director of co-operation and licenses. From September 2015, he is a procurator of "Sopharma" AD.



Bissera Lazarova
Member of the BoD

Mrs. Lazarova has completed her higher economic education, specialty "International Economic Relations" at HIE "Karl Marx" Sofia. Mrs. Lazarova's professional experience includes a number of leadership positions in the field of international trade, accounting and control, organization. From 2002 to 2021 Mrs. Lazarova worked as an assistant to the CEO of "Sopharma" AD.



Alexandar Tchaoushev
Independent Member of the BoD

He graduated from the English Language School in Sofia and later completed his higher education at the Moscow State Institute of International Relations.

Mr. Chaushev is a member of the Board of Directors of "Sopharma" AD since 2011.

Shareholder structure at 31 December 2021

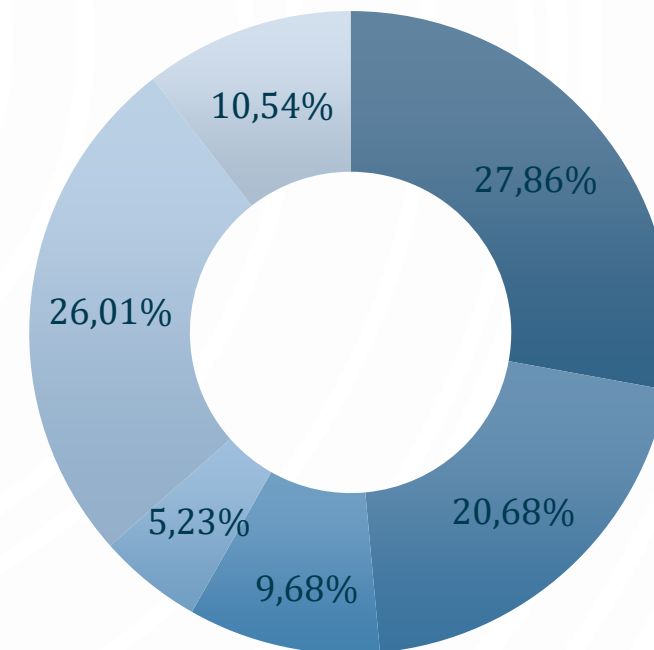


134 797 899 shares with nominal value BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – directly **6 608 350** shares, **4.90%** of capital and indirectly **37 559 169** shares, **27.86%** through “Donev Investments Holding” AD;
- Alexander Tchaoushev – **262 442** shares, **0.19%** of capital;
- Vessela Stoeva – **150** shares;
- Ivan Badinski – **350** shares;
- Bissera Lazarova – **0** shares.



- "Donev Investments Holding" AD
- "Telecomplex invest" AD
- "Sopharma" AD (treasury shares)
- CUPF "Alianz Bulgaria"
- Other companies
- Physical persons

Information about the shares



134 797 899 shares with nominal value BGN 1 per share.



The shares of the Company are traded on the “Bulgarian Stock Exchange – Sofia” AD, the Main Market (BSE), the PREMIUM segment and on the official market of the Warsaw Stock Exchange.



Information on the acquisition of own shares



- In the current year 4 043 533 shares were purchased and no shares sold.
- The treasury shares purchased during the year amount to 3% of the Company's share capital and the average acquisition price is BGN 4,12 per share.
- “Sopharma” AD holds 13 055 000 own shares, representing 9.68% of the Company's capital.

	Shares	Equity, net of treasury shares
	Number	BGN '000
Balance at 1 January 2020	125,684,432	100,656
Sold back Treasury shares	253,748	949
Treasury shares repurchased	(151,748)	(461)
Expense on treasury shares	-	(2)
Balance at 31 December 2020	125,786,432	101,142
Treasury shares repurchased	(4 043 533)	(16 546)
Expense on treasury shares	-	(82)
Balance at 31 December 2021	121 742 899	84 514

Dividend policy



- “Sopharma” AD is a pioneer in the payment of a 6-month dividend and after the introduction of this legislative opportunity in 2018 the Company has been taking advantage of it for the third year.
- “Sopharma Trading” AD has a solid dividend policy, the payment is still over 50% from the achieved positive financial result.

Dividend per share in BGN

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
"Sopharma" AD	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.12	0.04
"Sopharma Trading" AD	0.15	0.17	0.20	0.23	0.27	0.30	0.30	0.30	0.30	0.30	none

Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
"Sopharma" AD	28%	23%	23%	27%	-	37%	36%	30%	28%	16%	17%
"Sopharma Trading" AD	75%	85%	91%	91%	82%	82%	74%	70%	55%	51%	-

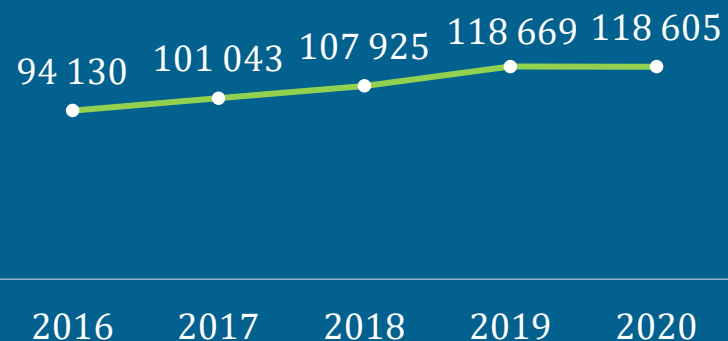


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Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



The data show a decrease of GDP for 2020 in real terms by 4.2% compared to 2019.

GDP per capita

BGN 17 146 (€ 8 748)

Currency

BGN fixed to the euro from 1998
(€ 1 = BGN 1.96)

Health budget 2021

BGN 6,5 billion

Pharmaceutical industry

99% private



Area

111.000 km²

Population

6.951 million

Member of EU

since 2007

Source: NSI 2020



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Financial indicators of Sopharma Group

Operating revenues



- **Sales revenues of the Group**

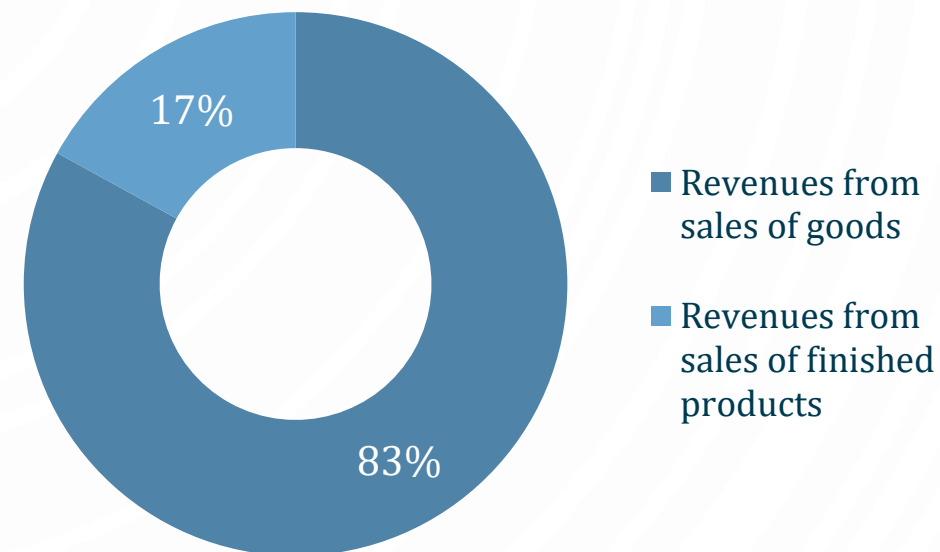
Sales revenues of the Group increased with BGN 164,5 million or 11.4%, reaching BGN 1 603,3 million in 2021 compared to BGN 1 438,8 million in 2020.

- **Bulgaria**

The contribution of sales in Bulgaria to the consolidated sales revenues in 2021 amounted to 66%, increasing by 9.4% compared to 2020. “Sopharma” AD has a 2.84% share on the Bulgarian pharmaceutical market in terms of value and a 10.49% share in terms of units.

- **Europe**

For 2021 on a consolidated basis revenue from sales of finished products in Ukraine increased by 7.1% compared to the previous period. There was an increase with 25.5% in sales of finished products in the Baltic states, Serbia by 47.8%, Uzbekistan by 27.8%, on the markets in the Caucasus region Belarus and Moldova with 3% and others. In Russia, sales of finished products decreased by 7.4% compared to the previous period. A decrease was also registered in sales of finished products in Kazakhstan by 4.4%, in Poland by 0.5%, in Vietnam by 19.1% and others.



Other operating revenues



- **Other operating revenues** increased by BGN 1,2 million to BGN 13,8 million in 2021 compared to BGN 12,7 million in the previous period.



Other operating revenues	2021	2020	Change	rel. share
	BGN '000	BGN '000	%	2021 %
Services rendered	6 474	5 845	10%	47%
Government grants	1 482	1 298	12%	11%
Rentals	1 260	1 014	20%	9%
Written-off liabilities and reversed provisions	751	2 640	-252%	5%
Gains/(losses) on exchange differences under trade receivables and payables and current accounts	538	-1 650	407%	4%
Gain on sale of property, plant and equipment	406	729	-80%	3%
Social activities and events	214	219	-2%	2%
Gain on change in the fair value of investment property	213	181	15%	2%
Interest on current accounts	134	387	-189%	1%
Gain on sale of materials	84	167	-99%	1%
Awarded amounts under litigations	73	166	-127%	1%
Other	2 201	1 681	24%	16%
Total operating revenues	13 830	12 677		100%

Operating expenses



- For the current period more significant changes are reported in personnel expenses, which increased by BGN 16,5 million and depreciation and amortization expenses, which increased by BGN 6,6 million. The main reason is the acquisition of new pharmacy companies at the end of the last year. The external service expenses decreased by BGN 4,9 million. The most significant change is in manufacturing expenses, which decreased by BGN 1,8 million. There was also a decrease in other expenses by BGN 1,9 million.

Operating expenses	2021	2020	Change	rel. share of expenses in 2021
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	8 721	2 124	76%	1%
Raw materials and consumables used	83 122	89 324	-7%	5%
Hired services	75 927	80 869	-7%	5%
Personnel	150 061	133 547	11%	10%
Depreciation and amortization	53 187	46 633	12%	3%
Carrying amount of goods sold	1 166 508	1 041 687	11%	75%
Other operating expenses	16 095	15 767	2%	1%
Total operating expenses	1 553 621	1 409 951		100%

Financial income



Financial income and expenses in 2021 net registered a loss of BGN 5,2 million, which is a decrease of the loss by BGN 8,9 million compared to the same period of the last year. This change is primarily the result of the net foreign exchange loss registered last year on foreign currency loans and lease agreements of BGN 5,5 million, which is mainly due to the depreciation of the Belarusian ruble and its effect on debt exposure in euros and dollars of the Group companies in Belarus. In the current period, the net profit from exchange rate differences on foreign currency loans and lease agreements amounts to BGN 1,5 million. Interest expenses on loans received also decreased by BGN 2,2 million.

Financial income	2021	2020	Change	relative share of income of 2021
	BGN '000	BGN '000	%	%
Interest income on loans granted	2 248	2 641	-17%	34%
Interest income on past due trade receivables	1 916	1 594	17%	29%
Net gains from exchange differences from loans denominated in foreign currencies and leases	1 489	0	100%	22%
Shareholding income (dividends)	271	510	-88%	4%
Net gain from exchange differences from receivable on transactions in securities	266	0	100%	4%
Interest on receivables under special contracts	190	77	59%	3%
Net gain on transactions with investments in securities	152	93	39%	2%
Net change in the allowance for impairment of credit losses on receivables under business loans granted	46	132	-187%	1%
Interest income on bank deposits	35	22	37%	1%
Income from guarantorships and guarantees	19	0	100%	0%
Reversed impairment of credit losses on cash	0	12		0%
Total	6 632	5 081		100%

Financial income

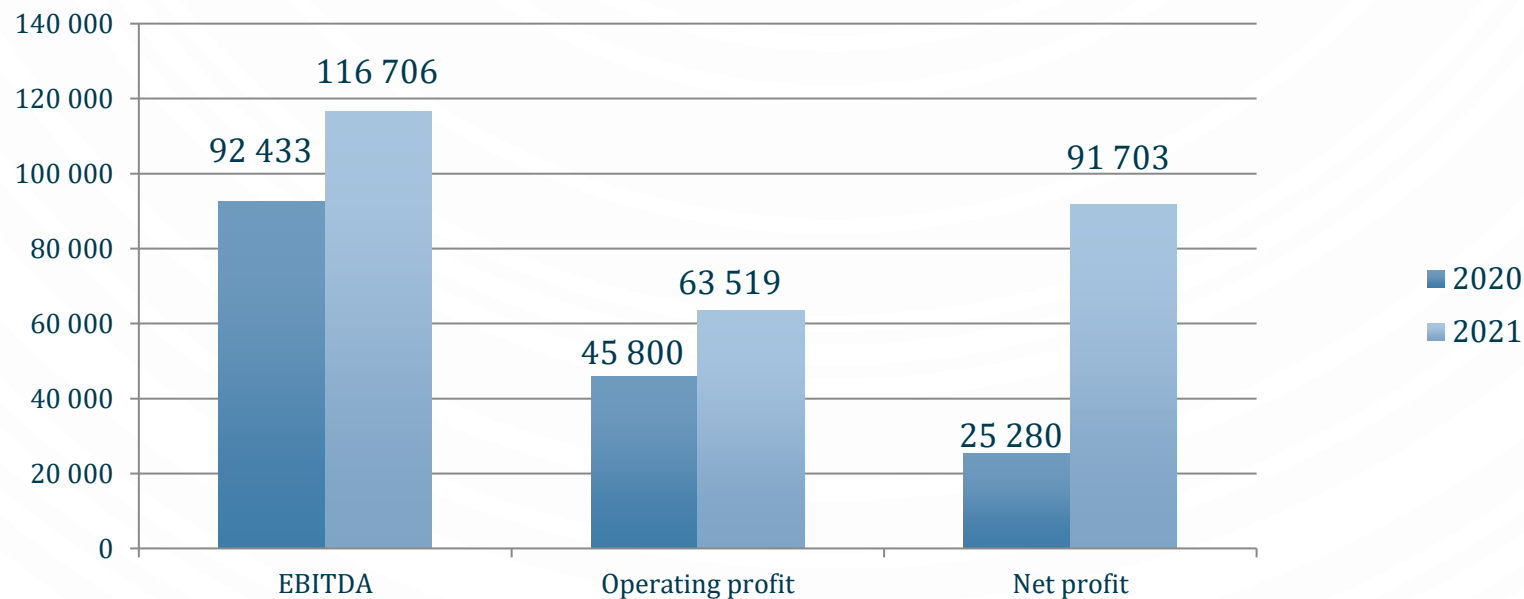
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Financial expenses	2021	2020	Change	relative share of expense of 2021
	<i>BGN '000</i>	<i>BGN '000</i>	%	%
Interest expense on loans received	7 944	10 061	-27%	67%
Interest expense on leases	1 751	1 648	6%	15%
Bank fees and charges on loans and guarantees	960	813	15%	8%
Interest expense under factoring agreement	714	582	18%	6%
Expense for other interest	382	118	69%	3%
Provision for financial guarantees	45	88	-96%	0%
Impairment of credit losses on guarantorship fees	1	0	100%	0%
Net loss on exchange differences from loans denominated in foreign currencies and leases	0	5 469		0%
Net loss from exchange differences from transactions with investments in securities	0	294		0%
Deregistered capital of a company within the scope of long-term equity investments	0	26		0%
Total	11 797	19 099		100%

Financial result



- **EBITDA** increased by BGN 24,2 million or by 26%, while in 2021 it amounted to BGN 116,7 million compared to BGN 92,4 million in 2020. The increased profit margin of the sold goods by 1.7% to 13.9% compared to 2020 has a positive impact, largely due to the acquired new pharmacies in the Group at the end of last year.
- **Profit from operating activities** increased by BGN 17,7 million or by 39%, to BGN 63,5 million in 2021 compared to BGN 45,8 million in 2020.
- **Net profit** increased by BGN 66,4 million or 263% to BGN 91,7 million in 2021 compared to BGN 25,3 million in 2020. In addition to the effect of operating activities, the reduced financial expenses as a result of exchange rate losses, as well as the profits reported during the current period from associates in the amount of BGN 12,1 million and the gains from acquisitions and disposals have a more significant positive impact of shares in subsidiaries in the amount of BGN 37,2 million, which are a consequence of the sale of the shares in Briz Latvia and all Belarusian companies.



Assets

- Non-current assets** increased by BGN 3,8 million. The decrease is registered as a result due to the written-off book value of assets on disposal of investment in subsidiaries. The acquired tangible and intangible fixed assets for the period amounted to BGN 43,5 million. Investments in associates and joint ventures increased by BGN 64,5 million as a result of the additionally acquired shares and the reclassification of “Sopharma Imoti” REIT as an associated and “Momina Krepost” AD as a joint venture on the one hand, as well as from the reported share in the current profit and the increased share in the associated company “Doverie-obedinen holding” AD.
- Current assets** increased to BGN 40,9 million, mainly due to the decrease of trade receivables with BGN 22,9 million and the decrease of inventories with BGN 31,6 million, while cash increased by BGN 12,4 million.

Assets	31.12.2021 BGN '000	31.12.2020 BGN '000	Change %	rel. share 2021
Non-current assets				
Property, plant and equipment	362 393	395 872	-9%	30%
Intangible assets	54 421	58 272	-7%	5%
Goodwill	13 420	13 269	1%	1%
Investment properties	9 446	11 691	-24%	1%
Investments in associated and joint ventures	127 320	62 811	51%	11%
Other long - term equity investments	5 778	14 294	-147%	0%
Long-term receivables from related parties	49 696	59 726	-20%	4%
Other long-term receivables	10 222	11 951	-17%	1%
Deferred tax assets	1 050	2 049	-95%	0%
Total	633 746	629 935		53%
Current assets				
Inventories	255 949	287 569	-12%	21%
Commercial receivables	227 832	250 707	-10%	19%
Receivables from related parties	14 479	6 682	54%	1%
Other short-term receivables and assets	35 250	41 926	-19%	3%
Cash and cash equivalents	37 722	25 293	33%	3%
Total	571 232	612 177		47%
TOTAL ASSETS	1 207 249	1 242 112	-3%	100%

Owner`s equity and liabilities



- **The equity** of Sopharma Group increased by BGN 94,3 million compared to 31.12.2020 as a result of the reported net current profit and other capital components (warrants).
- **The liabilities** decreased by BGN 129,4 million compared to the end of 2020. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 94,7 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 107,3 million to BGN 292,9 million. The trade liabilities decreased by BGN 21,4 million compared to the end of the last year. The decrease in liabilities is a result of both the generated free cash flow and the release of shares in subsidiaries in Latvia and Belarus and, respectively, the non-consolidation of liabilities in these companies.

OWNER'S EQUITY	31.12.2021	31.12.2020	Change	rel. share compared to OE 2021
	BGN '000	BGN '000	%	%
Equity attributable to equity holders of the parent				
Share capital	134 798	134 798	0%	20%
Reserves	55 031	57 701	-5%	8%
Other capital components	12 512	-		2%
Retained earnings				
Other capital components	444 634	360 770	19%	67%
Non-controlling interests	11 893	13 326	-12%	2%
TOTAL EQUITY	658 868	566 595	14%	100%
LIABILITIES				rel. share compared to total liabilities 2021
Non-current liabilities				
Long-term bank loans	42 907	34 567	19%	8%
Deferred tax liabilities	8 472	7 937	6%	2%
Non-current liabilities to related parties	10 210	8 783	14%	2%
Retirement benefit obligations	7 622	7 339	4%	1%
Lease liabilities	38 589	49 593	-29%	7%
Government grants	6 783	10 422	-54%	1%
Other non-current liabilities	7 635	12 425	-63%	1%
	122 218	131 066	-7%	22%

Owner`s equity and liabilities



- **The liabilities** decreased by BGN 129,4 million compared to the end of 2020. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 94,7 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 107,3 million to BGN 292,9 million. The trade liabilities decreased by BGN 21,4 million compared to the end of the last year. The decrease in liabilities is a result of both the generated free cash flow and the release of shares in subsidiaries in Latvia and Belarus and, respectively, the non-consolidation of liabilities in these companies.

Current liabilities	31.12.2021	31.12.2020	Change	rel. share compared to total liabilities 2021
	BGN`000	BGN`000	%	%
Short-term bank loans	217 392	255 281	-17%	40%
Current portion of long-term bank loans	9 467	31 172	-229%	2%
Trade payables	143 480	164 919	-15%	26%
Payables to related parties	3 700	2 367	36%	1%
Factoring agreement liabilities	6 370	36 591	-474%	1%
Current portion of lease liabilities	11 583	17 951	-55%	2%
Payables to personnel and for social security	17 888	17 996	-1%	3%
Tax payables	7 039	6 590	6%	1%
Other current liabilities	6 973	11 584	-66%	1%
	423 892	544 451	-28%	78%
TOTAL LIABILITIES	546 110	675 517	-24%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	1 204 978	1 242 112	-3%	

Cash flows



- The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated for 2021, amounts to BGN 70,8 million inflow compared to BGN 22,5 million outflow in 2020.

	2021	2020
	BGN '000	BGN '000
Net cash flows from operating activities	(75 963)	(179 411)
Proceeds of amounts by factoring	193 337	243 507
Purchases of property, plant and equipment, intangible assets, net	(26 055)	(24 814)
Payments under lease agreements	(20 477)	(16 790)
Free cash flow (normalized)	70 842	22 492



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Production activity:
"Sopharma" AD

Production activity and major products – "Sopharma" AD



8 manufacturing facilities.



More than **200** products: incl. nearly **190** medicinal products and **11** groups of medical devices.
15 traditional products, **12** of the products are plant-based.



Tabex, Carsil and **Tempalgin** make a major contribution to the company's export revenues.



The generic product **Analgin** is of major importance to the company's domestic sales.

Product	Description
Carsil	Traditional phyto-product used for the treatment of gastrointestinal diseases (liver diseases).
Tempalgin	Traditional drug used as a painkiller.
Tabex	Traditional phyto-product used for the treatment of nicotine dependence.
Tribestan	Traditional phyto-product that stimulates the sexual functions.
Broncholitin	Traditional product used for treatment of diseases affecting the respiratory system and causing coughing and catarrhal changes.
Analgin	Generic painkiller.
Nivalin	Traditional phyto-based product used for the treatment of diseases of the peripheral nervous system.
Methyl-prednisolon	Generic lyophilized sterile hospital product used for handling cases of severe allergies and certain life threatening conditions.
Vitamin C	Widely used nutritional supplement .
Valeriana	Generic non-prescription herbal medicine used to reduce stress.

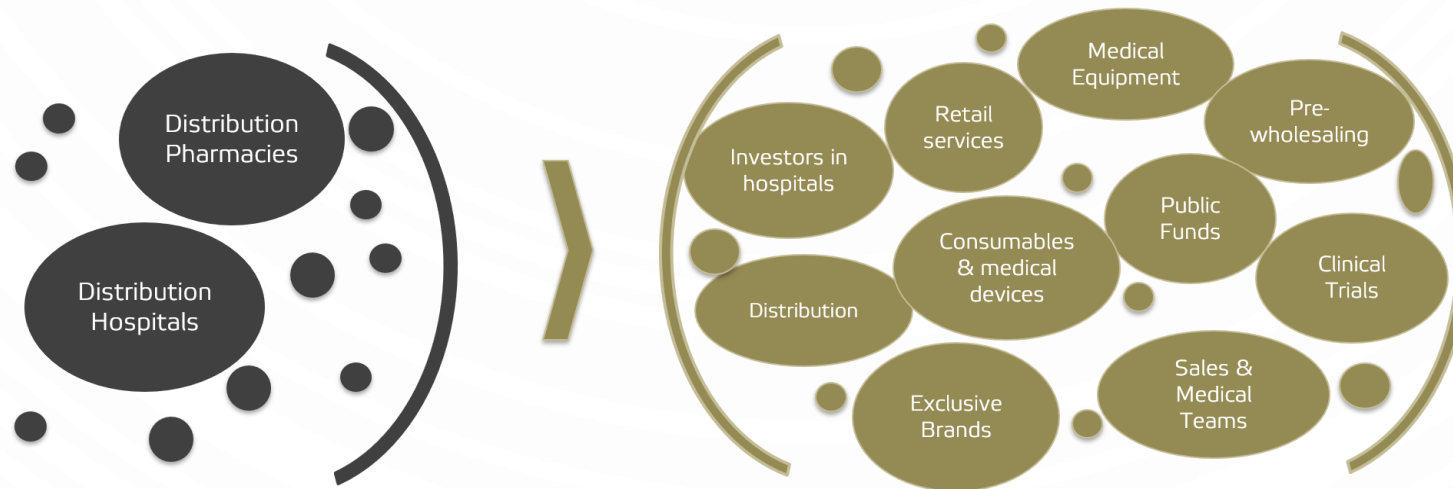


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Major subsidiaries

Distribution – „Sopharma Trading“ AD

- The company was established and registered in 1993 as "Sanita Trading" Ltd.
- In 1998 it was transformed into a joint-stock company.
- In 2005 the name of the company became “Sopharma Trading” AD.
- The subject of activity is wholesale and retail trade of medicines and sanitary materials; transport and forwarding activities; purchase, construction and furnishing of real estate for sale; all other commercial transactions not prohibited by law.
- The company strives to diversify its operations so that from a purely distribution company to become a fully integrated provider of comprehensive, innovative and quality healthcare services on the market.



“Sopharma Trading” AD offers:



15 000 pharmaceuticals products.



Turnkey solutions for hospitals.



100% coverage on the territory of Bulgaria and access to any point of the country within 4 hours.

Distribution service through our own fleet of **more than 100 vehicles**.

Complete logistics solutions for import, storage and distribution of goods to end customers.



More than **3000 clients**.

Key highlights

- **100%** national distribution coverage in Bulgaria and Serbia with four regional distribution centers.
- Daily deliveries to **3,500 pharmacies and 350 medical establishments**.
- The company also offers a **pre-distribution service** - warehousing and logistics services for pharmaceutical products.
- The national logistics coverage in Bulgaria is implemented through **three** bases in Sofia, Varna and Veliko Tarnovo.
- The warehouse of “Sopharma Trading” AD in Sofia is the **most modern** pharmaceutical logistics terminal in Bulgaria.



Indicators	2021	2020
Revenues from sales (<i>BGN '000</i>)	956 778	877 811
Net profit (<i>BGN '000</i>)	5 243	23 171
Net profit per share	0.15	0.68
	31.12.2021	31.12.2020
Assets (<i>BGN '000</i>)	465 886	482 876
Owners' equity (<i>BGN '000</i>)	117 159	112 055
Shares (<i>BGN '000</i>)	34 276	34 276

Management and shares



BGN **34 276 050** share capital



Ordinary registered shares with value of BGN 1 per share.

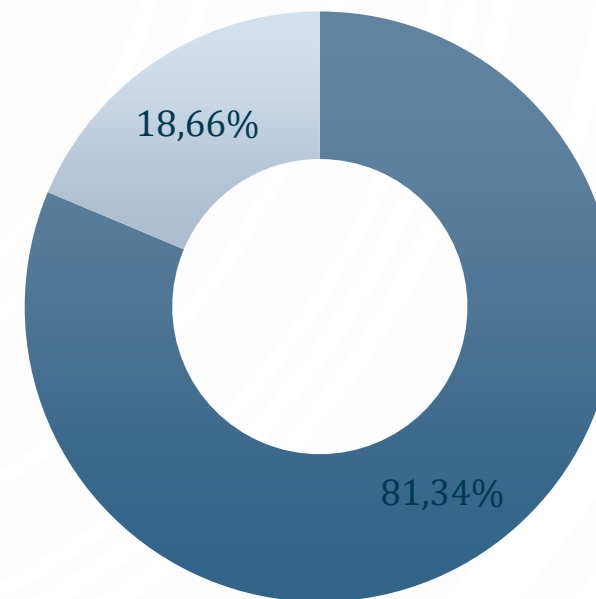


Shareholder participation of the members of the BD:

- Ventsislav Marinov – Executive Director and member of BoD – **15 800** shares, **0.05%** of capital.
- Ognian Donev – Chairman of the BoD – **0** shares, **0.00%** of capital.
- Angel Jordanov – member of the BoD – **10** shares, **0.00%** of capital.



Shareholder structure as at 31 December 2021



■ "Sopharma" AD

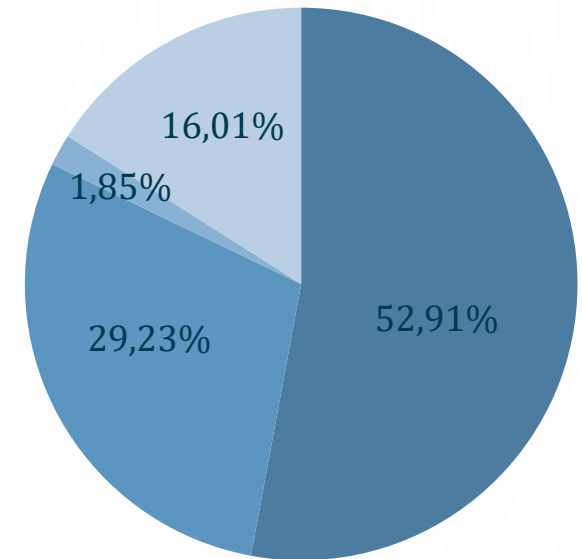
■ Physical persons, under 5%

Development

- “Sopharma Trading” AD is actively working to expand its market positions in the various segments in which it operates - hospital and pharmacy.
- In 2015, the Company started the development of its retail chain of pharmacies under the SOpharmacy brand.
- The annual average market growth rate in Europe will be 2-5%.
- The market for medicinal products in developed countries in the EU will grow at a very slow pace (an average of 0.8% annually).
- Major trends in the „wholesale of medicines“:
 1. Consolidation of participants in this market;
 2. Expanding our own portfolio of products focused on cosmetics and OTC;
 3. Cost minimization in supply chain management;
 4. Digitalization the sector and analyzing Big Data based processes.



Sales by clients group



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler



Annual consolidated financial results for 2021

New products, significant events and risks

New developments and products



The following activities were carried out in January to December 2021:

- Received **18** Authorizations for the use of medicinal products for new destinations
- Documentation has been submitted for the registration of **32** medicinal products to agencies of new destinations.
- **15** food supplements have been notified – **9** for Bulgaria, 3 for Serbia and **2** for Ukraine.
- Renewed Marketing Authorizations for **45** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **70** medicinal products.
- **573** changes for medicinal products approved by agencies.
- **496** changes for medicinal products submitted to agencies.
- Pharmaceutical development of **6** new medicinal products / projects is underway.
- **2** medicinal product and **2** food supplements were transferred.
- **20** medicinal products/active substances have been transferred/are in the process of transfer.
- **19** production processes/technologies have been validated/optimized.



Significant events occurring after the date of preparation of the annual financial statements



On February 24, 2022, Russian military forces started hostile invasion in Ukraine. Subsequently, a number of countries imposed sanctions on certain individuals and legal entities in Russia. It is expected that the war in Ukraine and related economic sanctions and other measures taken by governments around the world will have a significant impact on both local and global economies.

The management of Sopharma AD believes that the unprovoked invasion of the Russian army into Ukraine could seriously affect the activities of the Company, as about 40% of sales of products are realized in Ukraine and Russia. At this stage, the company has reduced its activity in these markets, including due to logistical inability to make deliveries. As of the date of approval of these separate financial statements, the Company has no commercial counterparties included in sanctions lists published by the European Union.

The company owns investments in two subsidiaries in Ukraine. As of December 31, 2021 the amount of the investment in the subsidiary Sopharma Ukraine is BGN 9,669 thousand and the amount of the investment in the subsidiary Vitamini is BGN 1,283 thousand. As of the date of approval of these separate financial statements the assets of these subsidiaries companies are not physically affected by military activities, but it may be necessary in the future to reconsider the value of these investments depending on the development of the war and its impact on the activities of companies.

As of December 31, 2021 the Company has trade receivables from a company, which is selling production of Sopharma AD in Russia in the amount of BGN 11,729 thousand. As of the date of approval of these separate financial statements the Company has received payments for these trade receivables in full.

Despite the potential negative economic effects of the war and the likelihood to escalate into a long conflict, the Company has sufficient current assets and funding to continue to exist as a going concern.



Review the main risks

1. The COVID19 pandemic.
2. Significant competition.
3. The Company is dependent on regulatory approvals.
4. The Company's ability to pay dividends depends on a number of factors and there can be no guarantee that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.
5. Operational risk, which is inherent to its business activities.
6. The macroeconomic environment has a significant effect on the Company's operations and position.
7. Currency risk - Through the companies in Belarus and Ukraine, the group carries out business operations in these countries and, accordingly, has substantial exposures in Belarusian rubles and Ukrainian hryvnia. The currency risk is related to the negative movement of the exchange rates of these currencies against the Bulgarian lev in the future business operations, the recognized assets and liabilities in foreign currency and the net investments in foreign companies. The rest of the companies abroad sell mainly on local markets, leading to currency risk and against their currencies - the Serbian dinar and the Polish zloty.



Thank you for your time and attention!

Investor Relations Department
"Sopharma" AD

optimum
health
maximum
vitality
WWW.SOPHARMA.COM



ir@sopharma.bg
+3592 8134 556