

Sopharma Group

Annual consolidated financial results for 2022





Annual consolidated financial results for 2022

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.



**Bulgarian based mother company,
pharmaceutical producer**

API production

Farmer, Bulgaria
*Farming of
medicinal plants*

**Pharmaceuticals
production**

"Sopharma" AD, Bulgaria
*Self-developed products from
herbal origin, Generic
products*

**"Biopharm Engineering"
AD, Bulgaria and PAO
"Vitamini" Ukraine**
*Generic products
Veterinary products*

**Wholesale and
distribution**

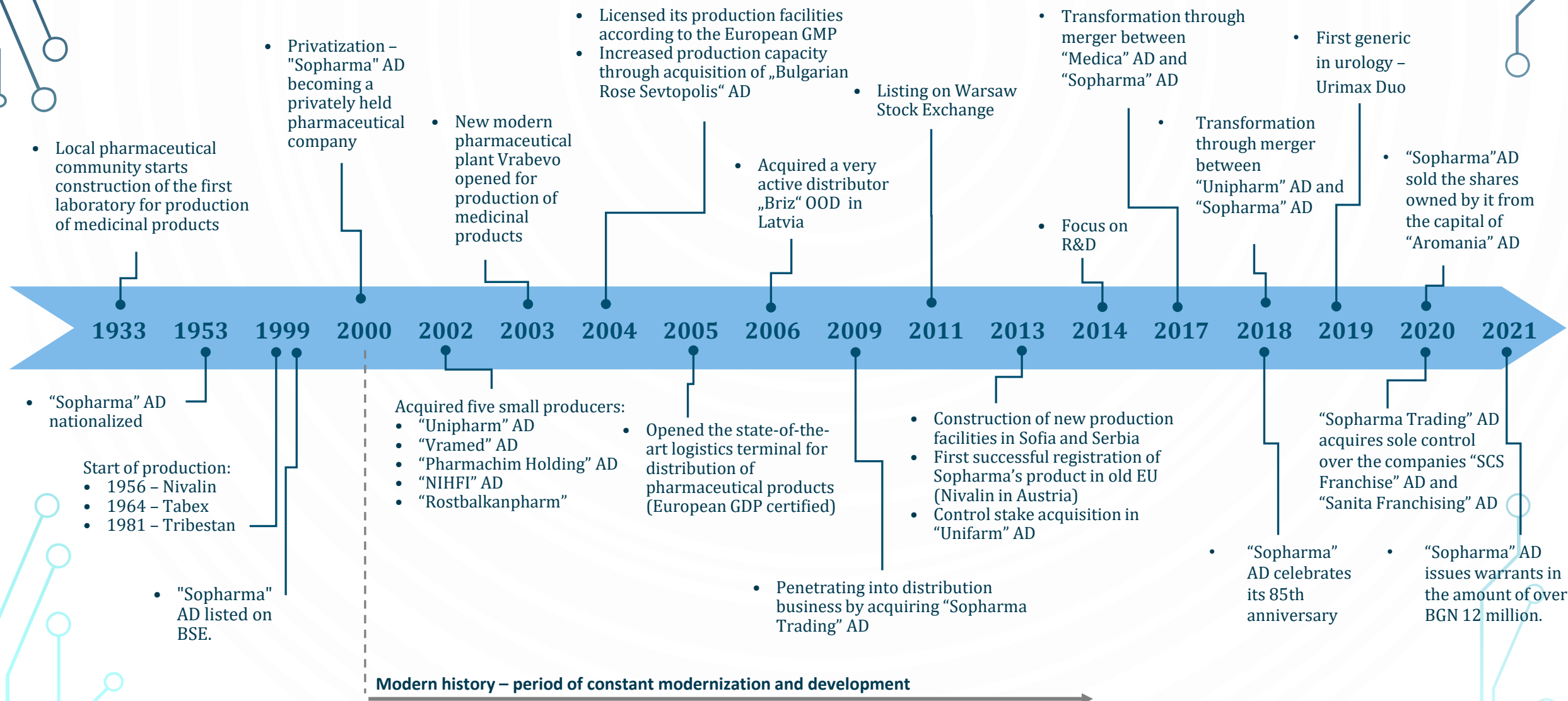
**"Sopharma Trading" AD,
Bulgaria and Serbia**
*Pre-wholesaling,
wholesaling, retail*

**Subsidiaries in Ukraine,
Kazakhstan, Poland and
etc.**
Wholesaling, retail

Non-pharma activities

**"Biopharm Engineering"
AD**
*Veterinary products, sterile
production*

Brief history and key milestones:





Annual consolidated financial results for 2022

Our business

**№1 manufacturer of
ampules and suppositories**



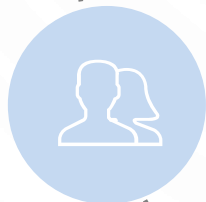
**Revenues BGN 1 663 016
thousand**

**More than 200
product**



**EBITDA
BGN 139 980
thousand**

**4 764
employees**



**134 797 899
shares**

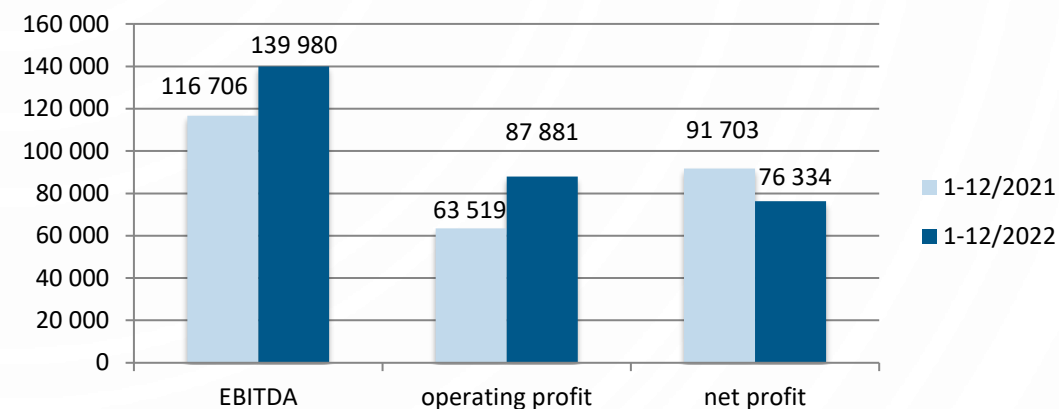


**Company with established
traditions and experience**

Main financial indicators



Indicators	1-12/2022 <i>BGN '000</i>	1-12/2021 <i>BGN '000</i>
Sales revenue	1 663 016	1 603 310
EBITDA	139 980	116 706
Operating profit	87 881	63 519
Net profit	76 333	91 703
CAPEX	85 154	43 536
	31.12.2022 <i>BGN '000</i>	31.12.2021 <i>BGN '000</i>
Non-current assets	681 487	633 746
Current assets	572 491	571 232
Owners' equity	716 634	658 868
Non-current liabilities	129 998	122 218
Current liabilities	407 346	423 892
	1-12/2022	1-12/2021
EBITDA/Sales revenues	8.4%	7.3%
Operating profit/Sales revenues	5.3%	4.0%
Net profit/Sales revenue	4.6%	5.7%
	31.12.2022	31.12.2021
Borrowed capital/Owners' equity	0,74	0,83
Net debt/EBITDA on a annual basis	1,9x	2,5x



“Sopharma” AD as a partner:

Large variety of 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.



Development of pharmaceuticals:

- Solid dosage forms (film coated tablets, hard gelatin capsules);
- Semi-solid dosage forms (creams, gels, suppositories);
- Sterile dosage forms and non-sterile solutions.



Annual consolidated financial results for 2022

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.

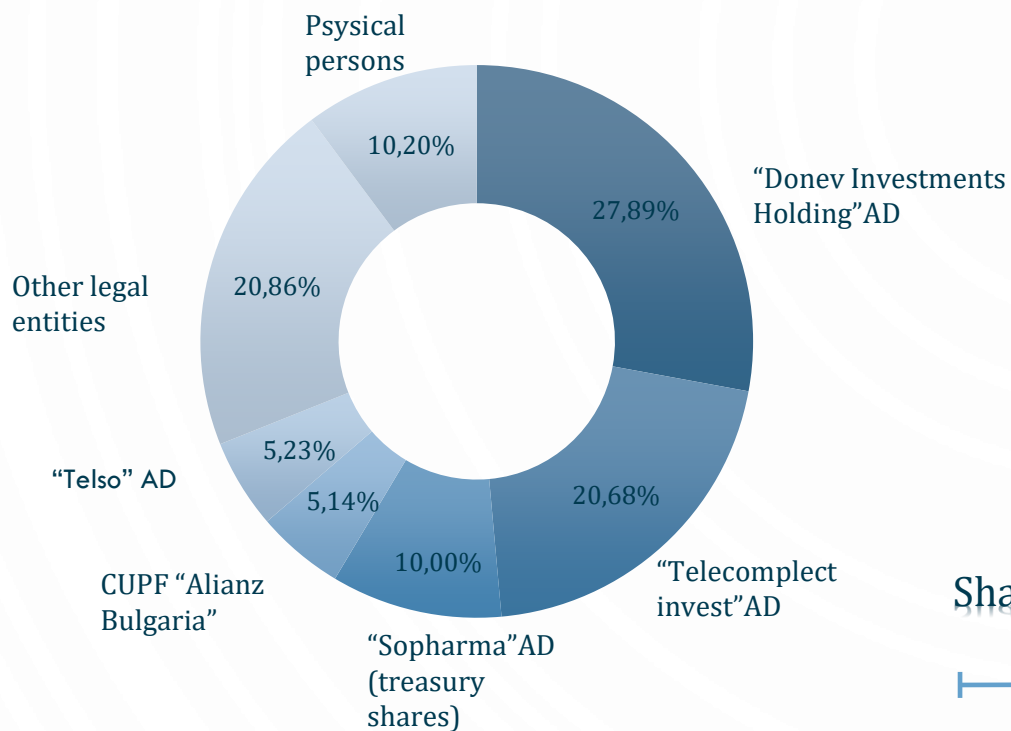


Alexandar Tchaoushev
Independent Member of the BoD

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

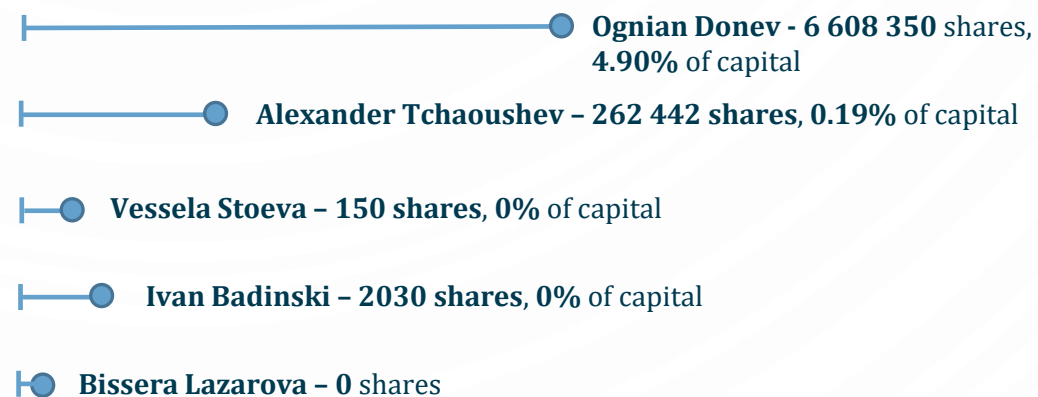
Mr. Chaushev is a member of the Board of Directors of "Sopharma" AD since 2011.

Shareholder structure at 31 December 2022



In 2022, Sopharma AD acquired 13 479 188 treasury shares.

Shares of the Board of Directors as of 31 December 2022



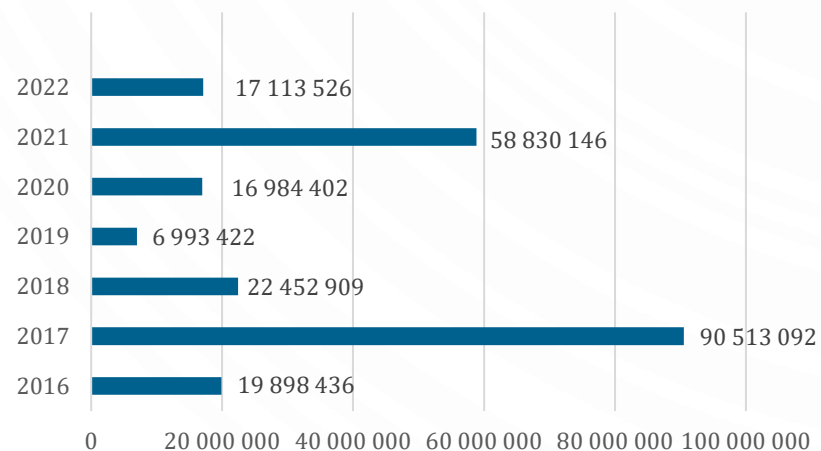
Shares of "Sopharma" AD



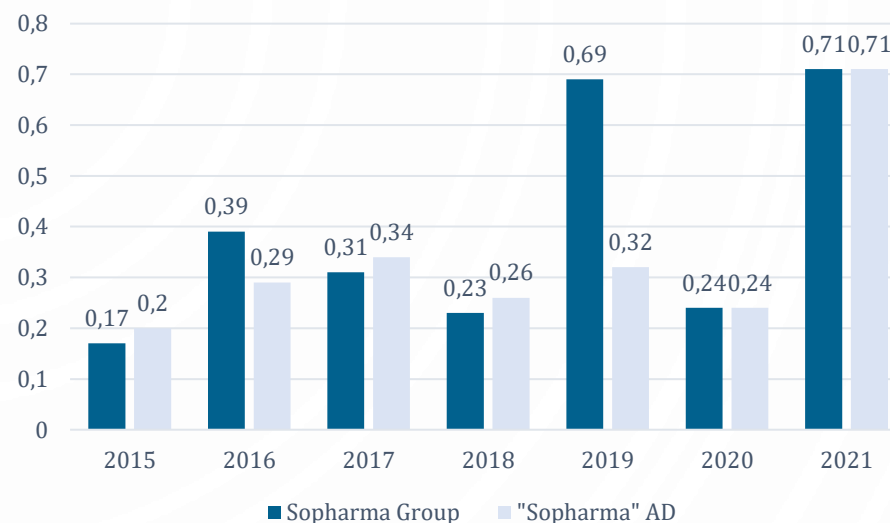
Price of the shares

Year	Highest price	Lowest price
2015	BGN 3.85	BGN 2.50
2016	BGN 3.078	BGN 2.50
2017	BGN 4.99	BGN 2.99
2018	BGN 4.30	BGN 3.51
2019	BGN 3.74	BGN 3.23
2020	BGN 3.58	BGN 2.40
2021	BGN 4.60	BGN 3.14
2022	BGN 4.62	BGN 4.30

Volume of traded shares for 2022



Income 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.

Dividends

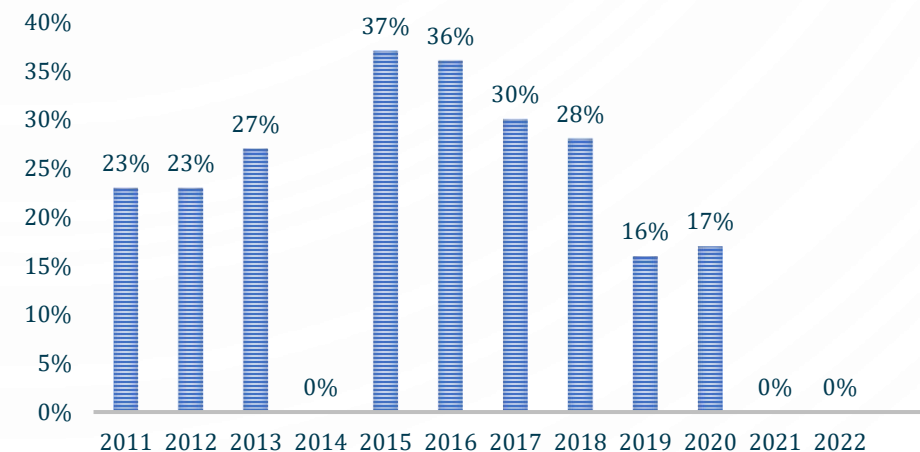


Dividend for 1 share in BGN

Year	"Sopharma" AD
2010	0.085
2011	0.07
2012	0.07
2013	0.07
2014	none
2015	0.07
2016	0.10
2017	0.11
2018	0.05
2019	0.12
2020	0.04
2021	none
2022	none

"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.

Dividend payout ratio





Annual consolidated financial results for 2022

Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



* Preliminary data

Preliminary data show a increase of GDP for 2022 in real terms by 3.4% compared to 2021.

GDP per capita

BGN 19.770 (€ 10108.24)

Currency

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

Health budget 2022

BGN 6,5 billion

Pharmaceutical industry

99% private



Area

111.000 km²

Population

6.951 million

Member of EU

since 2007

Source: NSI 2021



Annual consolidated financial results for 2022

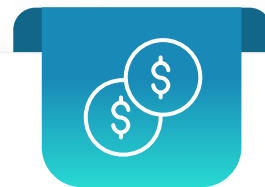
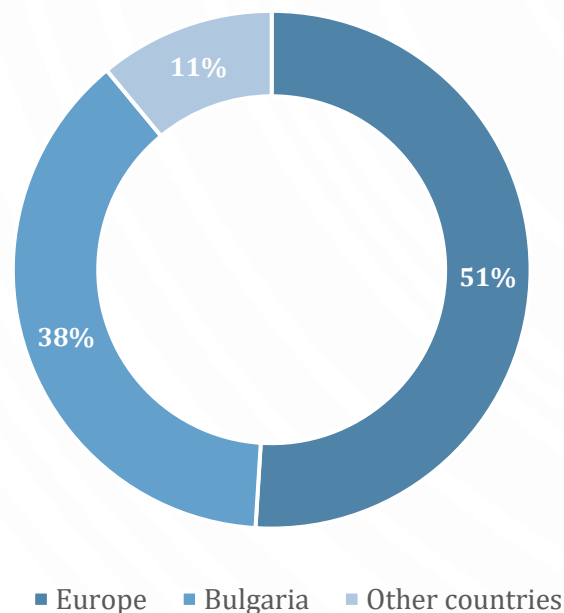
Financial indicators of Sopharma Group

Revenues from sales of products



Sales revenues of the Group increased with BGN 59,7 million or 3.7%, reaching BGN 1 663 million in 2022 compared to BGN 1 603,3 million in 2021.

Sales revenue



Sales of goods increased with BGN 50,7 million or 3.8%, reaching BGN 1 379,1 million in 2022 compared to BGN 1 328,4 million in 2021.

Sales of finished products increased by BGN 9 million, or 3.3%, to BGN 283,9 million in 2022 compared to BGN 274,9 million in 2021.

Other operating revenues decreased by BGN 0,8 million to BGN 13 million in 2022 compared to BGN 13,8 million in 2021.



On a consolidated basis, the growth in sales of finished products in Bulgaria for 2022 was 3.3% compared to the previous period. "Sopharma" AD retains its market share and according to IQVIA data, by the end of 2022 it occupies 2.48% (tenth position) of the total volume of the Bulgarian pharmaceutical market in terms of value and 9.46% (first position) of sales in kind terms.

The products with the largest share of sales in the country are Analgin, Sophazolon, Vicetin, Fomotidine, Vitamin C, Paracetamol, Bromhexine, Methylprednisolone.

Operating expenses



- For the current period the expenses of materials increased by BGN 16 million to BGN 99,1 million, as the most significant change was registered in the expenses of substances, which increased by BGN 5 million, as well as in the expenses for electricity and heat, increasing by BGN 1,4 million and BGN 3 million, respectively.
- Personnel expenses decreased by BGN 2,2 million to BGN 147,8 million.
- The external service expenses decreased by BGN 5,8 million to BGN 70,1 million with the most significant change in construction costs, which decreased by BGN 7,4 million.
- Costs for consulting services increased by BGN 0,7 million and production costs decreased by BGN 0,5 million.

Operating expenses	1-12/2022	1-12/2021	Change	rel. share of expenses in 2022
	<i>BGN '000</i>	<i>BGN '000</i>	%	%
Revenue from contracts with customers	1 663 016	1 603 310	4%	1892%
Other operating income/(losses), net	13 042	13 830	-6%	15%
Changes in inventories of finished products and work in progress	9 713	(8 721)	190%	11%
Raw materials and consumables used	(99 129)	(83 122)	16%	-113%
Hired services expense	(70 126)	(75 927)	-8%	-80%
Employee benefits expense	(147 829)	(150 061)	-2%	-168%
Depreciation and amortization expense	(52 099)	(53 187)	-2%	-59%
Carrying amount of goods sold	(1 214 333)	(1 166 508)	4%	-1382%
Other operating expenses	(14 374)	(16 095)	-12%	-16%
Total operating expenses	87 881	65 519		100%

Financial income and expenses



- **Financial income and expenses** in 2022 net registered a loss of BGN 6,1 million, which is a increased of the loss by BGN 0,9 million compared to the same period of the last year.
- **Financial income** decreased by BGN 3,3 million, interest income from overdue receivables decreased by BGN 1,3 million and net foreign exchange gains on foreign currency loans and leases decreased by BGN 1,5 million.

Financial income	1-12/2022	1-12/2021	Change	relative share of income of 2022
	BGN '000	BGN '000	%	%
Interest income on loans granted	2 223	2 248	-1%	67%
Interest income on past due trade receivables	558	1 916	-243%	17%
Net gain from exchange differences from receivable on transactions in securities	214	266	-24%	6%
Interest income on special agreements	149	190	-28%	5%
Interest income on cession agreements	71	-	100%	2%
Income from guarantorships and guarantees	52	19	63%	2%
Shareholding income (dividends)	33	271	-721%	1%
Interest income on bank deposits	4	35	-775%	0%
Net gains from exchange differences from loans denominated in foreign currencies and leases	-	1 489		
Net gain on transactions with investments in securities	-	152		
Net change in the allowance for impairment of credit losses on receivables under business loans granted	-	46	0%	0%
Total	3 304	6 632		100%

Financial income and expenses

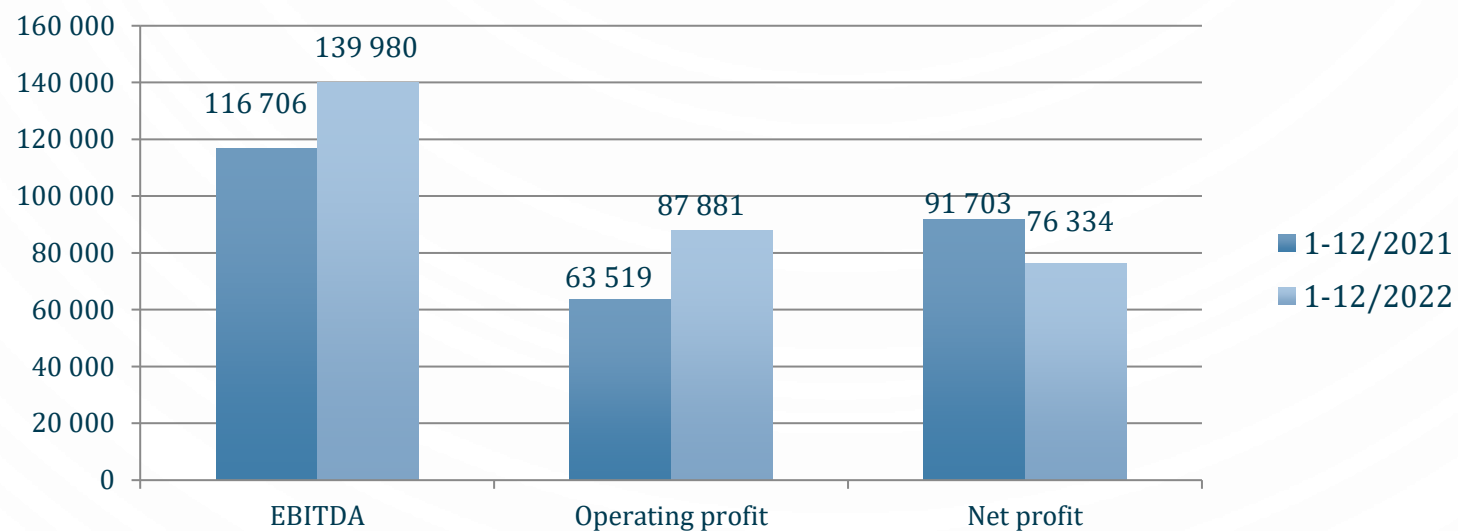
- **Financial expenses** decreased by a total of BGN 2,4 million, while interest expenses on loans received for the current period decreased by BGN 3,5 million as a result of a decrease in the Group's bank exposure due to the sale of shares in the Baltic States and Belarusian companies at the end of last year, as well as the ongoing trend in the current year of reducing bank debt through the generated positive free cash flow in the Group. An increase of BGN 1,9 million was recorded in the costs for the impairment of receivables from granted commercial loans.

Financial expenses	1-12/2022	1-12/2021	Change %	rel. share of expenses of 2022
Interest expense on loans received	4 403	7 944	-80%	47%
Net change in the allowance for impairment of credit losses on receivables under business loans granted	1 856	-	100%	20%
Bank fees and charges on loans and guarantees	1 365	960	30%	14%
Interest expense on leases	1 141	1 751	-53%	12%
Expense for other interest	391	382	2%	4%
Net loss on exchange differences from loans denominated in foreign currencies and leases	161	-	100%	2%
Interest expense on factoring agreements	84	714	-750%	1%
Provision for financial guarantees	16	45	-181%	0%
Impairment of credit losses on guarantership fees	-	1	-	0%
Total	9 417	11 797		100%

Financial result



- **EBITDA** increased by BGN 23,3 million or by 20%, while in 2022 it amounted to BGN 140 million compared to BGN 116,7 million in 2021
- **Profit from operating activities** increased by BGN 24,4 million or by 38%, to BGN 87,9 million in 2022 compared to BGN 63,5 million in 2021.
- **Net profit** decreased by BGN 15,4 million or 17% to BGN 76,3 million in 2022 compared to BGN 91,7 million in 2021.



Assets

- Non-current** at the end of 2022 increased by BGN 47,7 million compared to the end of last year. The acquired tangible and intangible fixed assets for the period amounted to BGN 85,2 million, of which those related to leasing contracts amount to BGN 56 million. Substantial technological improvements and modernization of phytochemical production were also carried out, as a result of which an increase in production capacity was achieved. Investments in associates and joint ventures increased by BGN 35,5 million as a result mainly of the reported share in current profit and the increased share in the associate “Doverie-obedinen holding” AD.
- Current assets** at the end of 2022 increased by BGN 1,3 million compared to the end of last year, which is mainly due to the increase in material stocks by BGN 22,6 million. Cash and cash equivalents decreased by BGN 17,9 million.

Assets	31.12.2022 BGN '000	31.12.2021 BGN '000	Change %	rel. share 2022
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 57,7 million compared to 31 December 2021 as a result of the reported net current profit.
- **The liabilities** decreased by BGN 8,8 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 47,4 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 29,5 million to BGN 263,4 million.

OWNER'S EQUITY	31.12.2022	31.12.2021	Change	rel. share comp. to OE 2022
	BGN '000	BGN '000		
Share capital	134 798	134 798	0%	19%
Reserves	47 503	55 031	-16%	7%
Other capital components (reserve for issued warrants)	12 488	12 512	0%	2%
Retained earnings	509 869	444 634	13%	71%
Total	704 658	646 975	0%	0%
Non-controlling interest	11 976	11 893	0%	2%
TOTAL EQUITY	716 634	658 868	8%	100%

LIABILITIES	30.06.2022 BGN '000	31.12.2021 BGN '000	Change	rel. share compared to total liabilities 2022
Non-current liabilities				
Long-term bank loans	27 759	42 907	-55%	5%
Deferred tax liabilities	6 397	8 472	-32%	1%
Long-term liabilities to related parties	24 494	10 210	58%	4%
Long-term payables to personnel	6 541	7 622	-17%	1%
Lease liabilities	52 058	38 589	26%	9%
Government grants	6 155	6 783	-10%	1%
Other non-current liabilities	6 594	7 635	-16%	1%
	129 998	122 218	6%	23%
Current liabilities				
Short-term bank loans	158 355	217 392	-37%	29%
Short-term part of long-term bank loans	9 758	9 467	3%	2%
Trade payables	175 567	143 480	18%	33%
Payables to related parties	4 904	3 700	25%	1%
Factoring agreement liabilities	1 875	6 370	-240%	0%
Short-term part of leasing liabilities	12 874	11 583	10%	2%
Payables to personnel and social security	21 780	17 888	18%	4%
Tax payables	8 436	7 039	17%	2%
Other current liabilities	13 797	6 973	49%	3%
	407 346	423 892	-4%	76%
TOTAL LIABILITIES	537 344	546 110	-2%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	1 253 978	1 204 978	4%	



Annual consolidated financial results for 2022

Production activity: "Sopharma" AD

Production activity and major products – "Sopharma" AD



9 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.

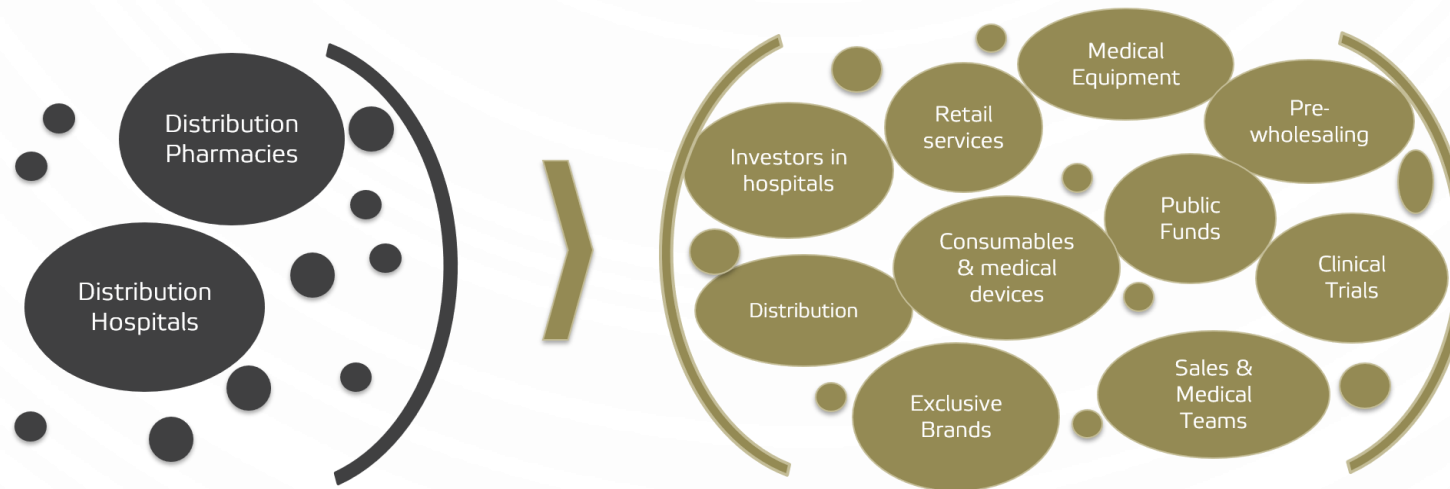


Annual consolidated financial results for 2022

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**.

Management and shares



BGN **34 276 050** share capital



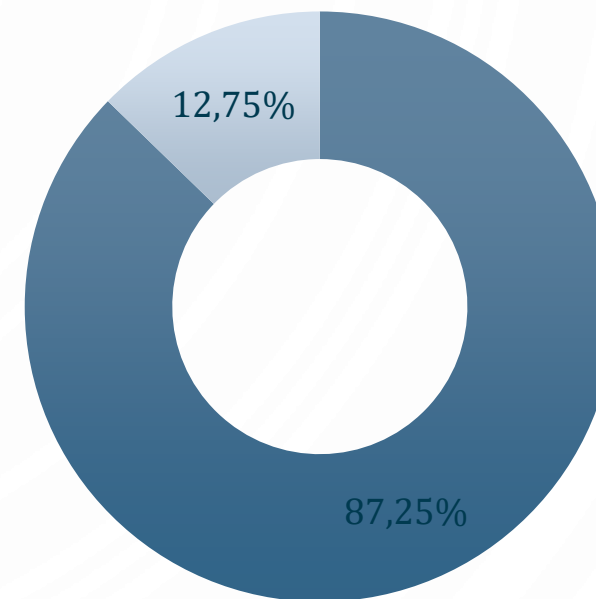
Ordinary registered shares with value of BGN 1 per share.



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 2022



■ "Sopharma" AD

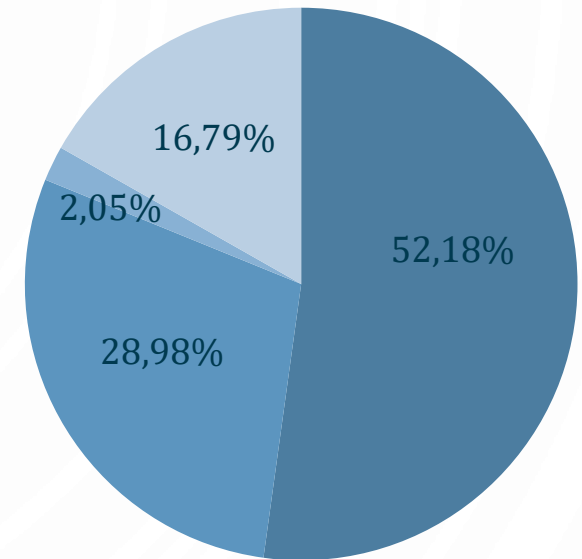
■ Physical persons, under 5%

Development

- “Sopharma Trading” AD is developing a new concept pharmacies under the brand S0pharmacy. S0pharmacy offers a modern approach in serving the patient's health needs.
- The main trends in the „wholesale of medicines“:
 1. Consolidation of participants in this market;
 2. Expanding our own portfolio of products focused on food supplements ,cosmetics and OTC;
 3. Minimizing costs in supply chain management.
- The main trends in the development of pharmacies:
 1. Development of a broad portfolio of both prescription drugs and non-prescription drugs, nutritional supplements, medical and non-medical cosmetics;
 2. Development of own-brand products.



Sales by customer groups



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler



Annual consolidated financial results for 2022

New products, significant events and risks

New developments and products

The following activities were carried out in January to December - 2022:

- **4** food supplements have been notified for Bulgaria;
- **4** Cosmetic products are registered.

- Pharmaceutical development of **13** new medicinal products / projects is underway.

- Documentation has been submitted for the registration of **10** medicinal products to agencies of new destinations.
- Documentation for registration of **13** medicinal products has been submitted.

- Renewed Marketing Authorizations for **48** medicinal products.
- Submitted documentation for renewal of Marketing Authorizations for **70** medicinal products to agencies.
- Agency-approved **261** changes to medicinal products;
- **301** changes for medicinal products submitted to agencies.

- **24** production processes/technologies are validated/optimized.

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



- On 23 January 2023, the Company entered into an agreement for transformation by merger of the subsidiary company "Biopharm Engineering" AD in accordance with the provisions of Article 262 of the Commercial Law, as a result of which all the property of the transforming company ("Biopharm Engineering" AD) will transfer to the receiving company ("Sopharma" AD), which will become its legal successor. The transforming company ("Biopharm Engineering" AD) will be terminated without liquidation. The contract was submitted for approval to the Financial Supervision Commission on 27 January 2023.



Review the main risks



1. Significant competition.
2. The Company is dependent on regulatory approvals.
3. 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.
4. Operational risk, which is inherent to its business activities.
5. The macroeconomic environment has a significant effect on the Company's operations and position.
6. 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