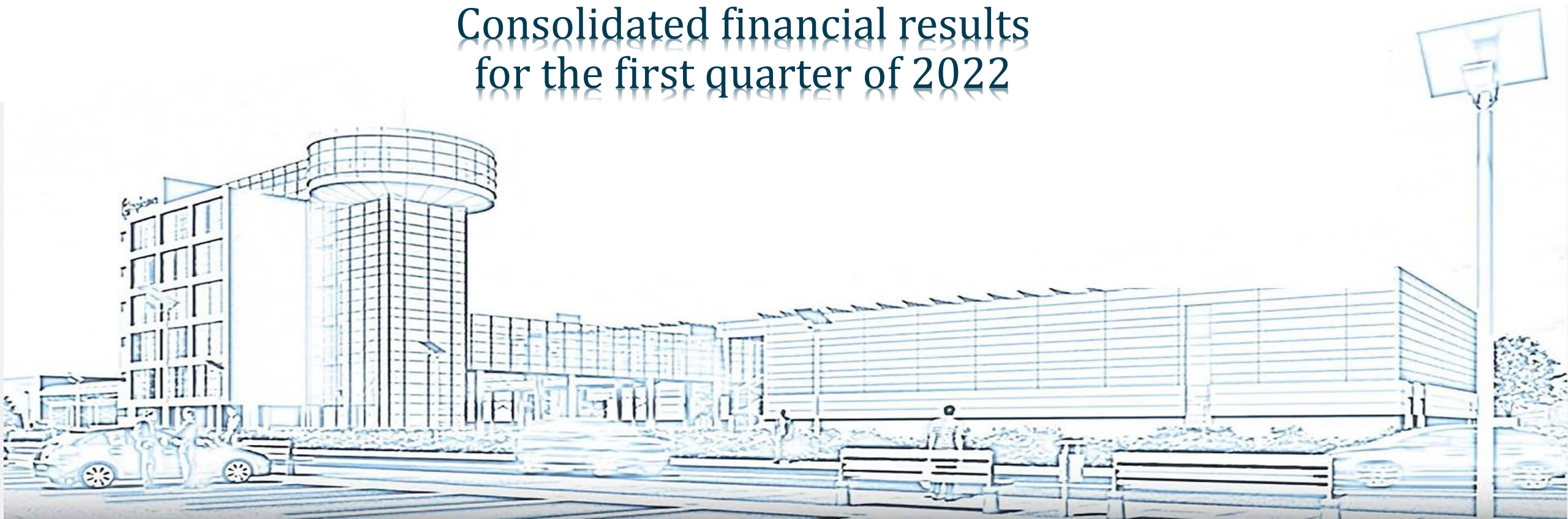


Sopharma Group

Consolidated financial results
for the first quarter of 2022





Consolidated financial results for the first quarter of 2022

Who are we?

Sopharma Group

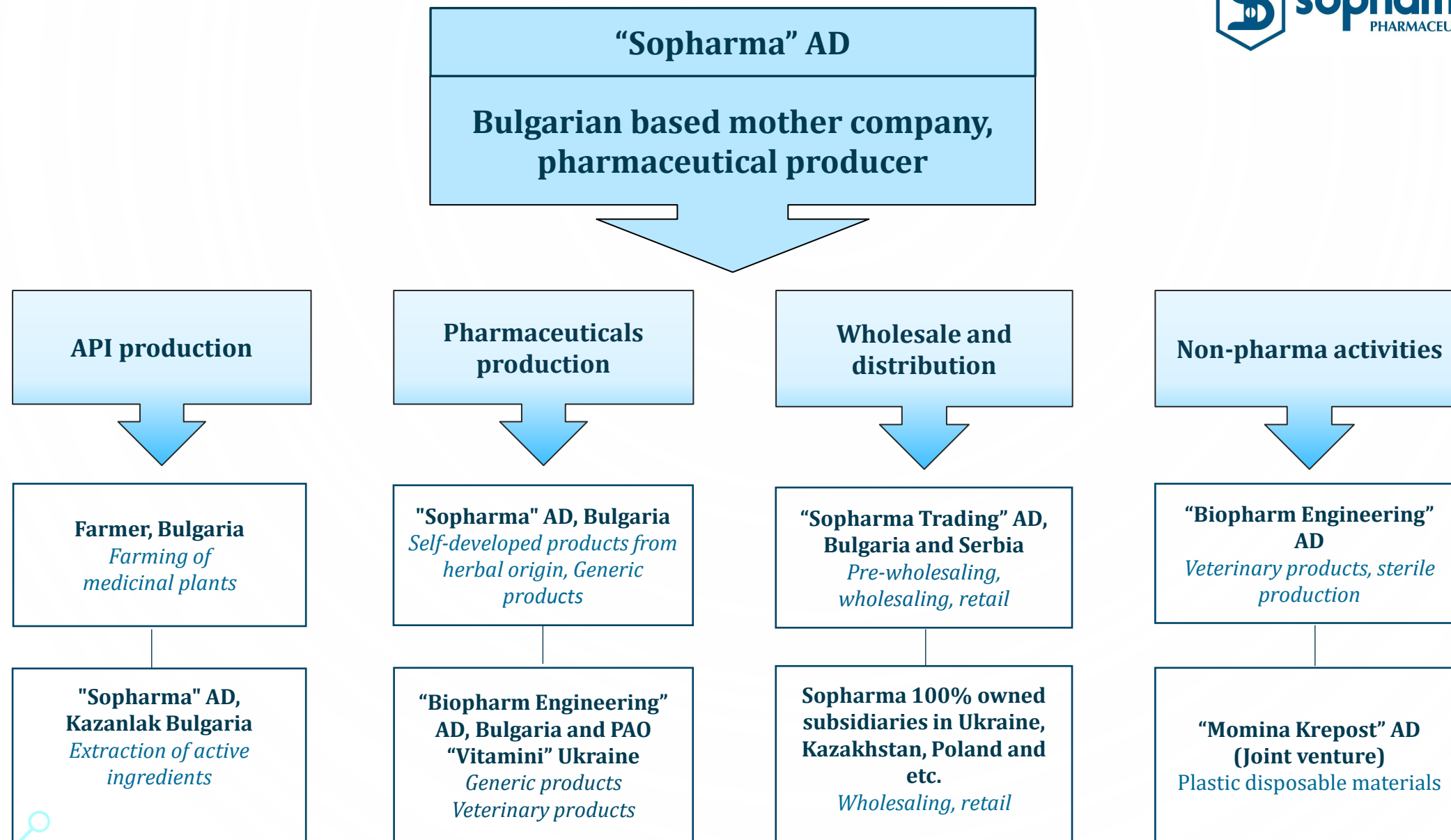


The Group is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other health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

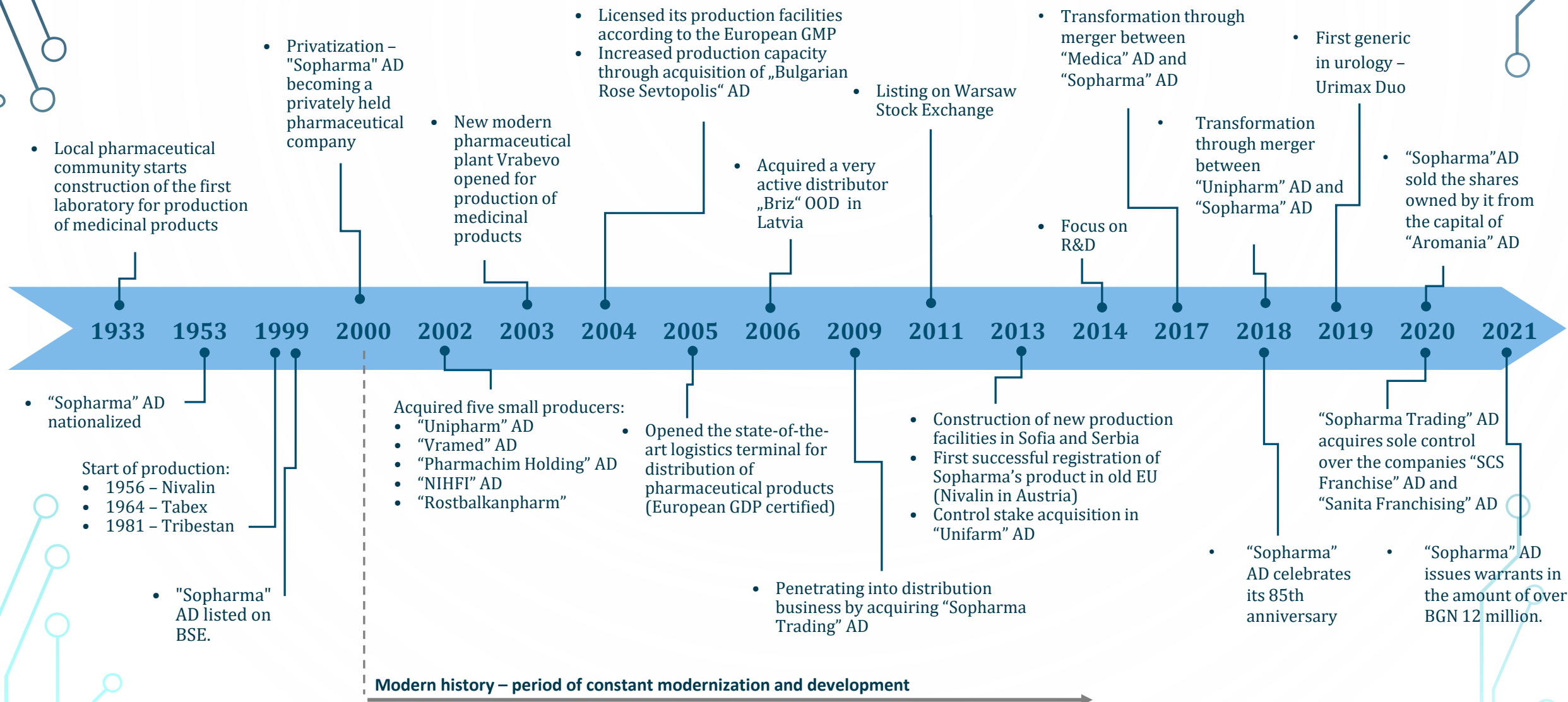
The Group works in the following areas:

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





Brief history and key milestones:





Consolidated financial results for the first quarter of 2022

Our business

Sopharma Group



**№1 manufacturer of
ampules and suppositories**



**More than 200
products**



**8
manufacturing plants**



**Company with established
traditions and experience**



**Revenues
BGN 397 570
thousand**



**EBITDA
BGN 34 638
thousand**



**134 797 899
shares**

Key financial indicators



Sales revenues increase with 4.9%



EBITDA increases with 3.7%



Operating profit increases with 9.6%



Net profit increases with 16%



Capex decreases with 15.2%

Indicators	1-3/2022	1-3/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenues	397 570	378 857
EBITDA	34 638	33 404
Operating profit	21 827	19 924
Net profit	22 560	19 448
CAPEX	9 442	11 128
	31.03.2022	31.12.2021
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	634 281	633 746
Current assets	564 467	571 232
Owners' equity	665 656	658 868
Non-current liabilities	127 152	122 218
Current liabilities	392 178	423 892

“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;
- Primary and secondary packaging services for international markets;
- Development of various dosage forms;
- Technological transfer of customer-developed products;
- Process validation;
- 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).



Consolidated financial results for the first quarter of 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 March 2022

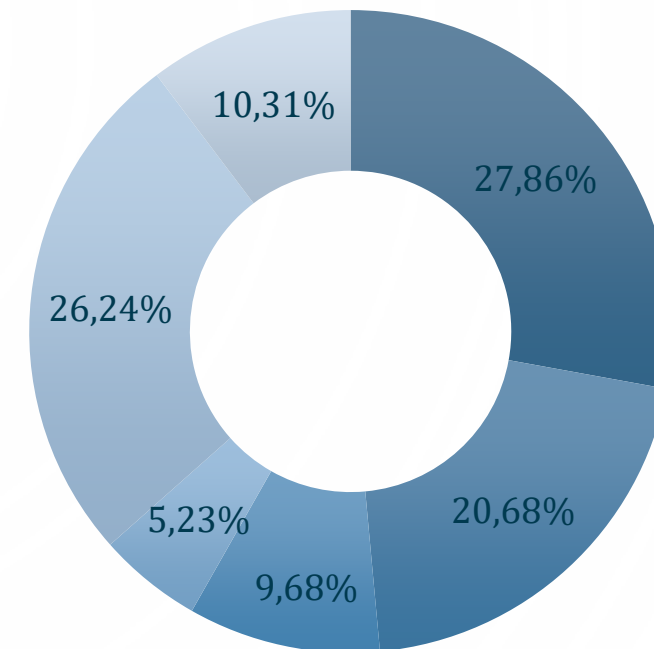


134 797 899 shares with nominal value BGN 1 per share.



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
- "Telecomplect 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.



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	2021
"Sopharma" AD	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.12	0.04	none
"Sopharma Trading" AD	0.15	0.17	0.20	0.23	0.27	0.30	0.30	0.30	0.30	0.30	none	none

Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
"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%	-	-



Consolidated financial results for the first quarter of 2022

Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



2017 2018 2019 2020 2021*

* Preliminary data

Preliminary data show a increase of GDP for 2021 in real terms by 4.2% compared to 2020.

GDP per capita

BGN 19.268 (€ 9.852)

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



Consolidated financial results for the first quarter of 2022

Financial indicators of Sopharma Group

Operating revenues

- **Sales revenues of the Group**

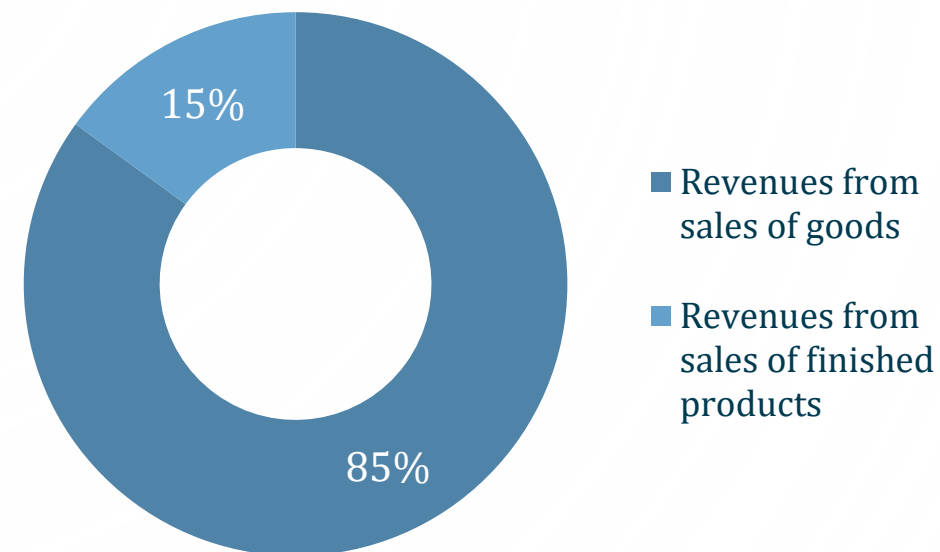
Sales revenues of the Group increased with BGN 18,7 million or 4.9%, reaching BGN 397,6 million in the first quarter of 2022 compared to BGN 378,9 million in the first quarter of 2021.

- **Bulgaria**

On a consolidated basis, the growth in sales of finished products in Bulgaria for the first quarter of 2022 was 19% compared to the previous period. The company retains its market share and at the end of the first quarter of 2022 has a 2.74% share of the total Bulgarian pharmaceutical market in value and 10.08% of sales in volume.

- **Europe**

On a consolidated basis for the first quarter of 2022, revenue from sales of finished products in Ukraine increased by 26% compared to the previous period. In Russia, sales of finished products decreased by 44% compared to the previous period which is a result of the disrupted rhythm of supplies after the outbreak of the conflict in Ukraine. In the other main markets of the Group there is an increase in sales of finished products in Kazakhstan, Serbia, Georgia, Uzbekistan and others, while sales in Poland, Vietnam, Belarus and Latvia are declining.



Other operating revenues

- **Other operating revenues** decreased by BGN 1,8 million to BGN 2,1 million in the first quarter of 2022 compared to BGN 3,9 million in the previous period.



Other operating revenues	1-3/2022	1-3/2021	Change	rel. share
	BGN '000	BGN '000	%	2022
Services rendered	1 429	2 189	-53%	67%
Government grants	218	235	-8%	10%
Rentals	174	211	-21%	8%
Gains/(losses) on exchange differences under trade receivables and payables and current accounts	-117	878	850%	-5%
Written-off liabilities and reversed provisions	101	4	96%	5%
Interest on current accounts	28	72	-157%	1%
Gain on sale of materials	22	34	-55%	1%
Social activities and events	20	20	0%	1%
Profit from sale of fixed assets	12	42	-250%	1%
Other	242	258	-7%	11%
Total operating revenues	2 129	3 943		100%

Operating expenses



- For the current period the expenses of materials increased by BGN 4,2 million to BGN 23,6 million, as the most significant change was registered in the expenses of substances, which increased by BGN 2,8 million, as well as in the expenses for electricity and heat, increasing by BGN 0,8 million and BGN 1,4 million, respectively. Personnel expenses decreased by BGN 1,9 million to BGN 34,8 million due to the decrease in the average number of staff in the Group (4,790 employees compared to 5,507 in 2021). The external service expenses decreased by BGN 1,4 million to BGN 14,8 million with the most significant change in construction costs, which decreased by BGN 1 million.

Operating expenses	1-3/2022	1-3/2021	Change	rel. share of expenses in 2022	
	<i>BGN '000</i>	<i>BGN '000</i>	%		%
Raw materials and consumables used	23 596	19 355	18%		6%
Hired services	14 766	16 198	-10%		4%
Personnel	34 774	36 655	-5%		9%
Depreciation and amortization	12 811	13 480	-5%		3%
Carrying amount of goods sold	295 144	279 855	5%		77%
Other operating expenses	1 372	1 427	-4%		0%
Total operating expenses	382 463	366 970			100%

Financial income and expenses



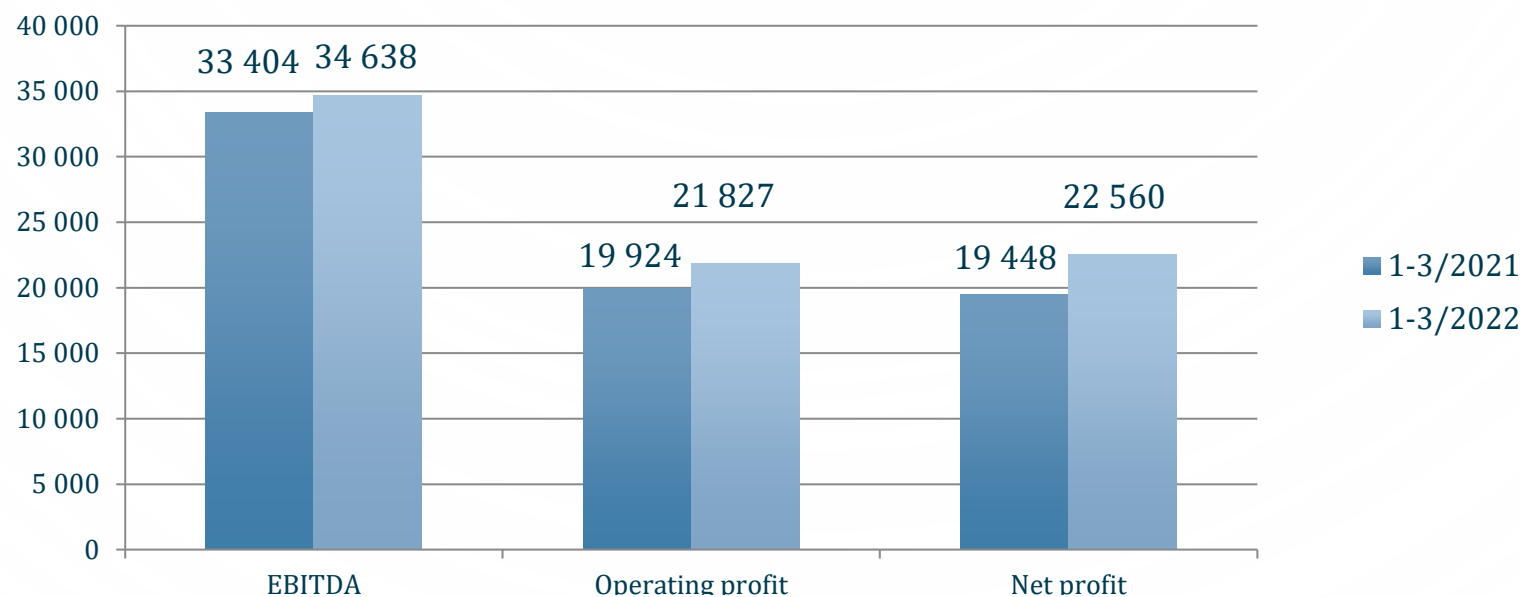
Financial income and expenses in the first quarter of 2022 net registered a loss of BGN 0,8 million, which is a decrease of the loss by BGN 0,3 million compared to the same period of the last year. Financial income decreased by BGN 1,1 million, interest income from overdue receivables decreased by BGN 0,4 million and net foreign exchange gains on foreign currency loans and leases decreased by BGN 0,6 million. Financial expenses decreased by a total of BGN 1,5 million, while interest expenses on loans received for the current period decreased by BGN 1,3 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.

Financial income	1-3/2022	1-3/2021	Change	rel. share of income of 2022
	BGN '000	BGN '000	%	%
Interest income on loans granted	531	568	-7%	50%
Interest income on past due trade receivables	377	813	-116%	35%
Net gain from exchange differences from receivable on transactions in securities	70	148	-111%	7%
Interest income on bank deposits	48	6	88%	4%
Interest on receivables under special contracts	42	60	-43%	4%
Income from guarantorships and guarantees	4	0	100%	0%
Net gains from exchange differences from loans denominated in foreign currencies and leases	0	565		0%
Net gain on transactions with investments in securities	0	45		0%
Total	1 072	2 205		100%
Financial expenses				rel. share of expenses of 2022
Interest expense on loans received	1 041	2 292	-120%	55%
Interest expense on leases	284	483	-70%	15%
Bank fees and charges on loans and guarantees	263	224	15%	14%
Net loss on exchange differences from loans denominated in foreign currencies and leases	199	0	100%	10%
Expense for other interest	87	87	0%	5%
Interest expenses on factoring	23	199	-765%	1%
Net change in the impairment adjustment for credit losses on trade receivables	0	3		0%
Total	1 897	3 288		100%

Financial result



- **EBITDA** increased by BGN 1,2 million or by 4%, while in the first quarter of 2022 it amounted to BGN 34,6 million compared to BGN 33,4 million in the first quarter of 2021.
- **Profit from operating activities** increased by BGN 1,9 million or by 10%, to BGN 21,8 million in the first quarter of 2022 compared to BGN 19,9 million in the first quarter of 2021.
- **Net profit** increased by BGN 3,1 million or 16% to BGN 22,6 million in the first quarter of 2022 compared to BGN 19,4 million in the first quarter of 2021. In addition to the effect of operating activities, the reduced financial expenses, as well as the profits reported during the current period from associates in the amount of BGN 4 million.



Assets

- **Non-current assets** increased by BGN 0,5 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 9,4 million. Investments in associates and joint ventures increased by BGN 3,4 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** decreased to BGN 6,8 million, mainly due to the decrease in cash and cash equivalents by BGN 17,3 million, while trade receivables increased by BGN 14 million. Inventories remain the same compared to the end of the previous year.

Assets	31.03.2022 BGN '000	31.12.2021 BGN '000	Change %	rel. share 2022
Non-current assets				
Property, plant and equipment	359 557	362 393	-1%	30%
Intangible assets	52 436	54 421	-4%	4%
Goodwill	13 337	13 420	-1%	1%
Investment properties	9 446	9 446	0%	1%
Investments in associated and joint ventures	130 815	127 320	3%	11%
Other long - term equity investments	5 848	5 778	1%	0%
Long-term receivables from related parties	51 563	49 696	4%	4%
Other long-term receivables	10 296	10 222	1%	1%
Deferred tax assets	983	1 050	-7%	0%
Total	634 281	633 746		53%
Current assets				
Inventories	256 267	255 949	0%	21%
Commercial receivables	242 361	227 832	6%	20%
Receivables from related parties	14 820	14 479	2%	1%
Other short-term receivables and assets	30 554	35 250	-15%	3%
Cash and cash equivalents	20 465	37 722	-84%	2%
Total	564 467	571 232		47%
TOTAL ASSETS	1 198 748	1 204 978	-1%	100%

Owner`s equity and liabilities



- **The equity** of Sopharma Group increased by BGN 20,6 million compared to 31.12.2021 as a result of the reported net current profit.
- **The liabilities** decreased by BGN 31,7 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 35,2 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 16,9 million to BGN 276 million. The trade liabilities increased by BGN 3,1 million compared to the end of the last year.

OWNER'S EQUITY	31.03.2022	31.12.2021	Change	rel. share compared to OE 2022
	BGN '000	BGN '000	%	%
Equity attributable to equity holders of the parent				
Share capital	134 798	134 798	0%	20%
Reserves	52 746	55 031	-4%	8%
Retained earnings	12 510	12 512		2%
Other capital components	465 602	444 634	5%	69%
Non-controlling interests	13 762	11 893	14%	2%
TOTAL EQUITY	679 418	658 868	3%	100%
LIABILITIES				rel. share compared to total liabilities 2022
Non-current liabilities				
Long-term bank loans	47 599	42 907	10%	9%
Deferred tax liabilities	7 915	8 472	-7%	2%
Long-term liabilities to related parties	11 320	10 210	10%	2%
Long-term payables to personnel	8 061	7 622	5%	2%
Lease liabilities	37 961	38 589	-2%	7%
Government grants	6 670	6 783	-2%	1%
Other non-current liabilities	7 626	7 635	0%	1%
	127 152	122 218	4%	24%

Current liabilities

- **The liabilities** decreased by BGN 31,7 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 35,2 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 16,9 million to BGN 276 million. The trade liabilities increased by BGN 3,1 million compared to the end of the last year.

Current liabilities	31.03.2022	31.12.2021	Change	rel. share compared to total liabilities 2022
	BGN'000	BGN'000	%	%
Short-term bank loans	182 691	217 392	-19%	35%
Short-term part of long-term bank loans	9 547	9 467	1%	2%
Trade payables	146 597	143 480	2%	28%
Payables to related parties	5 111	3 700	28%	1%
Factoring agreement liabilities	1 681	6 370	-279%	0%
Short-term part of leasing liabilities	11 666	11 583	1%	2%
Payables to personnel and social security	18 037	17 888	1%	3%
Tax payables	8 962	7 039	21%	2%
Other current liabilities	7 886	6 973	12%	2%
	392 178	423 892	-8%	76%
TOTAL LIABILITIES	519 330	546 110	-5%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	1 198 748	1 204 978	-1%	

Cash flows

- The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated for the first quarter of 2022, amounts to BGN 14 million inflow compared to BGN 18,2 million inflow in the first quarter of 2021.

	31.03.2022	31.12.2021
	BGN '000	BGN '000
Net cash flows from operating activities	(75 962)	(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)	70 843	22 492



Consolidated financial results for the first quarter of 2022

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.

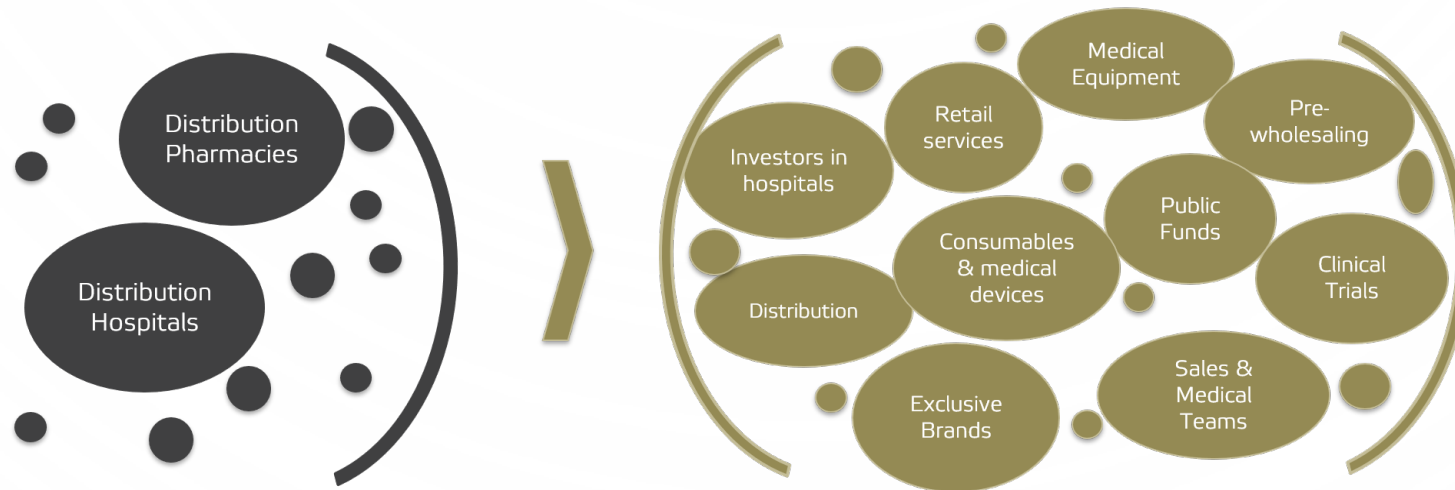


Consolidated financial results for the first quarter of 2022

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**.

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	1-3/2022	1-3/2021
Revenues from sales (<i>BGN '000</i>)	255 471	237 052
Net profit (<i>BGN '000</i>)	7 570	6 927
Net profit per share	0.22	0.20
	31.03.2022	31.12.2021
Assets (<i>BGN '000</i>)	475 324	465 886
Owners' equity (<i>BGN '000</i>)	124 729	117 159
Shares (<i>'000</i>)	34 276 050	34 276 050

Management and shares



BGN **34 276 050** share capital



Ordinary registered shares with value of BGN 1 per share.

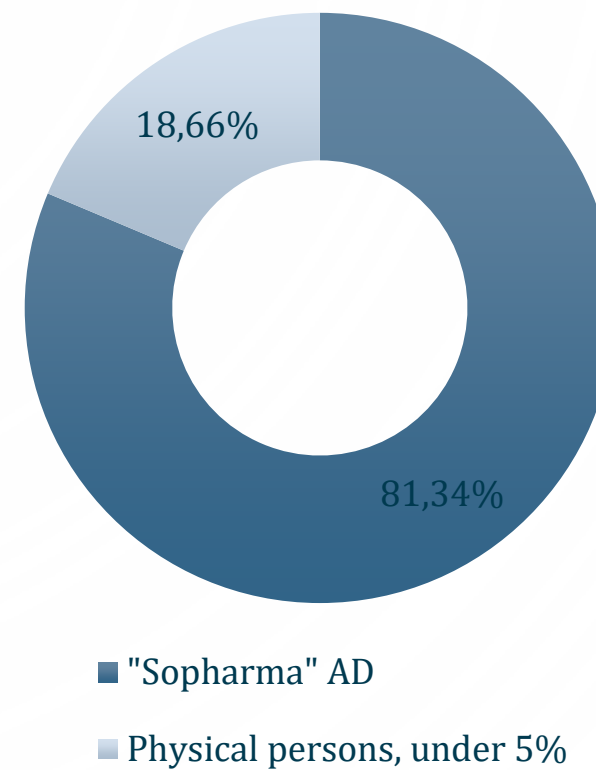


Shareholder participation of the members of the BD:

- 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 March 2022

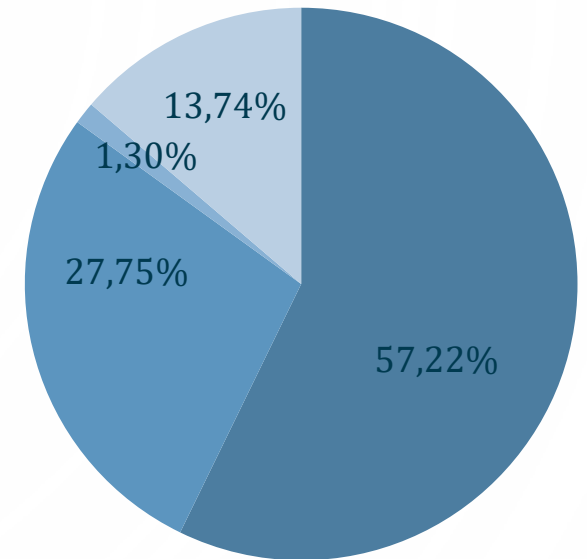


Development

- “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 clients group



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler



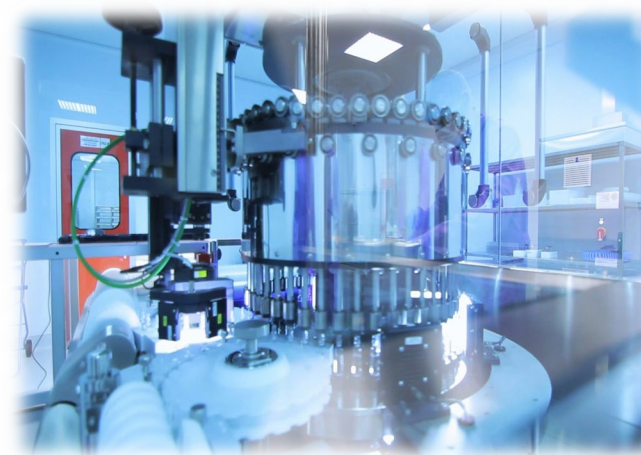
Consolidated financial results for the first quarter of 2022

New products, significant events and risks

New developments and products

The following activities were carried out in **January to March 2022**:

- During the reporting period, a marketing authorization was obtained for **2** new medicinal products:
 - Diclofenac Diethylamine 23.2 mg/g gel (DCP – Denmark, Sweden, Norway, Finland);
 - Paracedol Duo 200 mg/ 500 mg fct (Bulgaria).
- Documentation for registration of **2** medicinal products has been submitted:
 - Pethidin 50 mg/ml solution for injection (DCP – Denmark, Sweden, Norway, Finland);
 - Aminophyllin Sveikuva 24 mg/ml solution for injection (Lithuania).
- Renewed Marketing Authorizations for **18** medicinal products;
- Submission of documentation for the renewal of the Marketing Authorizations for **19** medicinal products;
- **147** changes for medicinal products approved by agencies;
- **95** changes for medicinal products submitted to agencies;
- **1** food supplement have been notified for Bulgaria;
- **2** Cosmetic products are registered in Saudi Arabia;
- Pharmaceutical development of **9** new medicinal products / projects;
- **4** production processes / technologies are validated / optimized;
- Documentation for qualification of raw materials for production– **23**;
- Production regulations– **31**;
- Documentation for qualification of finished forms – **84**.



Significant events during the reported period



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. The war in Ukraine and related economic sanctions and other measures taken by governments around the world have had a significant impact on both local and global economies.

Two of the subsidiaries in the Group are based and operate in Ukraine. As of the date of preparation of the 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.



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 Ukraine and Kazakhstan, the group carries out business operations in these countries and, accordingly, has exposures in Ukrainian hryvnia and Kazakhstani tenge. 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

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PHARMACEUTICALS

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