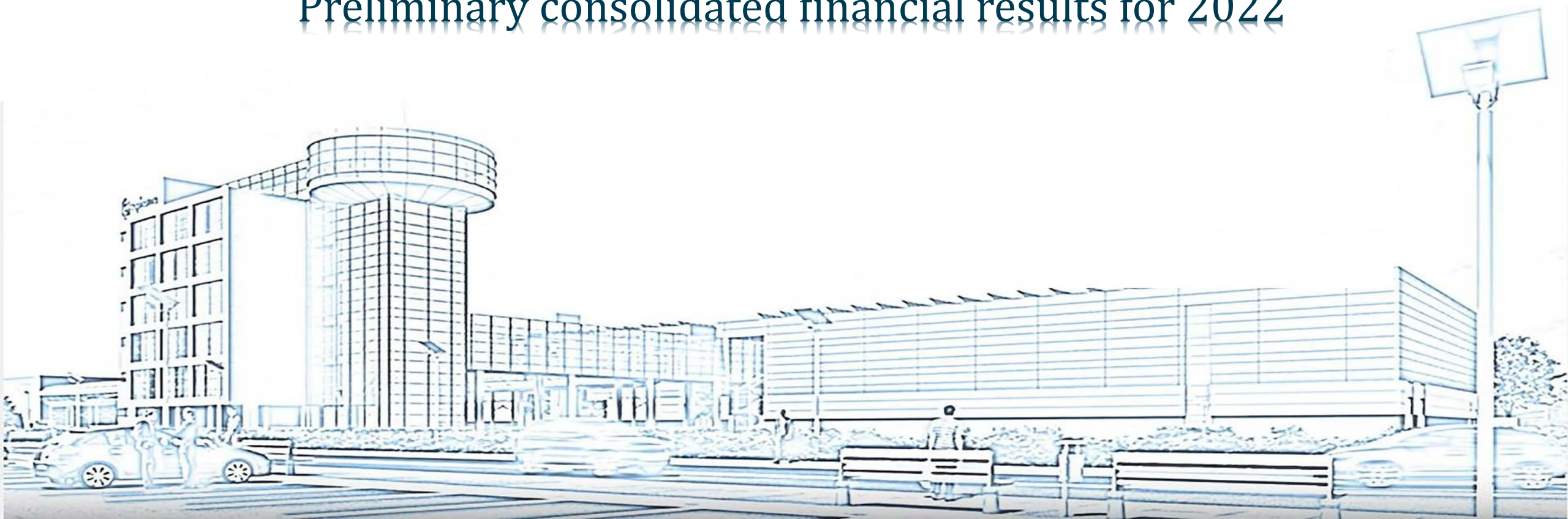


Sopharma Group

Preliminary consolidated financial results for 2022





Preliminary consolidated financial results for 2022

Who are we?

"Sopharma" AD



"Sopharma" AD 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 Company works in the following areas:

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



Who are we?



API Production

- **Farmer, Bulgaria** – Farming of medicinal plants
- **„Sopharma“ AD, Kazanlak, Bulgaria** – Extraction of active ingredients



Wholesale and distribution

- **„Sopharma Trading“ AD, Bulgaria and Serbia and subsidiaries in Ukraine, Kazakhstan, Poland and etc.** Wholesaling, retail



„Sopharma“ AD



Pharmaceutical production

- **„Sopharma“ AD, Bulgaria** - Self developed products from herbal origin, Generic products
- **„Biopharm Engineering“ AD Bulgaria and PAO „Vitamini“ Ukraine** – Generic products



Non-pharma activities

- **„Biopharm Engineering“ Bulgaria** – Veterinary products and sterile production
- **„Momina Krepost“ AD (Joint venture)** – Plastic disposable materials



Important moments from the 85-year history



2000 - Modern history – period of constant modernization and development.

Privatization – "Sopharma" AD becoming a privately held pharmaceutical company.

1933



Local pharmaceutical community starts construction of the first laboratory for production of medicinal products.

1953
Nationalization of
"Sopharma" AD.

Start of production:

- 1956 – Nivalin
- 1964 – Tabex
- 1981 – Tribestan

1999 - Registration of
"Sopharma" AD on the BSE.

2002



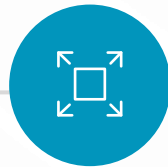
Five small producers have been acquired:

- "Unipharm" AD
- "Vrmed" AD
- "Pharmachim Holding" AD
- "NIHFI" AD
- "Rostbalkanpharm"

2005

Opening of the most modern logistics terminal for distribution of pharmaceutical products (European GDP certified).

2009



Entering the field of distribution, uniting the five largest distributors in Bulgaria in "Sopharma Trading" AD.

2011
Listing on
Warsaw Stock
Exchange

2013



- Construction of new production facilities in Sofia and Belgrade.
- First successful registration of a Sopharma product on a traditional European market (Nivalin in Austria).
- Acquisition of a controlling stake in Unipharm AD.

2017
Transformation through
merger of "Medica" AD
into "Sopharma" AD.

2018



- "Sopharma" AD celebrates its 85th anniversary.
- Merger of „Unipharm“ AD into „Sopharma“ AD.

2020

- "Sopharma Trading" AD acquires sole control over the companies "SCS Franchise" AD and "Sanita Franchising" AD.
- "Sopharma" AD sold the shares owned by it from the capital of "Aromania" AD.

2021



"Sopharma" AD issues warrants in the amount of over BGN 12 million.



Preliminary consolidated financial results for 2022

Our business

**№1 manufacturer of
ampules and suppositories**



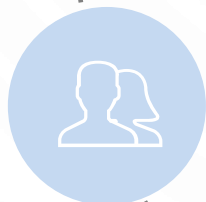
**Revenues BGN 1 662
992 thousand**

**More than 200
product**



**EBITDA
BGN 141 635
thousand**

**4 764
employees**



**134 797 899
shares**

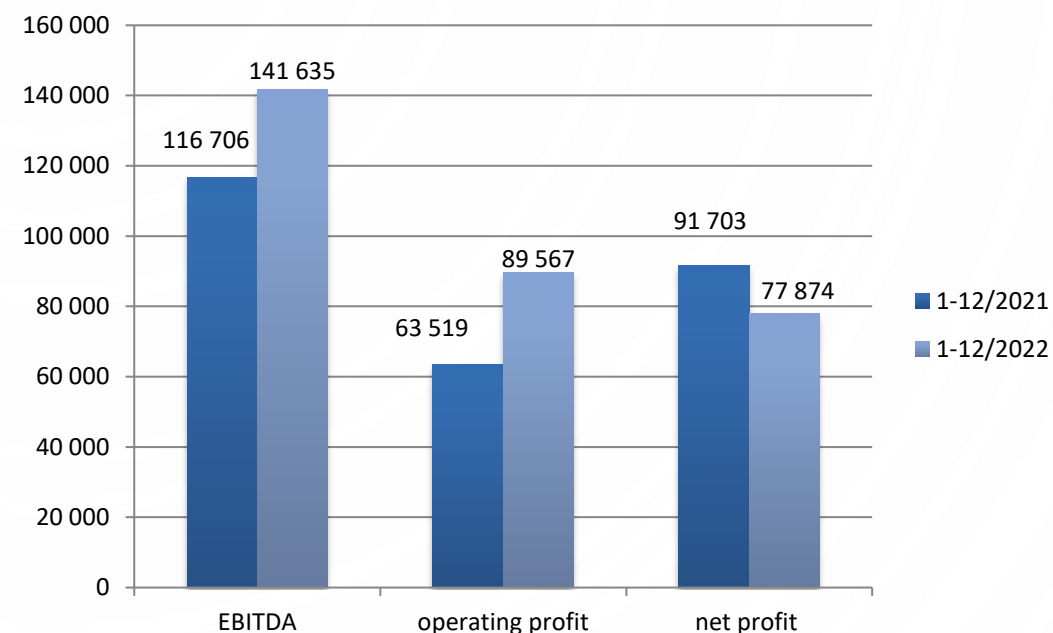


**Company with established
traditions and experience**

Main financial indicators



Indicators	1-12/2022 <i>BGN '000</i>	1-12/2021 <i>BGN '000</i>
Sales revenue	1 662 992	1 603 310
EBITDA	141 635	116 706
Operating profit	89 567	63 519
Net profit	77 874	91 703
CAPEX	84 975	43 536
	31.12.2022 <i>BGN '000</i>	31.12.2021 <i>BGN '000</i>
Non-current assets	677 422	633 746
Current assets	578 377	571 232
Owners' equity	718 130	658 868
Non-current liabilities	141 107	122 218
Current liabilities	396 562	423 892
	1-12/2022	1-12/2021
EBITDA/Sales revenues	8.5%	8.0%
Operating profit/Sales revenues	5.3%	4,5%
Net profit/Sales revenue	5.9%	4.5%
	31.12.2022	31.12.2021
Borrowed capital/Owners' equity	0,74	0,83
Net debt/EBITDA on a annual basis	2,3x	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.
-



Preliminary 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.

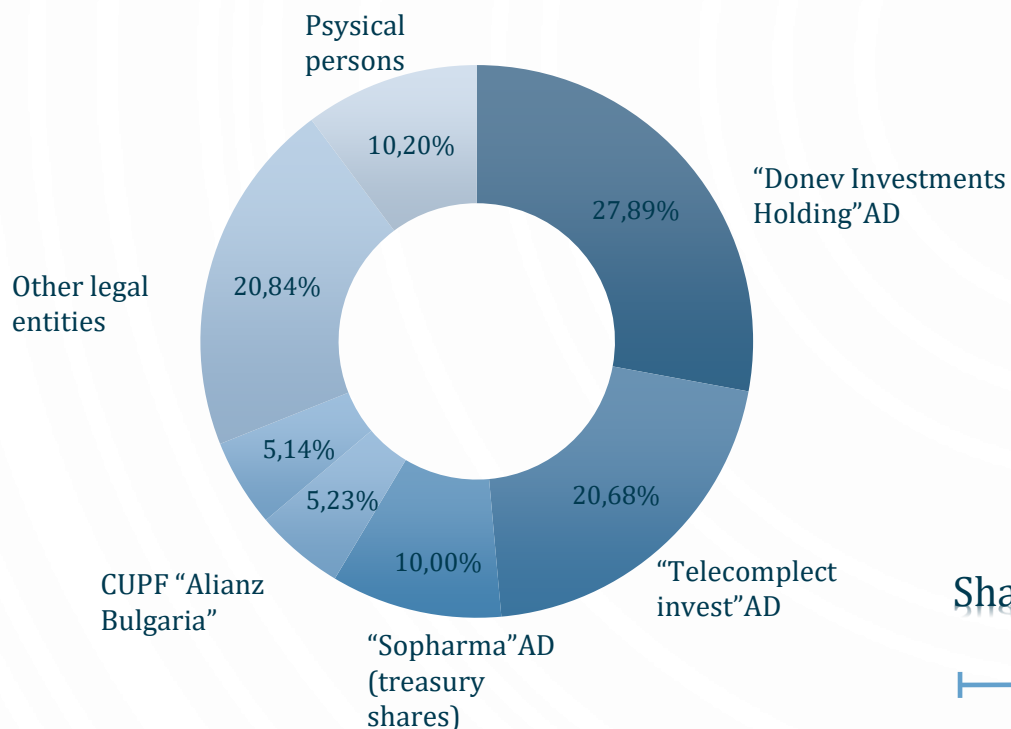


Alexandar Tchaoushev
Independent Member of the BoD

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

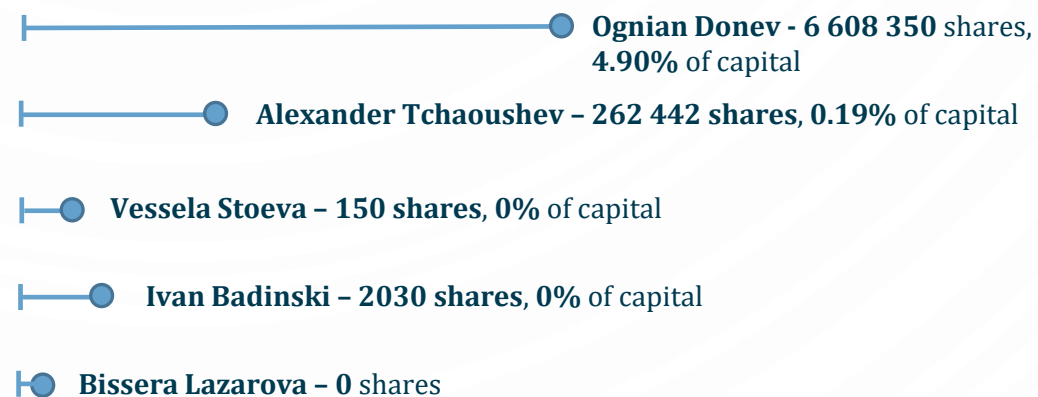
Mr. Chaushev is a member of the Board of Directors of "Sopharma" AD since 2011.

Shareholder structure at 31.12.2022



In 2021, Sopharma AD acquired 13,055,000 treasury shares.

Shares of the Board of Directors as of 31.12.2022



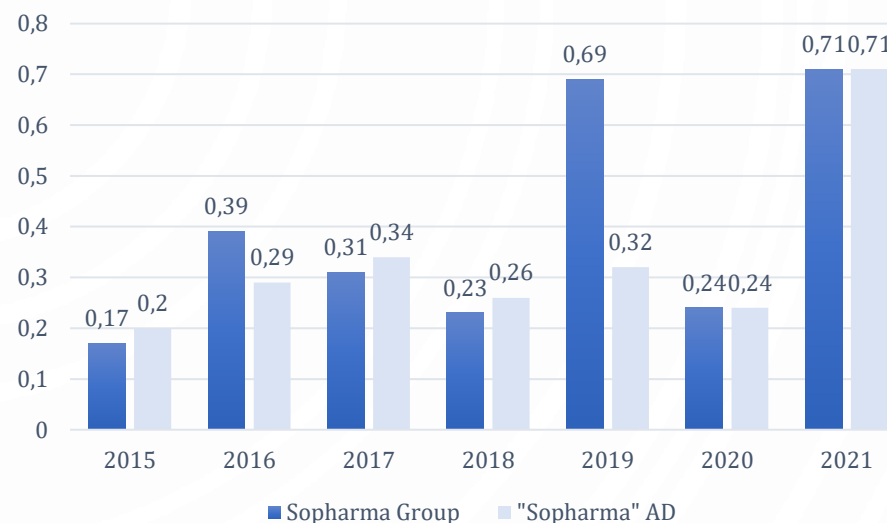
Shares of "Sopharma" AD



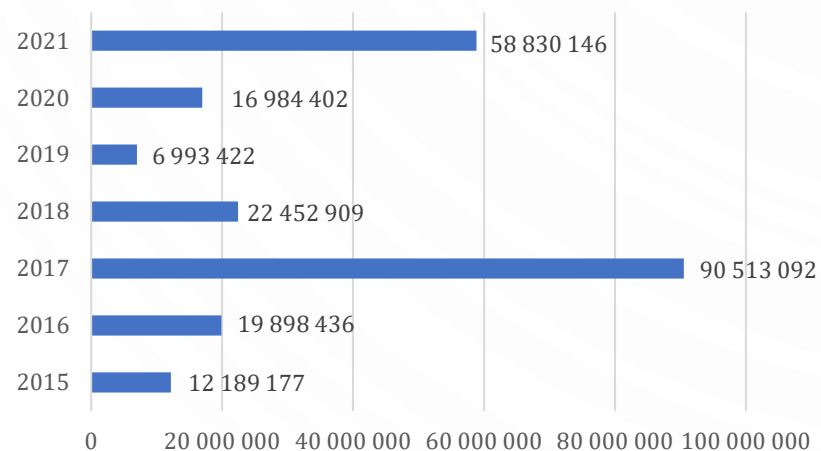
Price of the shares

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

Income per share



Volume of traded shares for 2021



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

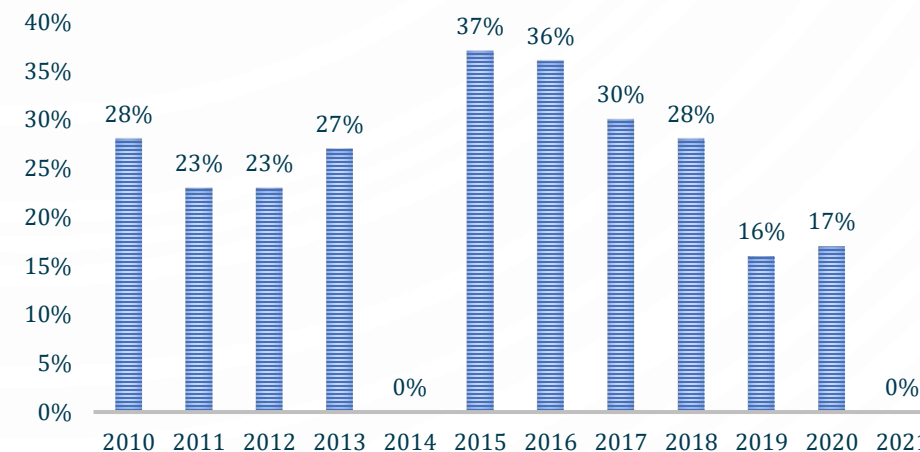


Dividend for 1 share in BGN

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





Preliminary consolidated financial results for 2022

Main 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

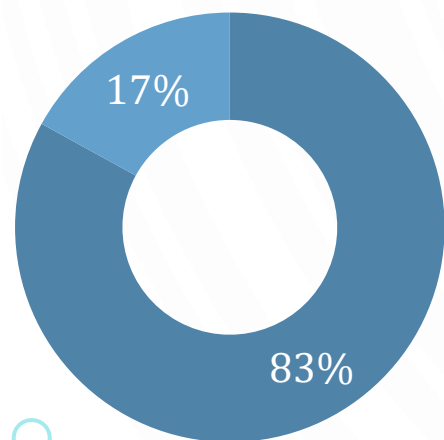
since 2007

Source: NSI 2021

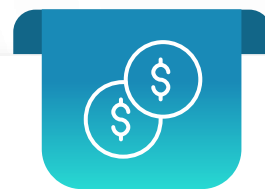
Revenues from sales of products



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.



- Revenue from the sale of goods
- Revenues from the sale of finished products



Adjusted for the deconsolidation of the companies sold at the end of last year in Latvia and Belarus, sales growth was 10%. 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.

After adjustment for the deconsolidation of distribution companies and pharmacy chains in Latvia and Belarus, the growth of sales of goods for the nine months of 2022 was 11%. 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.



On a consolidated basis, the growth in sales of finished products in Bulgaria for 2022 was 4% 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, Sophazon, Vicetin, Fomotide, Vitamin C, Paracetamol, Bromhexine, Methylprednisolone.



Preliminary consolidated financial results for 2022

Financial indicators of Sopharma Group

Operating expenses

- For the current period the expenses of materials increased by BGN 15,9 million to BGN 99 million, as the most significant change was registered in the expenses of substances, which increased by BGN 4,8 million, as well as in the expenses for electricity and heat, increasing by BGN 1,5 million and BGN 3 million, respectively.
- Personnel expenses decreased by BGN 2,4 million to BGN 147,6 million as a result of the decrease in the average number of personnel in the Group (4,764 workers and employees compared to 5,507 for 2021), mainly as a result of the sale of the companies in Latvia and Belarus at the end of 2021.
- The external service expenses decreased by BGN 6 million to BGN 69,9 million with the most significant change in construction costs, which decreased by BGN 7,4 million, which increase by BGN 0,7 million and in the production costs, which decrease by BGN 0,5 million.

Operating expenses	1-12/2022	1-12/2021	Change	rel. share of expenses in 2022
	BGN '000	BGN '000	%	%
Raw materials and consumables used	(99 040)	(83 122)	16%	6%
Hired services	(69 941)	(75 927)	-9%	4%
Personnel	(147 638)	(150 061)	-2%	9%
Depreciation and amortization	(52 068)	(53 187)	-2%	3%
Carrying amount of goods sold	(1 214 227)	(1 166 508)	4%	76%
Other operating expenses	(14 242)	(16 095)	-13%	1%
Total operating expenses	1 597 156	1 544 900	3%	100%

Financial income and expenses



- **Financial income and expenses** 2022 net registered a loss of BGN 5,7 million, which is a increased of the loss by BGN 0,5 million compared to the same period of the last year.
- **Financial income** decreased by BGN 3,4 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 extended	2 223	2 248	-1%	69%
Net profit from exchange differences on securities transactions receivables	558	1 916	-243%	17%
Income from interest on overdue trade receivables	214	266		7%
Interest on receivables under special contracts	149	190	-28%	5%
Income from provided sureties and guarantees	52	19		2%
Income from equity participation (dividends)	33	271	-721%	1%
Income from interest on bank deposits	4	35	-775%	0%
Net change in the impairment of guarantee fees	-	1 489	-	0%
Net profit from exchange differences on foreign currency loans and leases	-	152	-	0%
Net profit from securities investment operations	-	46	-	0%
Total	3 233	6 632		100%

Financial income and expenses



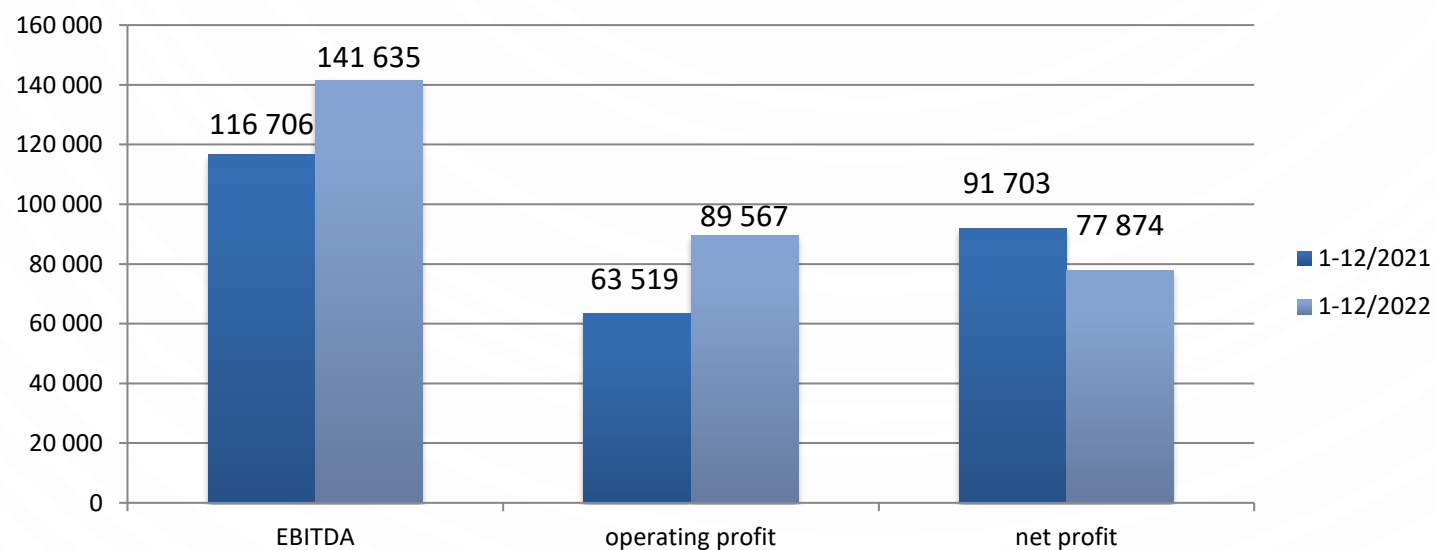
- **Financial expenses** decreased by a total of BGN 2,8 million, while interest expenses on loans received for the current period decreased by BGN 3,3 million as a result of a decrease in the Group's bank exposure due to the sale of shares in the Baltic States and Belarusian companies at the end of last year, as well as the ongoing trend in the current year of reducing bank debt through the generated positive free cash flow in the Group.

Financial expenses	1-12/2022	1-12/2021	Change %	rel. share of expenses of 2022
Interest expense on loans received	4 393	7 944	-81%	49%
Net change in the impairment adjustment for credit losses on trade receivables	1 397	-	100%	16%
Bank fees and charges on loans and guarantees	1 370	960	30%	15%
Interest expense on leases	1 141	1 751	-53%	13%
Net loss on exchange differences from loans denominated in foreign currencies and leases	391	382	2%	4%
Expense for other interest	160	-	100%	2%
Interest expenses on factoring	84	714	-750%	1%
Provision for financial guarantees	14	45	-221%	0%
Impairment for credit losses on guaranty fees	-	1	0%	0%
Total	8 950	11 797	-32%	100%

Financial result



- **(EBITDA)** increased by BGN 24,9 million or by 21%, while in 2022 it amounted to BGN 141,6 million compared to BGN 116,7 million in 2021.
- **Profit from operating activities** increased by BGN 26 million or by 41%, to BGN 89,6 million in 2022 compared to BGN 63,5 million in 2021.
- **Net profit** decreased by BGN 13,8 million or 15% to BGN 77,9 million in 2022 compared to BGN 91,7 million in 2021.



Assets

- **Non-current assets** at the end of 2022 increased by BGN 43,7 million compared to the end of last year. The acquired tangible and intangible fixed assets for the period amounted to BGN 85 million, of which those related to leasing contracts amount to BGN 55,9 million. The parent company invested BGN 4,1 million in 2022 in the construction of new production facilities for the processing of technical cytisine, which are pending inspection and certification by MEA.
- **Current assets** at the end of 2022 increased by BGN 7,1 million compared to the end of last year, which is mainly due to the increase in material stocks by BGN 23,1 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	376 263	362 393	4%	30%
Intangible assets	48 151	54 421	-13%	4%
Goodwill	3 522	13 420	-281%	0%
Investment properties	10 568	9 446	11%	1%
Investments in associated and joint ventures	162 704	127 320	22%	13%
Other long - term equity investments	4 778	5 778	-21%	0%
Long-term receivables from related parties	63 714	49 696	22%	5%
Other long-term receivables	6 153	10 222	-66%	0%
Deferred tax assets	1 569	1 050	33%	0%
	677 422	633 746		54%
Current assets				
Inventories	279 086	255 949	8%	22%
Receivables from related enterprises	226 100	227 832	-1%	18%
Commercial receivables	16 595	14 479	13%	1%
Loans granted to third parties	36 740	35 250	4%	3%
Other short-term receivables and assets	19 856	37 722	-90%	2%
	578 377	571 232		46%
TOTAL ASSETS	1 255 799	1 204 978		100%

Owner's equity and liabilities



- **The equity** Sopharma Group increased by BGN 59,3 million compared to 31.12.2021 as a result of the reported net current profit.
- **The liabilities** decreased by BGN 8,4 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 17,4 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 29,6 million to BGN 263,3 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	47 502	55 031	-16%	7%
Other capital components (reserve for issued warrants)	12 488	12 512	0%	2%
Retained earnings	511 285	634	13%	72%
Total	706 073	646 975	8%	100%
Non-controlling interest	12 057	11 893	8%	2%
TOTAL EQUITY	718 130	658 868		100%

LIABILITIES	31.12.2022 BGN '000	31.12.2021 BGN '000	Change	rel. share compared to total liabilities 2022
Non-current liabilities				
Long-term bank loans	47 537	42 907	10%	9%
Deferred tax liabilities	5 917	8 472	-43%	1%
Long-term liabilities to related parties	25 767	10 210	60%	5%
Long-term payables to personnel	8 045	7 622	5%	1%
Lease liabilities	39 896	38 589	3%	7%
Government grants	6 505	6 783	-4%	1%
Other non-current liabilities	7 626	7 635	0%	1%
	141 293	122 218	14%	25%
Current liabilities				
Short-term bank loans	146 629	217 392	-48%	27%
Short-term part of long-term bank loans	9 754	9 467	3%	2%
Trade payables	176 555	143 480	19%	33%
Payables to related parties	4 881	3 700	24%	1%
Factoring agreement liabilities	1 875	6 370	-240%	1%
Short-term part of leasing liabilities	12 813	11 583	10%	2%
Payables to personnel and social security	21 293	17 888	16%	4%
Tax payables	8 489	7 039	17%	2%
Other current liabilities	14 273	6 973	51%	3%
	396 562	423 892	-7%	75%
TOTAL LIABILITIES	537 855	546 110	-2%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	1 243 928	1 193 085	4%	

Cash flows

- **The free cash flow** (normalized with the revenues from factoring and payments under leasing contracts), generated in 2022, amounts to BGN 103,2 million inflow compared to BGN 73,4 million inflow in 2021.

Cash flows	31.12.2022	31.12.2021
	BGN '000	BGN '000
Net cash flows from operating activities	109 599	(75 963)
Receipts of amounts on factoring after interest and fees	30 950	193 905
Purchases of property, plant and equipment, intangible assets, net	(21 297)	(24 103)
Payments under lease agreements	(16 032)	(20 447)
Free cash flow (normalized)	103 220	73 392



Preliminary 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.

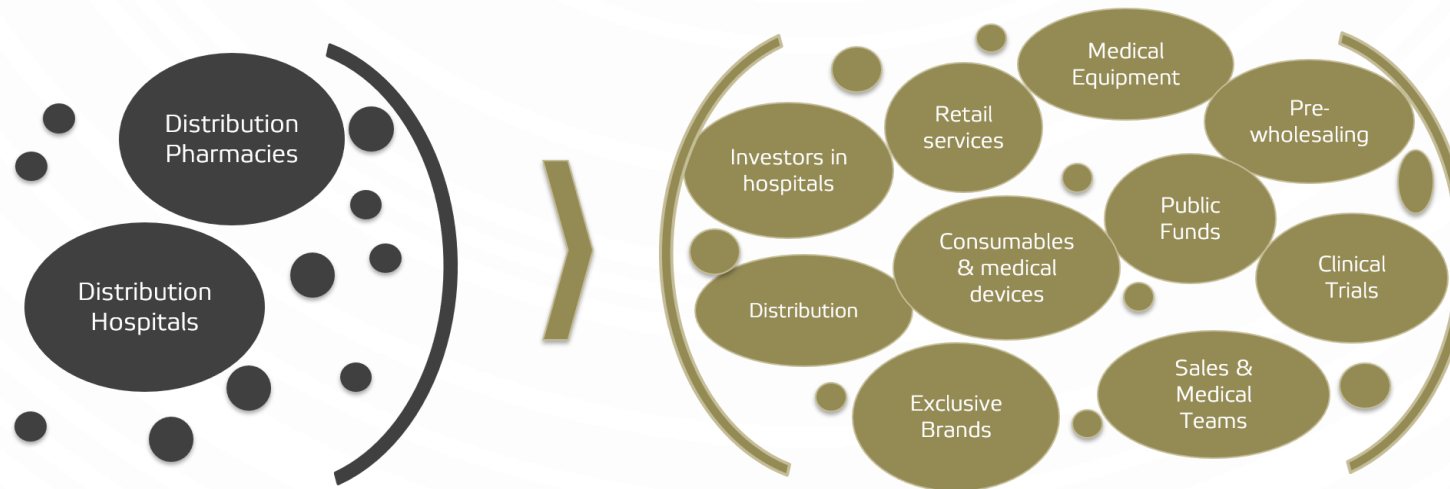


Preliminary consolidated financial results for 2022

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.

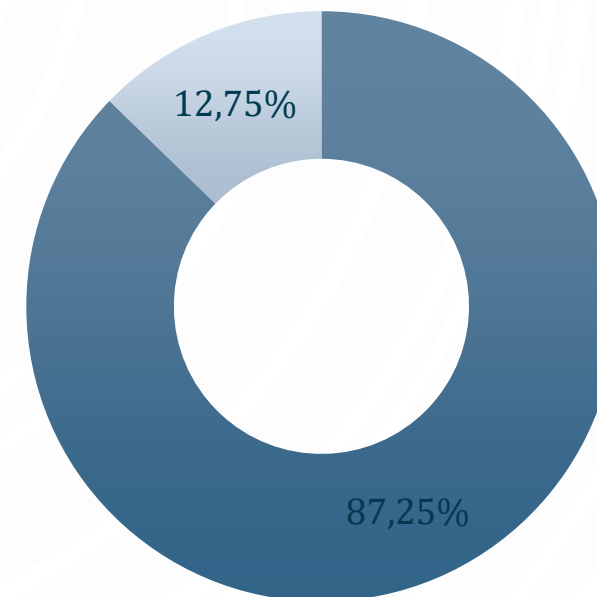


Shareholder participation of the members of the BD:

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



Shareholder structure as at 31 December 2022



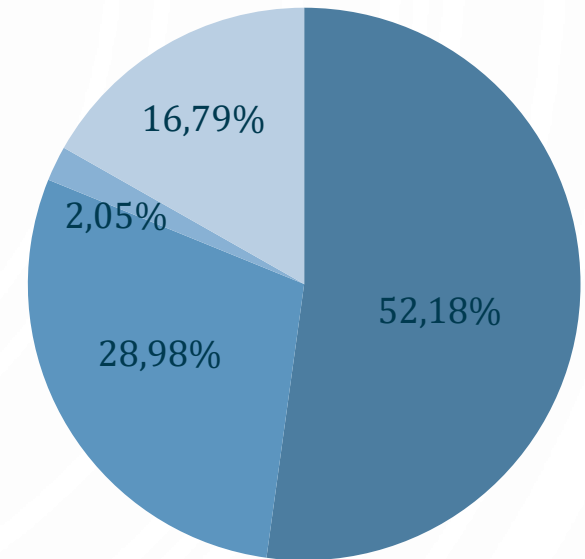
- "Sopharma" AD
- Physical persons, under 5%

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 clients group



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler



Preliminary consolidated financial results for 2022

New products, significant events and risks

New developments and products

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

- The development of **3** food supplements is underway.

- Pharmaceutical development of **4** new medicinal products/projects.



- Received 1 Authorization for the use of new medicinal products;
- Documentation for registration of **3** medicinal products has been submitted.



- Renewed Marketing Authorizations for **11** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **14** medicinal products.
- **52** changes for medicinal products submitted to agencies;
- **61** changes for medicinal products approved by agencies.



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



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. 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.
- At the Regular General Meeting of the shareholders of "Sopharma" AD, held on 3 June 2022, the decisions proposed by the Board of Directors on the relevant items of the agenda were adopted.
- On 7 July 2022, at its meeting, the Board of Directors adopted a decision to issue warrants under the conditions of an initial public offering, as follows:
 - Exercise price: BGN 6.10
 - Issuance price of one warrant: BGN 0.48
 - Number of warrants: 26 959 580
 - Minimum success threshold of the issue: 13 479 790
 - Term in which the right can be exercised: 5 years
- On 26 August 2022, according to the requirements of Art. 100t of the LPOS, "Sopharma" AD notified that as a result of the tender offer sent to the shareholders of "Sopharma Imoti" REIT, "Sopharma" AD will directly own 7,788,145 shares of the capital of "Sopharma Imoti" REIT, representing 35.48% of the capital of "Sopharma Imoti" REIT. The commercial offer was accepted by 24 shareholders, owning a total of 469,480 shares of Sopharma Imoti REIT.
- On 11 November 2022, the Group divested itself of its participation in the subsidiary "RAP Pharma International" OOD, Moldova.

Significant events during the reported period



- On January 20, 2023, according to the requirements of Art. 154, para. 1 of the Law on Public Offering of Securities, "Donev Investments Holding" AD, EIK 831915121, with registered office and address of management Sofia region (capital), Stolichna municipality, city of Sofia, p.c. 1000, Vazrazhdane District, Positano St. No. 12, represented by Ivan Ognyanov Donev, in his capacity as executive director, notifies that on 19 January 2023 the Financial Supervision Commission took a decision not to issue a final prohibition on the publication of a tender offering registered with the Financial Supervision Commission by "Donev Investments Holding" AD - a shareholder directly owning 37 600 000 ordinary, dematerialized shares with voting rights, representing 27.89% of the capital and votes in the General Meeting of Shareholders of "Sopharma" AD, pursuant to Art. 149b of the Law on the Public Offering of Securities for the purchase of shares from the remaining shareholders of "Sopharma" AD.
- On January 23, 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 27.01.2023.



Review the main risks



Business risk

The Group faces significant competition.

The Group'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.

The Group is dependent on regulatory approvals.



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.

To control the currency risk, there is a system in place for planning imports, sales in foreign currency, and others.



Risks related to other markets

The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations.

The political situation in Bulgaria and in the Group's export markets, in particular Russia and Ukraine, has a significant effect on the Group's operations and financial condition.

Risks relating to exchange rates and the Currency Board in Bulgaria.



Legal risk

Developing legislation in some of the countries where the Company sells its products, in particular Russia and Ukraine, may adversely affect its operations in those countries.

Interpretation of tax provisions may be unclear and tax laws and regulations applicable to the Company may be amended.

Litigation or other out-of-court procedures or actions can have an adverse effect on business.

Thank you for your time and attention!

Investor Relations Department
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