

“Sopharma” AD

Individual financial results for the first quarter of 2022





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Who are we?

"Sopharma" AD

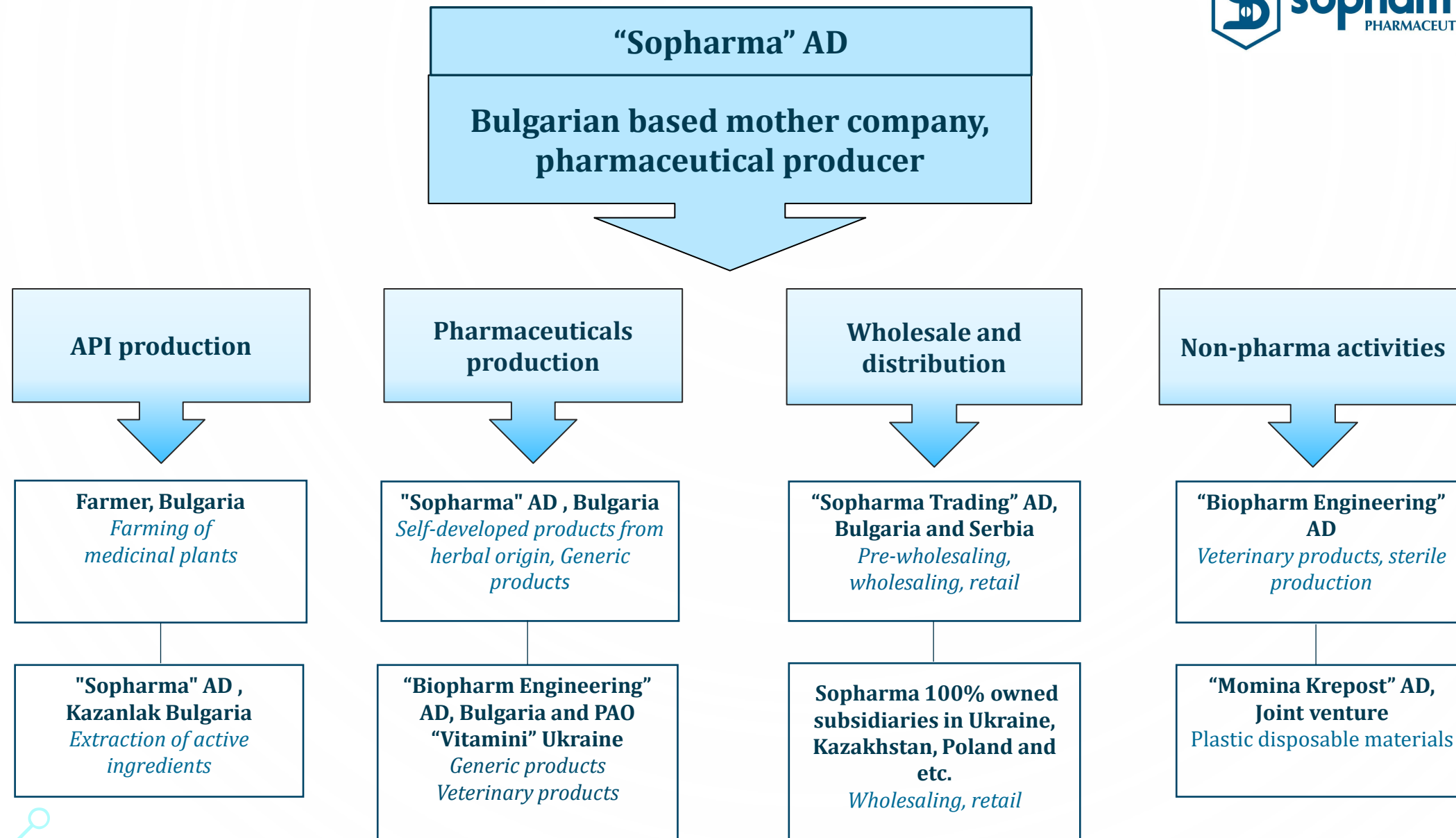


"Sopharma" AD is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other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

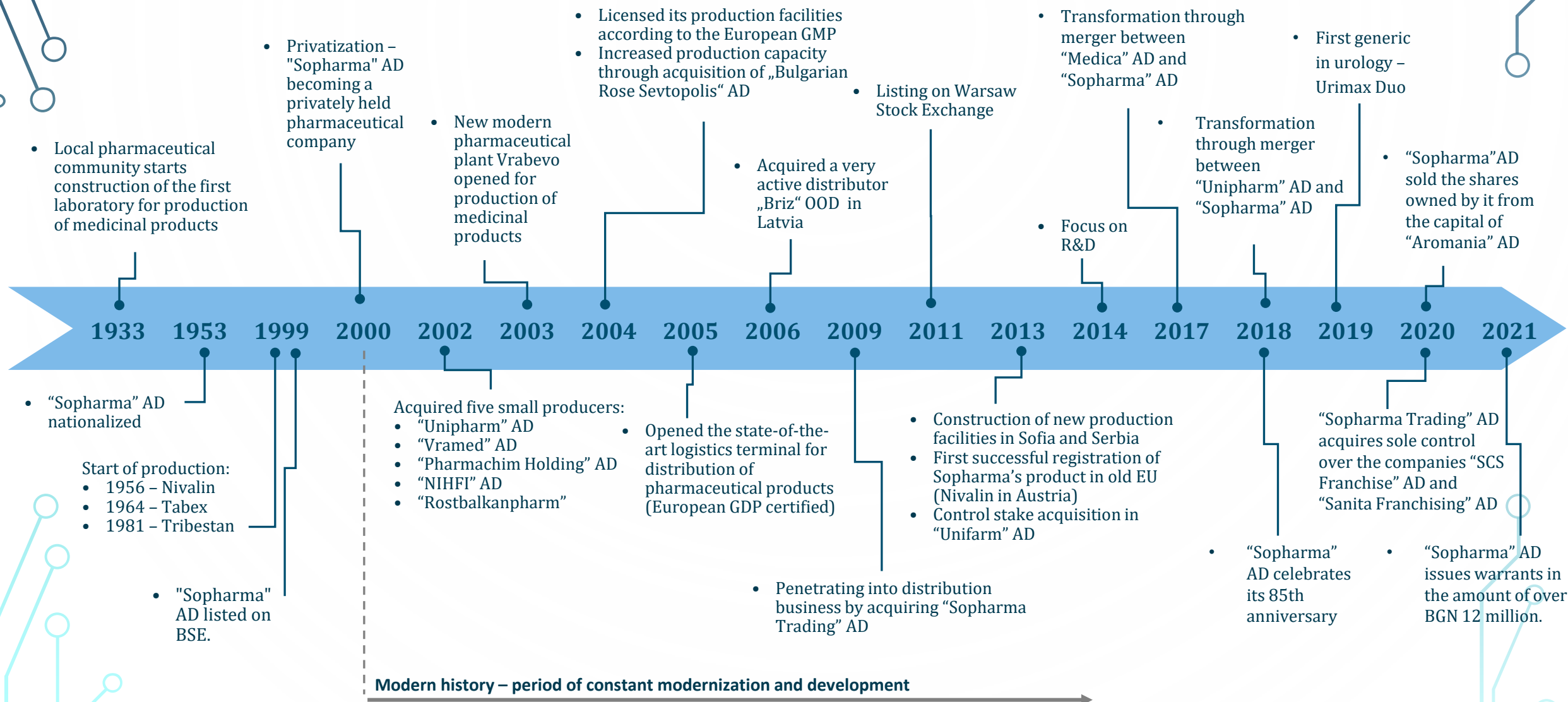
The Company works in the following areas:

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





Brief history and key milestones:





Individual financial results for the first quarter of 2022

Our business

"Sopharma" AD



**№1 manufacturer of
ampules and suppositories**



**More than 200
products**



**8
manufacturing plants**



Established in 1933



**Company with established
traditions and experience**



**employees
1 740**



**Revenues
BGN 44 557
thousand**



**EBITDA
BGN 11 790
thousand**



**134 797 899
shares**

Key financial indicators



Sales revenues increase with 28.9%



EBITDA increases with 35.5%



Operating profit increases with 69.9%



Net profit increases with 53%



Capex increases with 62.1%

Indicators	31.03.2022	31.03.2021
	BGN '000	BGN '000
Sales revenues	44 557	34 570
EBITDA	11 790	8 702
Operating profit	7 322	4 309
Net profit	7 076	4 626
CAPEX*	2 655	1 638
	31.03.2022	31.12.2021
	BGN '000	BGN '000
Non-current assets	459 658	456 746
Current assets	189 098	202 353
Owners' equity	571 536	564 203
Non-current liabilities	29 728	22 436
Current liabilities	47 492	72 460
	1-3/2022	1-3/2021
EBITDA / Sales revenues	26.5%	25.2%
Operating profit/ Sales revenues	16.4%	12.5%
Net profit/ Sales revenues	15.9%	13.4%
	31.03.2022	31.12.2021
Borrowed capital/Owners' equity	0,14	0,17
Net debt*/ EBITDA	0,6x	0,7x



Individual 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.

“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 (both sugar and film-coating 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).

Personnel



- The average number of workers and employees for 2022 in “Sopharma” AD is 1 740 (1 860 in 2021).



1 740
workers and employees.

	31.03.2022	Rel. Share %
Number of workers and employees as at 31 March 2022	1 768	100%
Higher education	802	46%
College education	35	2%
Secondary education	875	50%
Primary education	23	1%
Employees under 30 years	145	8%
Employees 31 - 40 years	281	18%
Employees 41 - 50 years	489	28%
Employees 51 - 60 years	643	37%
Employees over 60 years	177	10%
Women	1092	63%
Men	643	37%



Individual 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

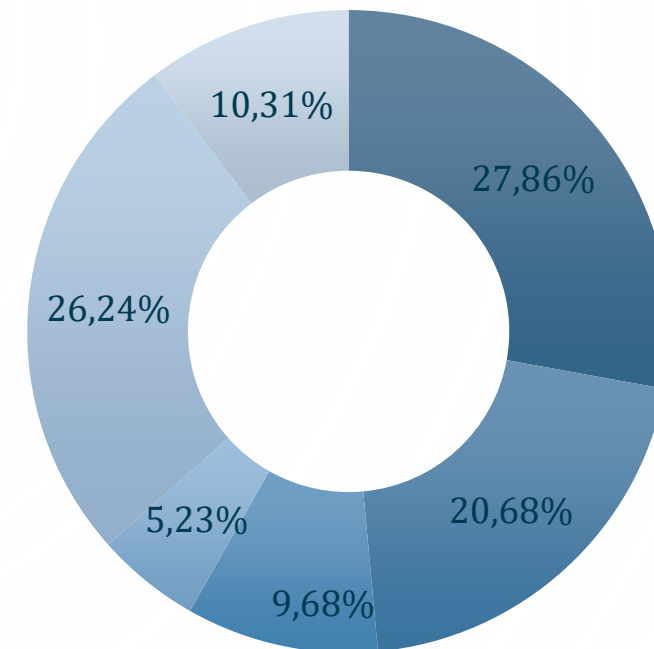


134 797 899 shares with nominal value BGN 1 per share.



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.

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

Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
"Sopharma" AD	28%	23%	23%	27%	none	37%	36%	30%	28%	16%	17%



Individual 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

Operating revenues

- **Revenues from contracts with customers**

Revenues from contracts with customers in the first quarter of 2022 increased by BGN 10 million to BGN 44,6 million, compared to BGN 34,6 million in the first quarter of 2021.

- **Europe**

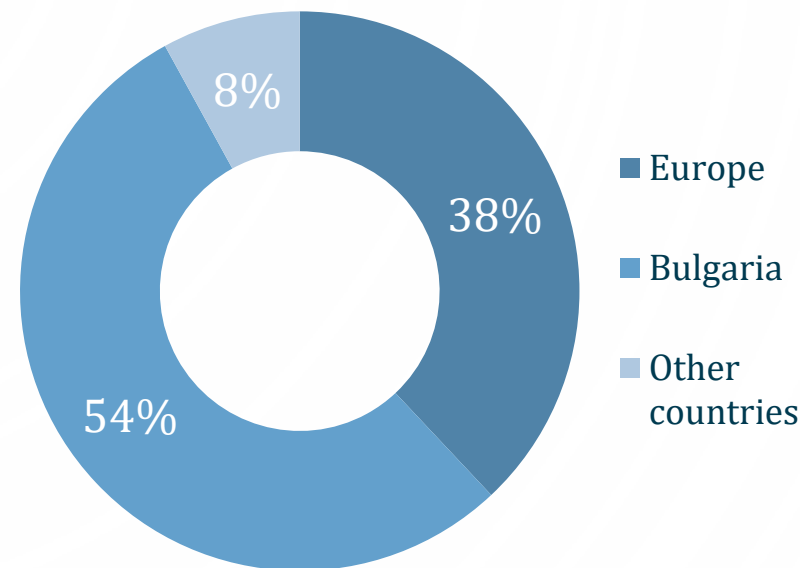
Sales revenues for the first quarter of 2022 for European countries decreased by BGN 1,1 million or 6.3% compared to the first quarter of 2021 due to the decrease of sales in Russia with 39%, which is partially offset by an increase in sales in Ukraine by 83%.

- **Bulgaria**

Sales of “Sopharma” AD in the domestic market increased by BGN 10,6 million or by 80% for the first quarter of 2022 to BGN 23,7 million compared to BGN 13,1 million for the first quarter of 2021.

- **Other markets**

Revenues from other markets increased with BGN 3,6 million or 22% compared to first quarter of 2021, mainly as a result of an increase of the export for Georgia.

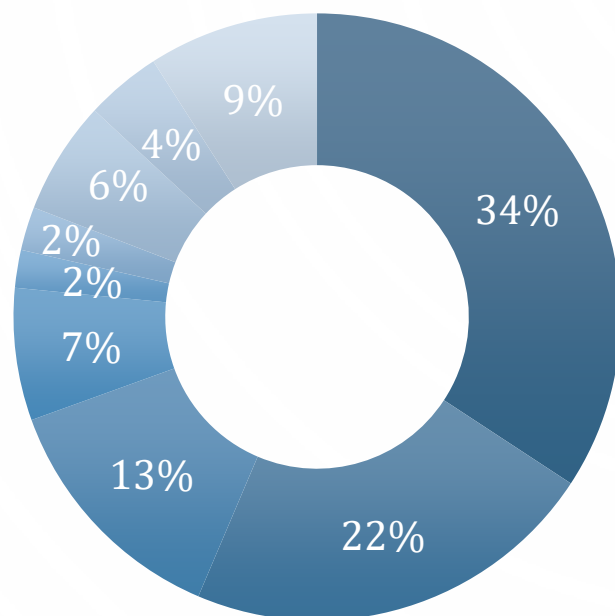




Individual financial results for the first quarter of 2022

Financial indicators of “Sopharma” AD

Revenue by therapeutic group



- N Nervous system
- A Digestion and metabolism
- C Cardio-vascular system
- R Respiratory system
- G Piccool system and sex hormones
- M Musculoskeletal system
- H Hormonal products, exc. sex hormones and insulin
- Cosmetics, food supplements and medical devices
- Other

Operating expenses



- For the current period more significant changes are reported in the cost of materials, mainly in the part of basic materials for production, which is related to the increase in sales during the period. There is a more significant increase in the costs for heat and electricity by BGN 1,3 and 0,6 million, respectively. Personnel costs do not change significantly, and the largest change in external costs is in the costs of manufacturing medicines, which decreased by BGN 1 million.

Operating expenses	1-3/2022	1-3/2021	Change	Rel. share of expenses 2022
	BGN '000	BGN '000		%
Changes in inventories of production and work in progress	5 392	8 717	-62%	11%
Raw materials and consumables used	19 206	15 009	22%	39%
Hired services expense	6 924	7 779	-12%	14%
Employee benefits expense	12 116	12 266	-1%	25%
Depreciation and amortisation expense	4 468	4 393	2%	9%
Other operating expenses	653	282	57%	1%
Total operating expenses	48 759	48 446		100%

Financial income and expenses



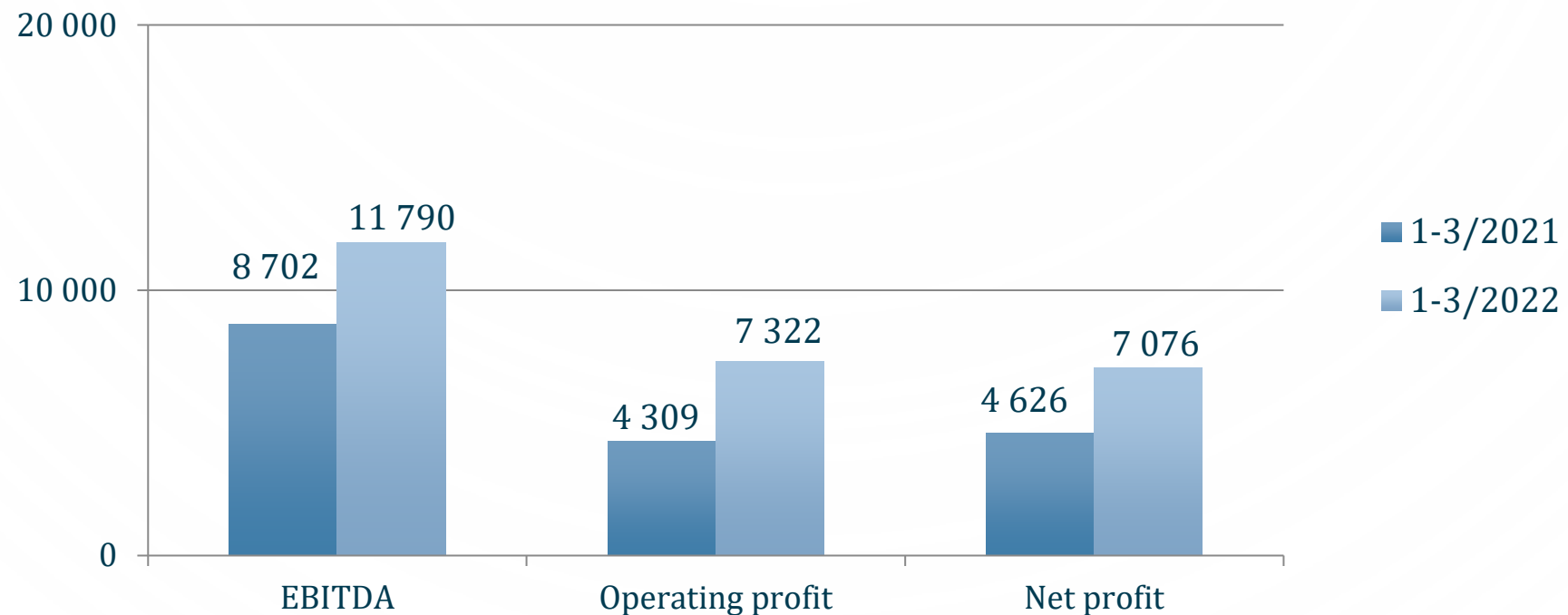
Financial income decreased by BGN 0,2 million to BGN 0,8 million in the first quarter of 2022 mainly due to the profit from operations with securities investments in the amount of BGN 0,2 million reported in the previous period.

Financial expenses decreased by BGN 0,1 million to BGN 0,2 million in the first quarter of 2022 mainly due to the decrease in interest expenses by BGN 0,1 million.

Finance income	1-3/2022	1-3/2021	Change	relative share of income of 2022
	BGN '000	BGN '000	%	%
Interest income on loans extended	585	637	-9%	76%
Income from fees on provided guarantees and warranties	113	0	100%	15%
Net profit from exchange differences on receivables from the sale of a subsidiary	70	148	-111%	9%
Net profit from exchange rate differences under lease agreements	3	0	100%	0%
Net gain on transactions with investments in securities	0	232		
<i>incl. profits from the sale of investments in subsidiaries</i>	<i>0</i>	<i>187</i>		
Total	771	1017		100%
Financial expenses	1-3/2022	1-3/2021	Change	relative share of income of 2022
			%	%
Interest expense on loans received	108	204	-89%	57%
Bank fees and charges on loans and guarantees	51	72	-41%	27%
Interest expenses on leasing contracts	29	25	14%	15%
Net foreign exchange loss on leases	0	9		0%
Total	188	310		100%

Financial result of the activity

- **EBITDA** in the first quarter of 2022 increased by BGN 3,1 million or by 36% to BGN 11,8 million compared to BGN 8,7 million for the first quarter of 2021.
- **Profit from operating activities** in the first quarter of 2022 increased by BGN 3 million or by 70% to BGN 7,3 million compared to BGN 4,3 million in the first quarter of 2021.
- **Net profit** in the first quarter of 2022 increased by BGN 2,5 million or by 53%, to BGN 7,1 million compared to BGN 4,6 million in the first quarter of 2021.



Assets

- **Non-current assets** compared to the end of 2021 change insignificantly, reporting an increase of BGN 3 million.
- **Current assets** decreased by BGN 13,3 million, with the most significant decrease reported in trade receivables in the amount of BGN 6,1 million and cash in the amount of BGN 11,6 million. Inventories increased. with BGN 5,8 million.

Assets	31.03.2022 BGN '000	31.03.2021 BGN '000	Change %	Rel. share 2022
Non-current assets				
Property, plant and equipment	203 417	205 090	-1%	31%
Intangible assets	4 151	4 324	-4%	1%
Investment property	47 359	47 302	0%	7%
Investments in subsidiaries	82 555	80 598	2%	13%
Investments in associates and joint ventures	55 177	54 485	1%	9%
Other long-term equity investments	5 776	5 706	1%	1%
Long-term receivables from related parties	51 563	49 695	4%	8%
Other long-term receivables	9 660	9 546	1%	1%
	459 658	456 746		71%
Current assets				
Inventories	68 989	63 222	8%	11%
Receivables from related parties	87 394	87 706	0%	13%
Trade receivables	20 520	26 631	-30%	3%
Loans granted to third parties	1 810	1 804	0%	0%
Other receivables and prepayments	6 355	7 372	-16%	1%
Cash and cash equivalents	4 030	15 618	-288%	1%
	189 098	202 353		29%
TOTAL ASSETS	648 756	659 099	-2%	100%

Owner's equity and liabilities



- The equity of “Sopharma” AD increased by BGN 7,3 million compared to 31 December 2021 in terms of the registered profit for the current year.

EQUITY	31.03.2022	31.03.2021	Change	rel. share compared to OE 2022
	BGN '000	BGN '000		
Share capital	134 798	134 798	0%	24%
Treasury shares	(50 284)	(50 284)	0%	-9%
Reserves	439 012	439 040	0%	77%
Other capital components	12 510	12 512	0%	2%
Retained earnings	35 500	28 137	21%	6%
Total equity	571 536	564 203	1%	100%

- Non-current liabilities** increased by BGN 7,3 million, as a result of an increase in long-term bank loans by BGN 7,4 million compared to the end of the previous year.
- Current liabilities** decreased by BGN 25 million compared to 31 December 2021, mainly as a result of the decrease in short-term bank loans by BGN 24,4 million, financed by the realized free cash flow for the period and the available cash at the end of 2021. A decrease in trade liabilities compared to 31 December 2021 is reported in the amount of BGN 1,9 million.

LIABILITIES	31.03.2022	31.03.2021	Change	rel. share compared to total liabilities 2022
Non-current liabilities	BGN '000	BGN '000		
Long-term bank loans	14 142	6 750	52%	18%
Deferred tax liabilities	6 336	6 389	-1%	8%
Government grants	3 902	4 007	-3%	5%
Liabilities under leasing contracts to third parties	434	496	-14%	1%
Long-term liabilities to staff	4 914	4 794	2%	6%
	29 728	22 436	25%	38%
Current liabilities				
Short-term bank loans	22 273	46 663	-110%	29%
Trade payables	10 808	12 671	-17%	14%
Payables to related parties	2 886	1 609	44%	4%
Tax payables	1 301	700	46%	2%
Payables to personnel and for social security	8 259	8 034	3%	11%
Other current liabilities	1 965	2 783	-42%	3%
	47 492	72 460	-53%	62%
TOTAL LIABILITIES	77 220	94 896	-23%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	648 756	659 099	-2%	

Cash flows



- **The free cash flow** (normalized with the payments under lease contracts), generated for the first quarter of 2022, amounts to BGN 7,1 million inflow compared to BGN 14,6 million inflow in the first quarter of 2021.

Cash flows	1-3/2022 BGN '000	1-3/2021 BGN '000
Net cash flows from operating activities	9 532	15 921
Purchases of property, plant and equipment, intangible assets, net	(1 988)	(793)
Payments under lease contracts	(478)	(505)
Free cash flow (normalized)	7 066	14 623



Individual 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. 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.



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 - The Company supplies part of its raw and other materials in USD. The currency risk is related to the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.



Thank you for your time and attention!

Investor Relations Department
"Sopharma" AD

optimum
health
maximum
vitality

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