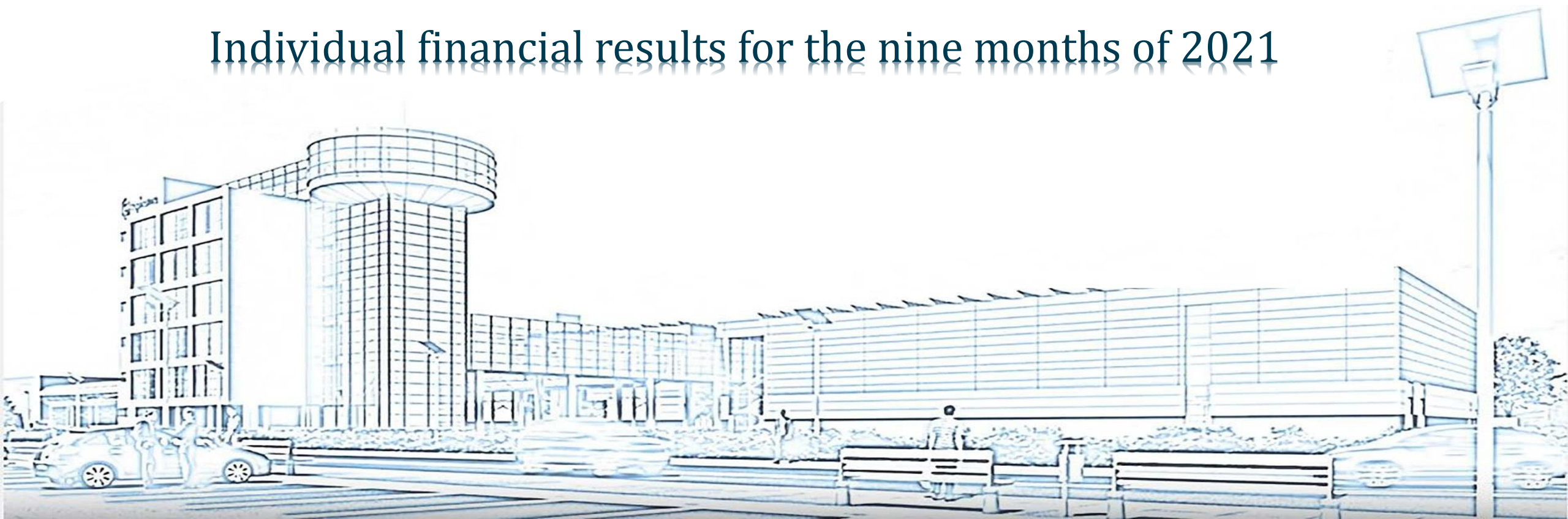


# “Sopharma” AD

Individual financial results for the nine months of 2021





Individual financial results for the nine months of 2021

Who are we?

## "Sopharma" AD

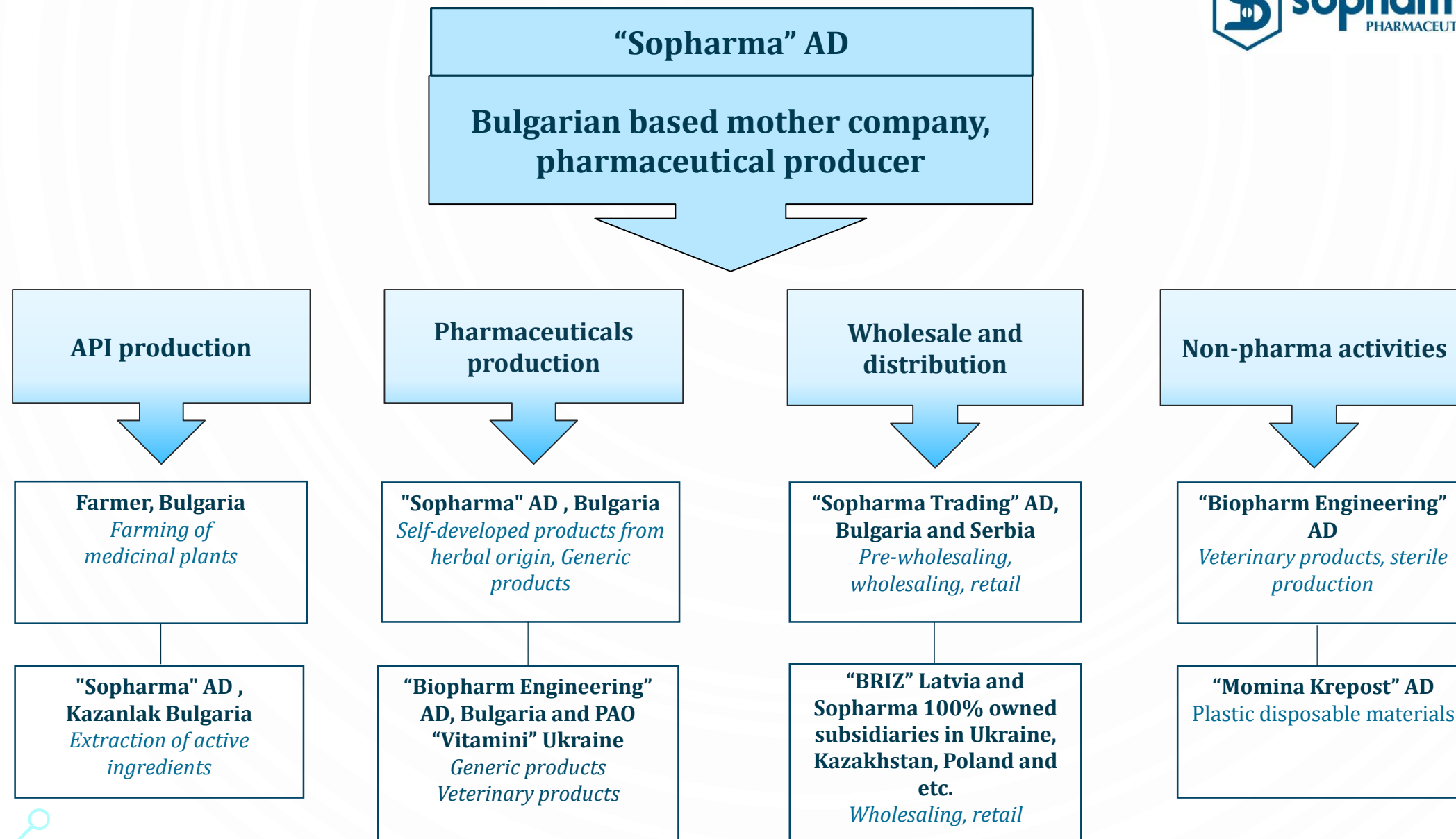


"Sopharma" AD is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other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

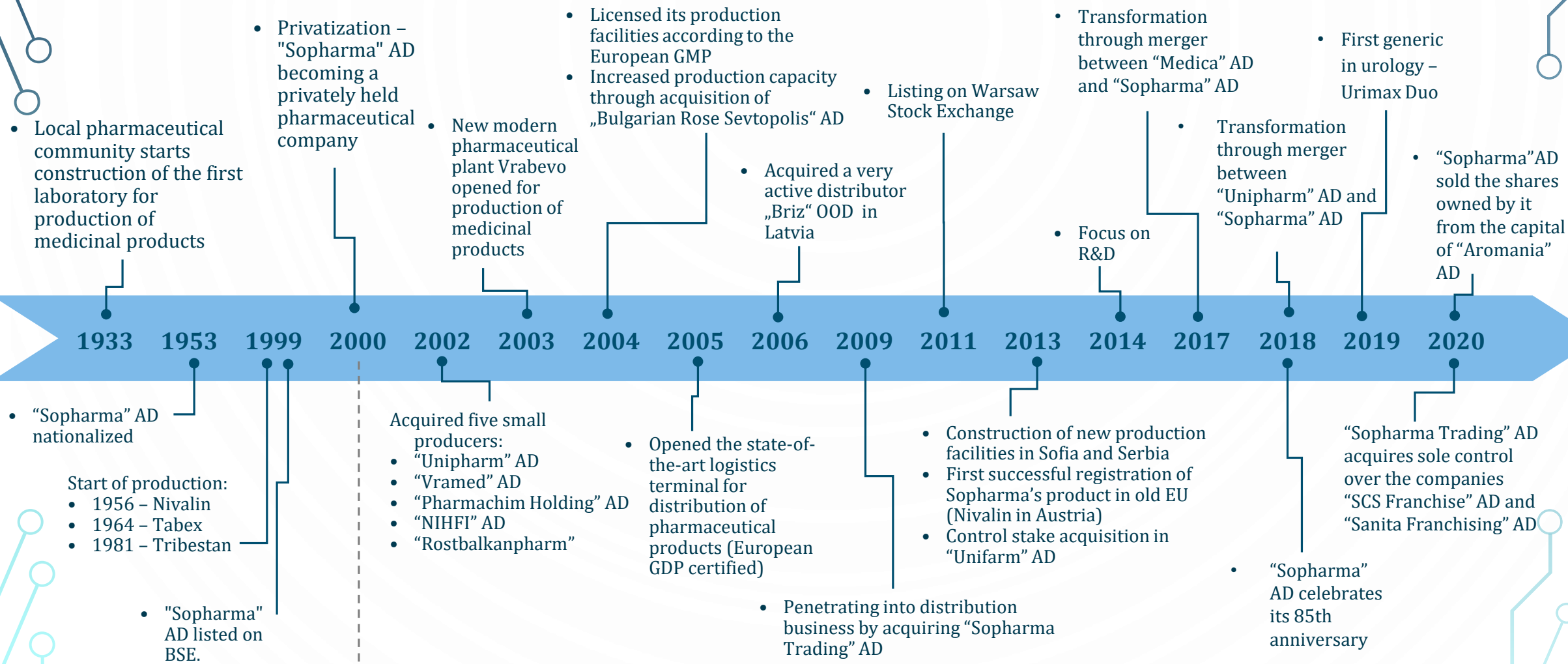
The Company works in the following areas:

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





# Brief history and key milestones:



Modern history – period of constant modernization and development





Individual financial results for the nine months of 2021

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## Our business

# "Sopharma" AD



**Established in 1933**



**№1 manufacturer of  
ampules and suppositories**



**More than 200  
products**



**9  
manufacturing plants**



**Company with established  
traditions and experience**



**employees  
1 801**



**Revenues  
BGN 137 778  
thousand**



**EBITDA  
BGN 38 207  
thousand**



**134 797 899  
shares**

# Key financial indicators



Sales revenues decrease with 2.2%



EBITDA increases with 11.7%



Operating profit increases with 21.9%



Net profit increases with 1.2%



Capex decreases with 42.9%

Indicators	1-9/2021	1-9/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenues	137 778	140 845
EBITDA	38 207	34 207
Operating profit	25 000	20 501
Net profit	22 408	22 134
CAPEX**	5 007	8 768
	<b>30.09.2021</b>	<b>31.12.2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	422 300	435 891
Current assets	192 126	214 447
Owners' equity	555 383	536 988
Non-current liabilities	15 229	16 091
Current liabilities	43 814	97 259
	<b>1-9/2021</b>	<b>1-9/2020</b>
EBITDA / Sales revenues	27.7%	24.3%
Operating profit/ Sales revenues	1.1%	14.6%
Net profit/ Sales revenues	16.3%	15.7%
	<b>30.09.2021</b>	<b>30.06.2021</b>
Borrowed capital/Owners' equity	0,11	0,16
Net debt*/ EBITDA	0,4x	1,1x





Individual financial results for the nine months of 2021

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## 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	<b>Traditional</b> phyto-product used for the treatment of gastrointestinal diseases (liver diseases).
Tempalgin	<b>Traditional</b> drug used as a painkiller.
Tabex	<b>Traditional</b> phyto-product used for the treatment of nicotine dependence.
Tribestan	<b>Traditional</b> phyto-product that stimulates the sexual functions.
Broncholitin	<b>Traditional</b> product used for treatment of diseases affecting the respiratory system and causing coughing and catarrhal changes.
Analgin	<b>Generic</b> painkiller.
Nivalin	<b>Traditional</b> phyto-based product used for the treatment of diseases of the peripheral nervous system.
Methyl-prednisolon	<b>Generic</b> lyophilized sterile hospital product used for handling cases of severe allergies and certain life threatening conditions.
Vitamin C	Widely used <b>nutritional supplement</b> .
Valeriana	<b>Generic</b> 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 2021 in “Sopharma” AD is 1 801 (1 991 in 2020).



**1 801**  
workers and employees.

	30.09.2021	Rel. Share %
<b>Number of workers and employees as at 30 September 2021</b>	1 797	100%
Higher education	818	46%
College education	37	2%
Secondary education	919	51%
Primary education	23	1%
Employees under 30 years	154	8%
Employees 31 - 40 years	311	18%
Employees 41 - 50 years	499	28%
Employees 51 - 60 years	652	36%
Employees over 60 years	181	10%
Women	1 131	63%
Men	666	37%



Individual financial results for the nine months of 2021

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## Management, shares and dividends



# Board of Directors



**Ognian Donev, PhD**  
Chairman of the BoD  
and Executive Director

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



**Vessela Stoeva**  
Deputy-chairman of the BoD

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



**Ivan Badinski**  
Member of the BoD

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



**Bissera Lazarova**  
Independent 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 30 September 2021

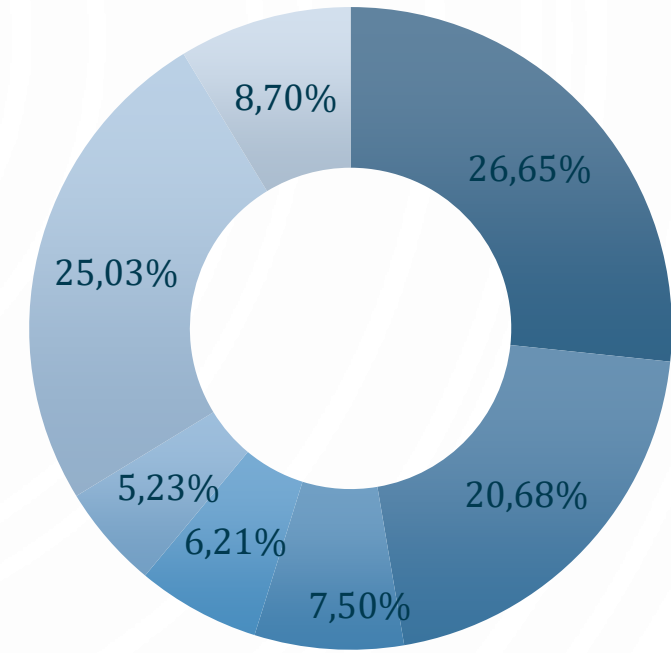


**134 797 899** shares with nominal value BGN 1 per share.



## Shareholder participation of the members of the Board of Directors:

- Ognian Donev – directly **3 850 063** shares, **2.86%** of capital and indirectly **35 922 743** shares, **26.65%** through “Donev Investments Holding” AD;
- Alexander Tchaoushev – **111 142** shares, **0.08%** of capital;
- Vessela Stoeva – **150** shares;
- Ivan Badinski – **350** shares;
- Bissera Lazarova – **0** shares.



- "Donev Investments Holding" AD
- "Telecomplex invest" AD
- "Sopharma" AD (treasury shares)
- "Rompharm company" OOD
- 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	0.05 0.07	0.04

### Dividend payout ratio

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





Individual financial results for the nine months of 2021

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## Key markets



# Republic of Bulgaria: Demography and key economic indicators

## GDP (BGN million)



2016 2017 2018 2019 2020\*

\* Preliminary data

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

## GDP per capita

BGN 17.146 (€ 8.748)

## Currency

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

## Health budget 2021

BGN 6,5 billion

## Pharmaceutical industry

99% private



## Area

111.000 km<sup>2</sup>

## Population

6.951 million

## Member of EU

since 2007

Source: NSI 2020

## Sales revenues from products

- **Sales revenues from products**

Sales revenues from products for the third quarter of 2021 decreased by BGN 3,3 million to BGN 136,2 million compared to BGN 139,5 million in the third quarter of 2020.

- **Europe**

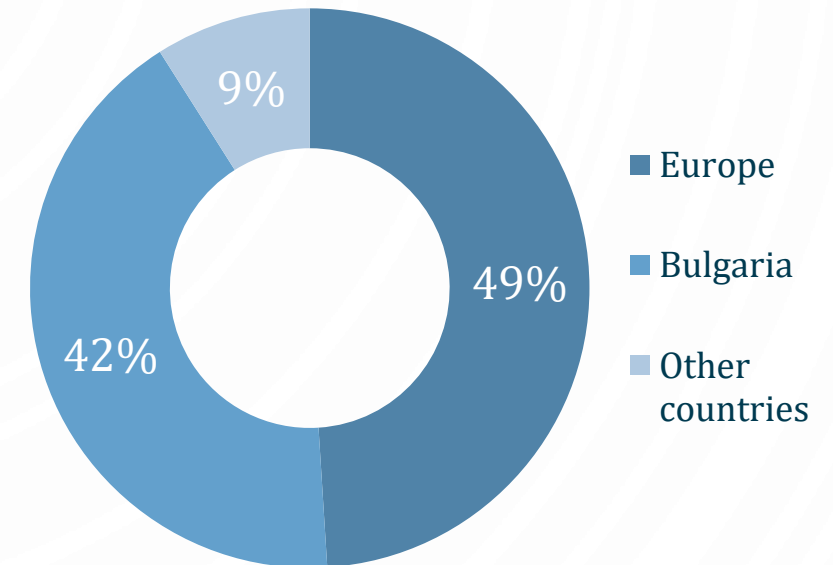
Sales revenues for the third quarter of 2021 for European countries decreased by BGN 10,1 million or 13% compared to the third quarter of 2020 due to the decrease of sales in Russia with 12%, Ukraine with 26% and Poland with 17%.

- **Bulgaria**

Sales of “Sopharma” AD in the domestic market increased by BGN 9,2 million or by 19% to BGN 57,2 million in the third quarter of 2021 compared to BGN 48,1 million in the third quarter of 2020.

- **Other markets**

Revenues from other markets decreased with BGN 2,3 million or 17% compared to the third quarter of 2020, mainly as a result of a decrease of the export for Kazakhstan.



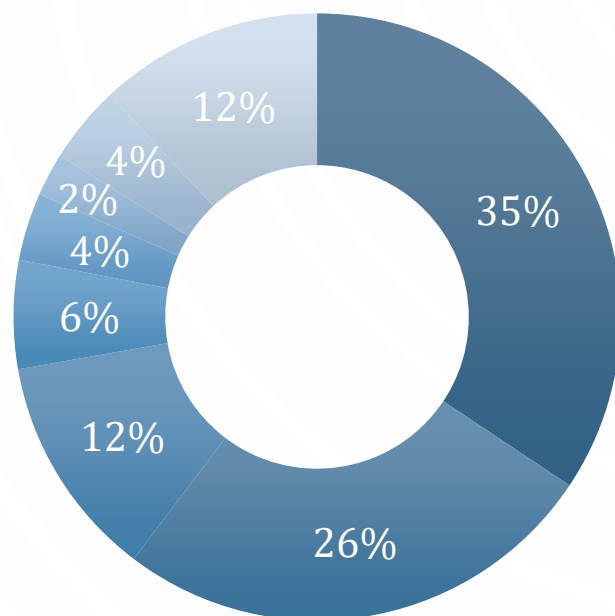


Individual financial results for the nine months of 2021

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## Financial indicators of “Sopharma” AD

# Revenue by therapeutic group



- N Nervous system
- A Digestion and metabolism
- C Cardio-vascular system
- R Respiratory system
- H Gynecology and sex hormones
- M Musculoskeletal system
- G Piccool system and sex hormones
- 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 reduced sales during the period.
- Personnel costs decreased by BGN 3,5 million as the main reason was the decrease in the total number of employees in the company.
- In the costs for external services the most significant change is in the costs for consulting services, which increase by BGN 2,1 million, while in the direction of decrease the costs of construction and maintenance of buildings have the largest contribution.
- Other operating expenses also decreased by BGN 4,3 million, mainly in the part of marriage of fixed assets.

Operating expenses	1-9/2021	1-9/2020	Change	Rel. share of expenses 2021
	BGN '000	BGN '000	%	%
Raw materials and consumables used	44 603	52 936	-19%	38%
Hired services expense	24 131	25 217	-5%	20%
Employee benefits expense	34 537	38 080	-10%	29%
Depreciation and amortisation expense	13 207	13 706	-4%	11%
Other operating expenses	2 125	6 369	-200%	2%
<b>Total operating expenses</b>	<b>118 603</b>	<b>136 308</b>		<b>100%</b>



# Financial income and expenses



**Financial income** decreased by BGN 8,4 million to BGN 3,4 million in the third quarter of 2021 compared to BGN 11,7 million in the third quarter of 2020, mainly due to the decrease in income from share participation by BGN 8,6 million, reflecting the accrued dividend from “Sopharma Trading” AD in the previous period.

<b>Finance income</b>	<b>1-9/2021</b>	<b>1-9/2020</b>	<b>Change</b>	<b>relative share of income of 2021</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
Interest income on loans extended	1 916	2 476	-29%	57%
Income from share participation	682	9 217	-1 251%	20%
Income from provided guarantees and warranties	323	-	100%	10%
Net gain on transactions with investments in securities	241	-	100%	7%
<i>incl. profits from the sale of investments in subsidiaries</i>	<i>151</i>	<i>-</i>		
Net profit from exchange differences on the sale of a subsidiary	190	-	100%	6%
Net profit from exchange rate differences under lease agreements	-	17	0%	0%
Recovered impairment for credit losses of cash	-	12	0%	0%
<b>Total</b>	<b>3 352</b>	<b>11 722</b>		<b>100%</b>

# Financial income and expenses

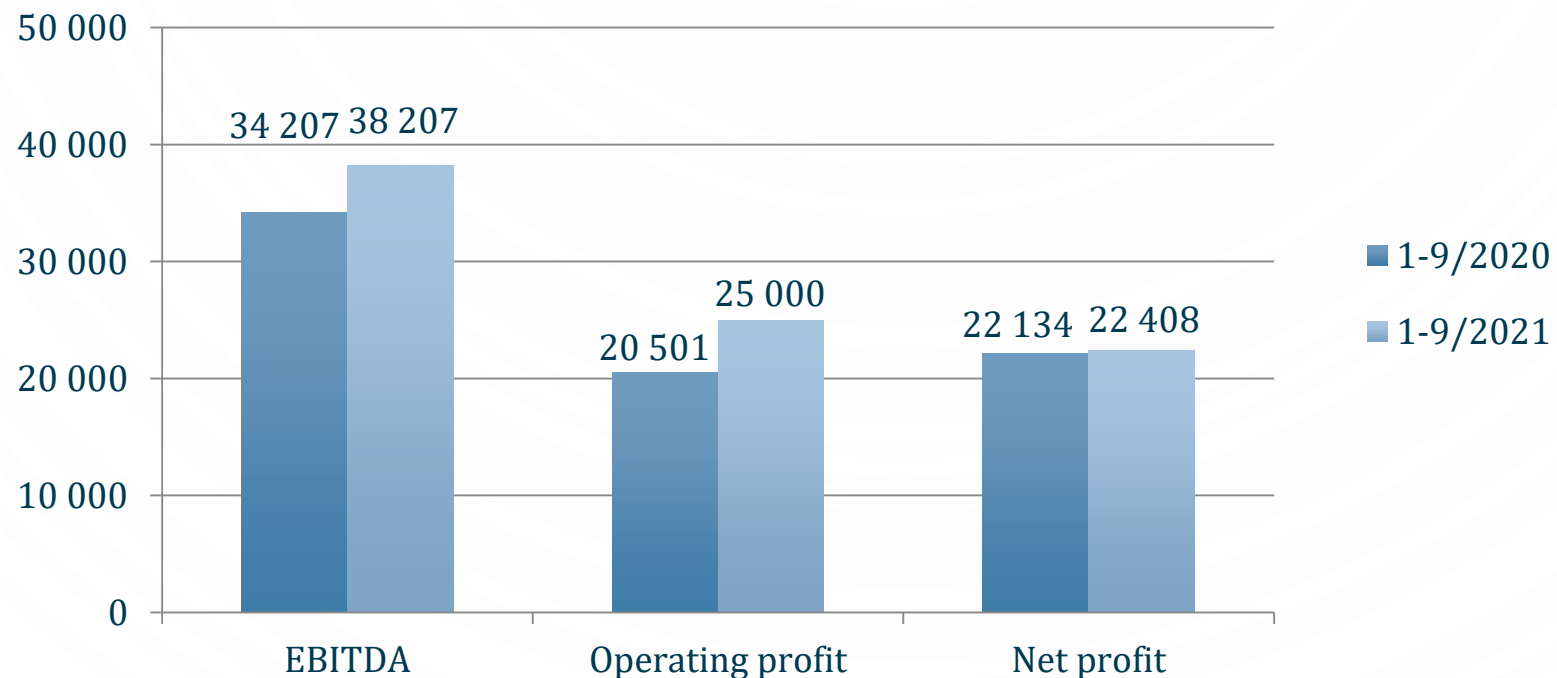


**Financial expenses** decreased by BGN 5,9 million to BGN 1,4 million in the third quarter of 2021, due to accrued impairments of loans granted in the previous period.

Financial expenses	1-9/2021	1-9/2020	Change %	relative share of income of 2021
Interest expense on loans received	619	1 055	-70%	43%
Bank fees and charges on loans and guarantees	348	229	34%	24%
<i>Accrued provision for financial guarantees</i>	329	930	-183%	
<i>Reimbursed provision for financial guarantees</i>	-6	-3	50%	
<i>Net provision for financial guarantees</i>	323	927	-187%	22%
Interest expense on leasing contracts	84	68	19%	6%
<i>Impairment for credit losses on receivables from trade loans</i>	87	3 893	-4 375%	
<i>Recovered impairment for credit losses on granted commercial loans</i>	-29	-261	-800%	
Net change in the impairment of loans	58	3 632	-6 162%	4%
Net foreign exchange loss on leases	10	-		1%
Net foreign exchange loss on receivables from the sale of a subsidiary	-	136		
Net loss from operations with investments in securities	-	1		
Impairment for credit losses on dividend receivables	-	1 293		
Deregistered capital of a company from the scope of long-term capital investments	-	25		
<b>Total</b>	<b>1 442</b>	<b>7366</b>		<b>100%</b>

## Financial result of the activity

- **EBITDA** in the third quarter of 2021 increased by BGN 4 million or by 12% to BGN 38,2 million compared to BGN 34,2 million in the third quarter of 2020.
- **Profit from operating activities** in the third quarter of 2021 increased by BGN 4,5 million or 22% to BGN 25 million in the third quarter of 2021 compared to BGN 20,5 million in the third quarter of 2020.
- **Net profit** in the third quarter of 2021 increased by BGN 0,3 million or by 1%, to BGN 22,4 million compared to BGN 22,1 million in the third quarter of 2020.



# Assets

- **Non-current assets** compared to the end of the year change mainly due to depreciation, increase in investment property (earned logistics system) and decrease in long-term loans by BGN 8,4 million.
- **Current assets** decreased by BGN 22,3 million, as inventories increased by BGN 5,5 million, while receivables from related parties (mainly in the part of receivables from contracts with customers) decreased by BGN 25,1 million, while trade receivables increased by BGN 4,8 million.

Assets	30.09.2021 BGN '000	31.12.2020 BGN '000	Change %	Rel. share 2021
<b>Non-current assets</b>				
Property, plant and equipment	201 065	211 681	-5%	33%
Intangible assets	4 248	4 143	2%	1%
Investment property	48 032	44 759	7%	8%
Investments in subsidiaries	83 908	86 809	-3%	14%
Investments in associates and joint ventures	10 796	6 062	44%	2%
Other long-term equity investments	11 896	11 607	2%	2%
Long-term receivables from related parties	51 276	59 725	-16%	8%
Other long-term receivables	11 079	11 105	0%	2%
	<b>422 300</b>	<b>435 891</b>		<b>69%</b>
<b>Current assets</b>				
Inventories	67 514	68 160	-1%	11%
Receivables from related parties	89 046	114 169	-28%	14%
Trade receivables	23 183	18 382	21%	4%
Loans granted to third parties	690	3 903	-466%	0%
Other receivables and prepayments	6 652	6 057	9%	1%
Cash and cash equivalents	5 041	3 776	25%	1%
	<b>192 126</b>	<b>214 447</b>		<b>31%</b>
<b>TOTAL ASSETS</b>	<b>614 426</b>	<b>650 338</b>	-6%	<b>100%</b>

# Owner's equity and liabilities



- The equity of "Sopharma" AD increased by BGN 18,4 million compared to 31 December 2020.

EQUITY	30.09.2021	31.12.2020	Change	rel. share compared to OE 2021
	BGN '000	BGN '000		
Share capital	134 798	134 798	0%	24%
Treasury shares	-37 735	-33 656	11%	-7%
Reserves	431 116	408 807	5%	78%
Retained earnings	27 204	27 039	1%	5%
<b>Total equity</b>	<b>555 383</b>	<b>536 988</b>	<b>3%</b>	<b>100%</b>

- Current liabilities** decreased by BGN 53,4 million compared to 31.12.2020, mainly as a result of the decrease in bank loan liabilities by BGN 52,1 million, financed by the realized free cash flow for the period.

LIABILITIES	30.09.2021	31.12.2020	Change	rel. share compared to total liabilities 2021
Non-current liabilities	BGN '000	BGN '000		
Long-term bank loans	7	15		
Deferred tax liabilities	5 182	5 358	-3%	9%
Government grants	4 112	4 427	-8%	7%
Liabilities under leasing contracts	933	1 533	-64%	2%
Retirement benefit obligations	4 995	4 758	5%	8%
	<b>15 229</b>	<b>16 091</b>	<b>-6%</b>	<b>26%</b>
Current liabilities				
Short-term bank loans	23 616	73 335	-211%	40%
Current portion of long-term bank loans	9	2 404	-26611%	0%
Trade payables	6 651	7 218	-9%	11%
Payables to related parties	1 802	1 273	29%	3%
Tax payables	1 535	2 092	-36%	3%
Payables to personnel and for social security	7 421	7 507	-1%	13%
Other current liabilities	2 780	3 430	-23%	5%
	<b>43 814</b>	<b>97 259</b>	<b>-122%</b>	<b>74%</b>
<b>TOTAL LIABILITIES</b>	<b>59 043</b>	<b>113 350</b>	<b>-92%</b>	<b>100%</b>
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>614 426</b>	<b>650 338</b>	<b>-6%</b>	



# Cash flows



**The free cash flow** (normalized with the payments under lease contracts), generated for the third quarter of 2021, amounts to BGN 49,3 million inflow compared to BGN 18,3 million outflow in the third quarter of 2020.

Cash flows	1-9/2021 BGN '000	1-9/2020 BGN '000
Net cash flows from operating activities	54 248	(13 283)
Purchases of property, plant and equipment, intangible assets, net	(3 492)	(3 574)
Payments under lease contracts	(1 436)	(1 449)
<b>Free cash flow (normalized)</b>	<b>49 320</b>	<b>(18 306)</b>



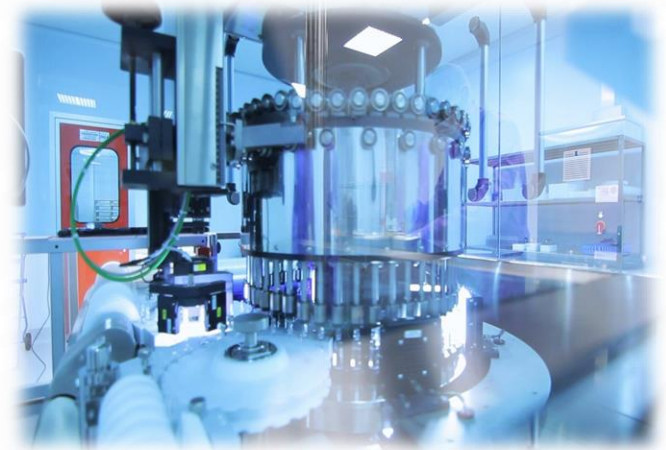
Individual financial results for the nine months of 2021

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## New products, significant events and risks

## New developments and products

- Received **6** Authorizations for the use of medicinal products for new destinations.
- **6** food supplements for Bulgaria and **1** for Serbia have been notified.
- Submission of documentation for the renewal of the Marketing Authorizations for **19** medicinal products.
- Renewed Marketing Authorizations for **22** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **14** medicinal products.
- **156** changes for medicinal products approved by agencies.
- **139** changes for medicinal products submitted to agencies.
- The development of **Glycerax Pico** oral drops has been completed.
- Pharmaceutical development of **4** new medicinal products / projects is underway.
- **1** active substance is being developed.
- **1** medicinal product and **2** food supplements were transferred.
- **2** production processes / technologies are validated / optimized.



# Significant events during the reported period



- On 10 March 2021 the Company sold 396,600 of its shares in the capital of “Momina Krepost” AD, as a result of which the share of ownership of “Sopharma” AD became 37.46%. On 15 March 2021 an agreement was concluded between “Sopharma” AD and “Medical Consumables” OOD for a common policy in the management of Momina Krepost” AD through joint exercise of voting rights.
- At the Extraordinary General Meeting of Shareholders of “Sopharma” AD, held on 2 April 2021, the amendments to the Articles of Association of the Company proposed by the Board of Directors were adopted by a majority of 85.93% of the presented capital.
- At its meeting the Board of Directors adopted a decision for issuance, under the conditions of initial public offering, of warrants as follows:
  - Exercise value: BGN 4.13
  - Issuance price of one warrant: BGN 0.28
  - Number of warrants: 44,932,633
  - Minimum success threshold of the issue: 22,466,317
  - Term in which the right can be exercised: 3 years
- At the Regular General Meeting of Shareholders of “Sopharma” AD, held on 4 June 2021, the decisions proposed by the Board of Directors on the relevant items of the agenda were adopted.
- On 8 August 2021 in accordance with Art. 25 of the Articles of Association of the Company, at its meeting the Board of Directors approves a prospectus for initial public offering of warrants with an issue price of BGN 0.28 and a total number of 44,932,633 warrants. The prospectus was submitted to the Financial Supervision Commission.





# 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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