

# “Sopharma” AD

Preliminary individual financial results for 2021





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Who are we?

## "Sopharma" AD

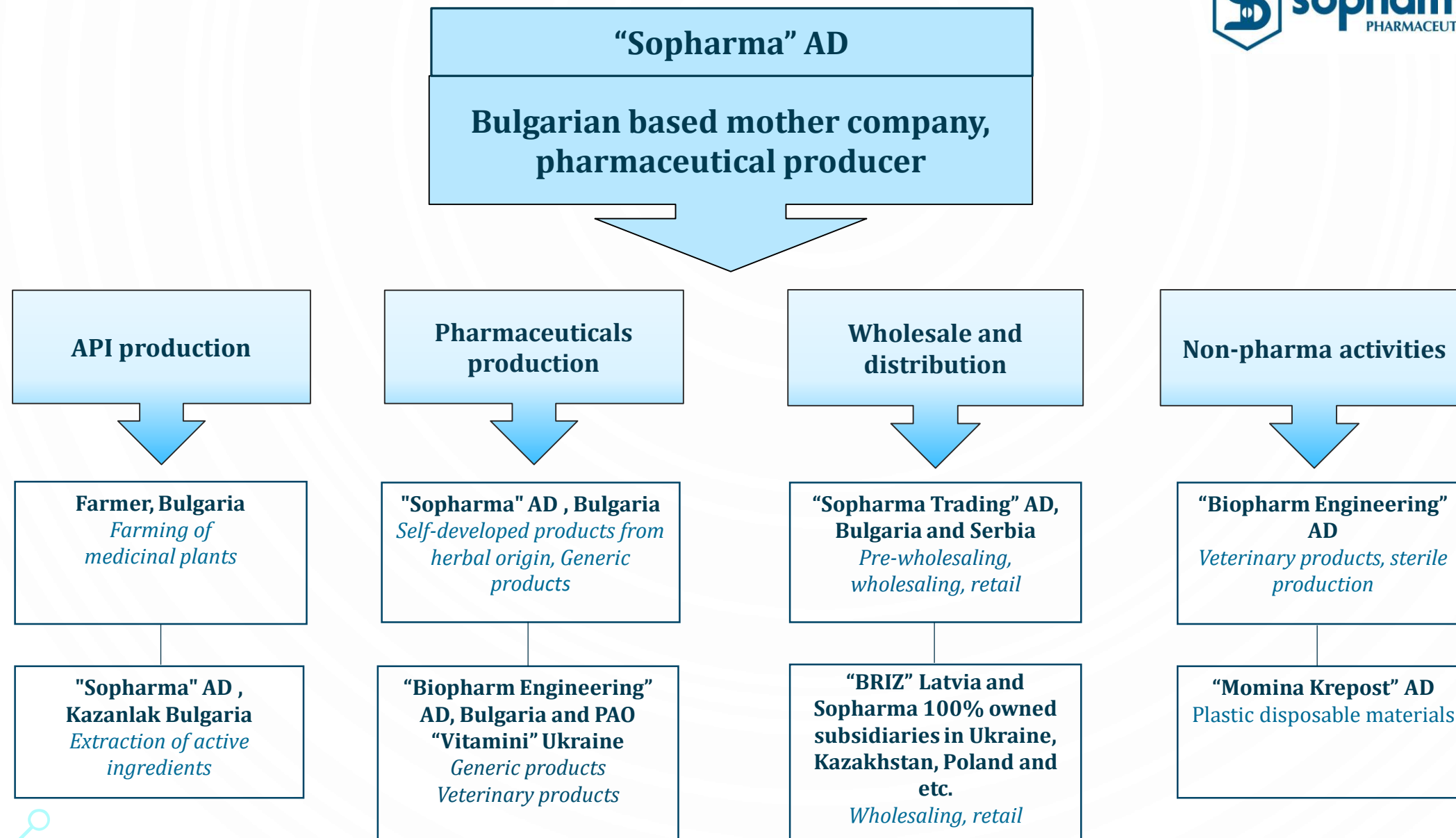


"Sopharma" AD is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other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

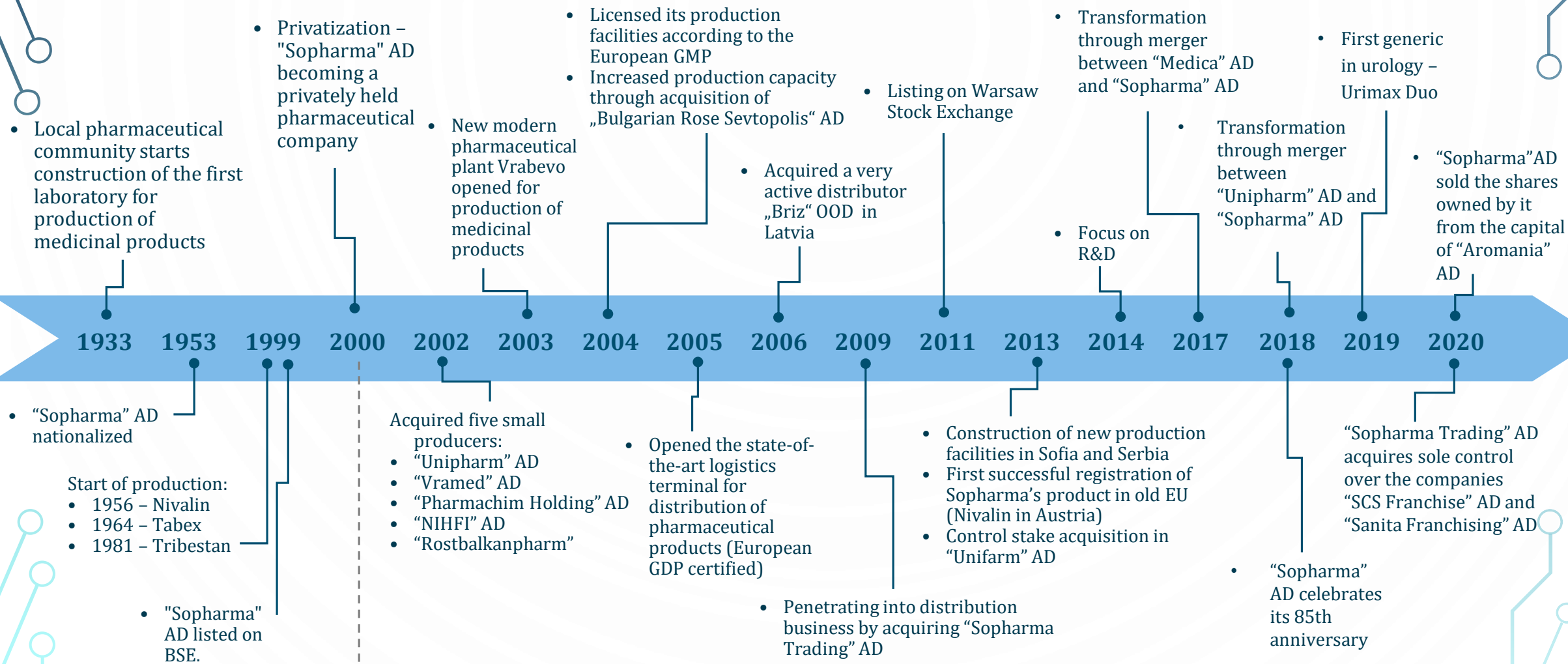
The Company works in the following areas:

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





# Brief history and key milestones:







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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  
1 860



Revenues  
BGN 200 393  
thousand



EBITDA  
BGN 50 955  
thousand



134 797 899  
shares

# Key financial indicators



Sales revenues decrease with 3.1%



EBITDA decreases with 0.2%



Operating profit increases with 1.8%



Net profit decreases with 14.6%



Capex decreases with 20.0%

	31.12.2021	31.12.2020
Indicators	BGN '000	BGN '000
Sales revenues	200 393	206 737
EBITDA	50 955	51 053
Operating profit	33 410	32 823
Net profit	24 492	28 664
CAPEX*	7 735	9 670
	31.12.2021	31.12.2020
	BGN '000	BGN '000
Non-current assets	456 727	435 891
Current assets	202 745	214 447
Owners' equity	564 425	536 988
Non-current liabilities	22 436	16 091
Current liabilities	72 611	97 259
	1-12/2021	1-12/2020
EBITDA / Sales revenues	25.4%	24.7%
Operating profit/ Sales revenues	16.7%	15.9%
Net profit/ Sales revenues	12.2%	13.9%
	31.12.2021	30.09.2021
Borrowed capital/Owners' equity	0,17	0,11
Net debt*/ EBITDA	0,8x	0,4x





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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 1 860 (1 991 in 2020).



**1 860**  
workers and employees.

	31.12.2021	Rel. Share %
<b>Number of workers and employees as at 31 December 2021</b>	1 768	100%
Higher education	811	46%
College education	35	2%
Secondary education	899	51%
Primary education	23	1%
Employees under 30 years	148	8%
Employees 31 - 40 years	300	18%
Employees 41 - 50 years	492	28%
Employees 51 - 60 years	643	36%
Employees over 60 years	185	10%
Women	1 120	63%
Men	648	37%



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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**  
**Member of the BoD**

Mrs. Lazarova has completed her higher economic education, specialty "International Economic Relations" at HIE "Karl Marx" Sofia. Mrs. Lazarova's professional experience includes a number of leadership positions in the field of international trade, accounting and control, organization. From 2002 to 2021 Mrs. Lazarova worked as an assistant to the CEO of "Sopharma" AD.



**Alexandar Tchaoushev**  
**Independent Member of the BoD**

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

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

# Shareholder structure at 31 December 2021

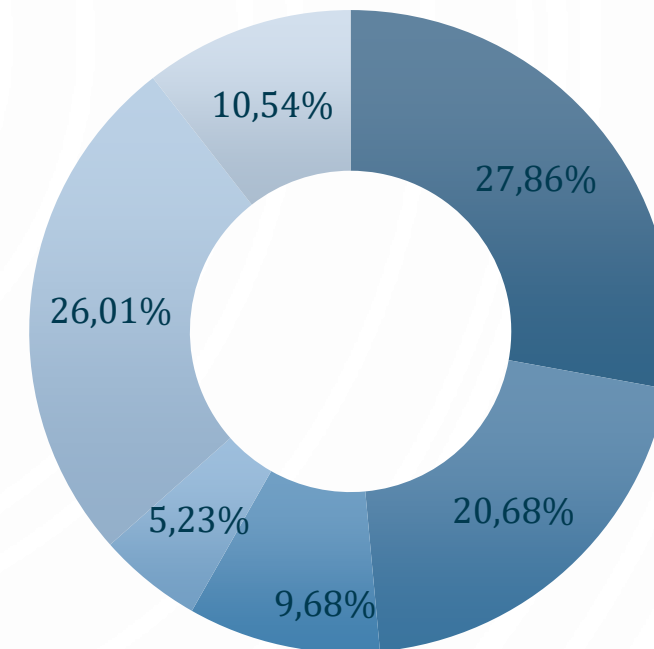


**134 797 899** shares with nominal value BGN 1 per share.



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

- Ognian Donev – directly **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
- "Telecomplex invest" AD
- "Sopharma" AD (treasury shares)
- CUPF "Alianz Bulgaria"
- Other companies
- Physical persons

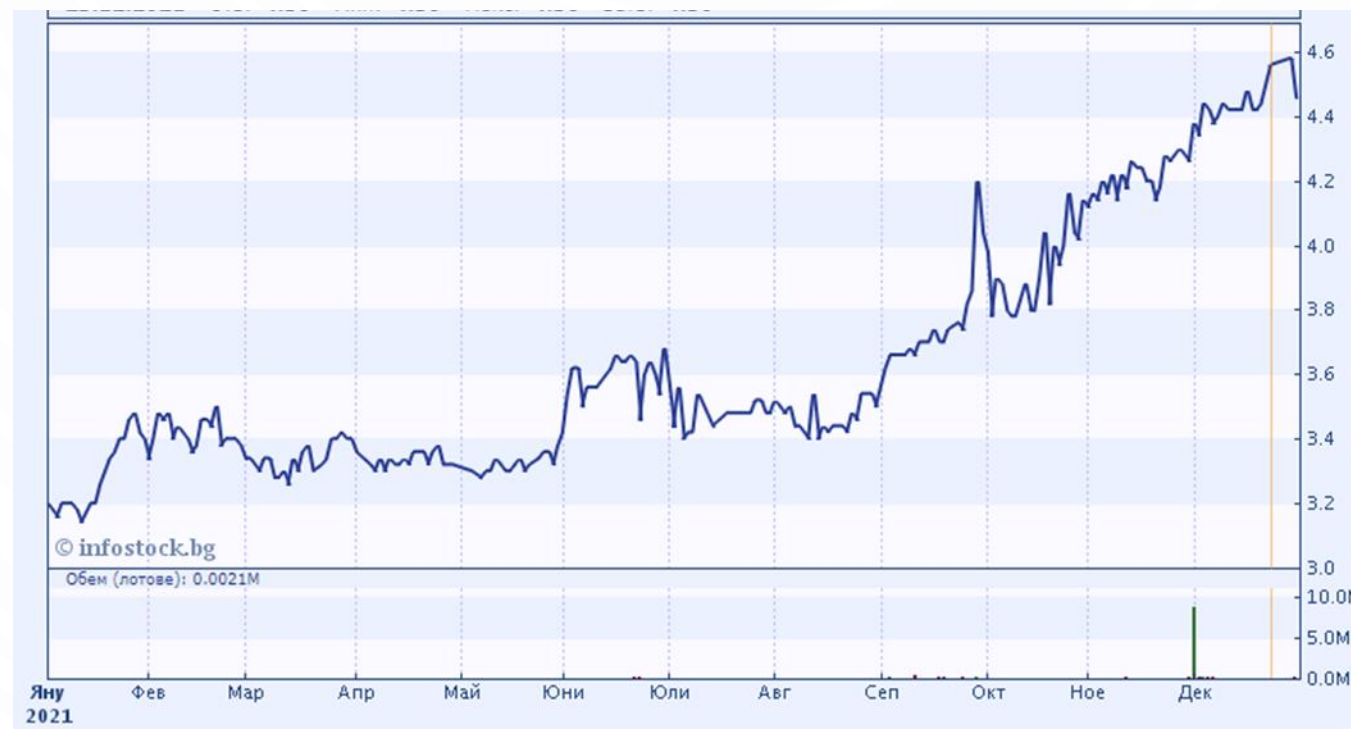
# Information about the shares



**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	0.05 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%





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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 in 2021 decreased by BGN 6,5 million to BGN 198,1 million compared to BGN 204,5 million in 2020.

- **Europe**

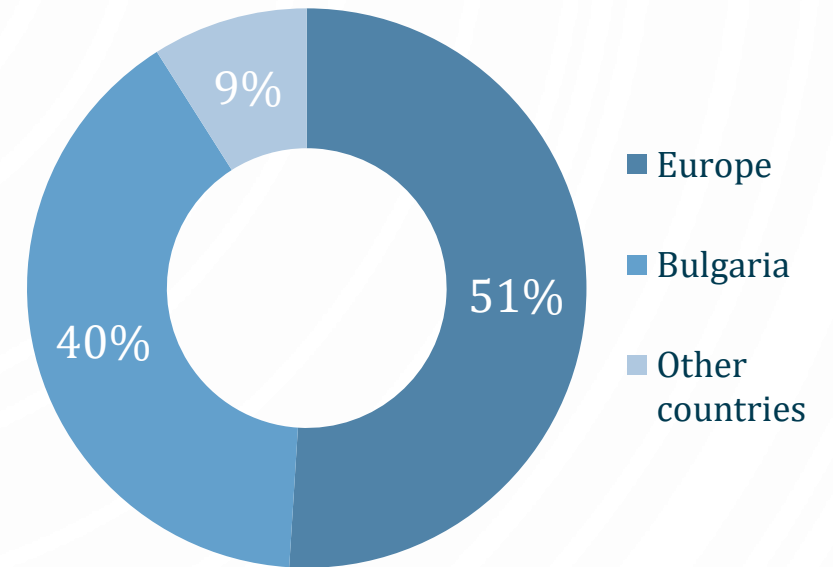
Sales revenues for 2021 for European countries decreased by BGN 14,1 million or 12.3% compared to 2020 due to the decrease of sales in Russia with 9.1%, Ukraine with 31.4% and Poland with 17%.

- **Bulgaria**

Sales of “Sopharma” AD in the domestic market increased by BGN 9,7 million or by 14% to BGN 79,1 million in 2021 compared to BGN 69,4 million in 2020.

- **Other markets**

Revenues from other markets decreased with BGN 2,1 million or 10% compared to 2020, mainly as a result of a decrease of the export for Kazakhstan.



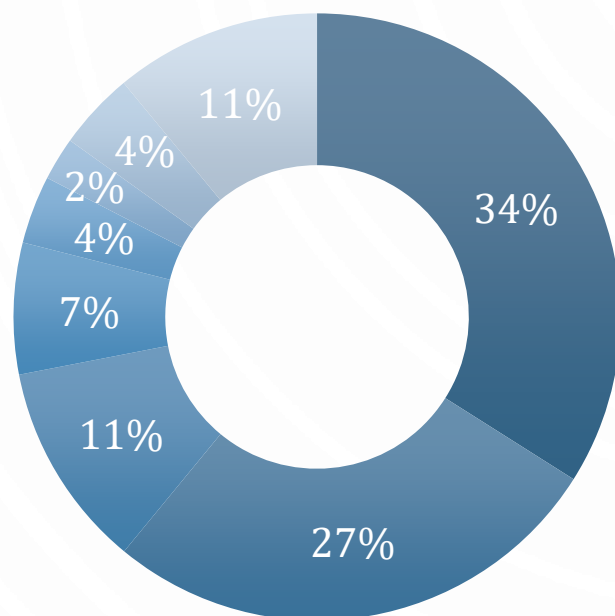


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## Financial indicators of “Sopharma” AD

# 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 3,7 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 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 2 million, mainly in the part of marriage of fixed assets.

Operating expenses	2021	2020	Change	Rel. share of expenses 2021
	BGN '000	BGN '000	%	%
Raw materials and consumables used	64 992	70 114	-8%	38%
Hired services expense	34 842	36 438	-5%	20%
Employee benefits expense	46 058	49 804	-8%	27%
Depreciation and amortisation expense	17 545	18 230	-4%	10%
Other operating expenses	6 885	8 892	-29%	4%
<b>Total operating expenses</b>	<b>170 322</b>	<b>183 478</b>	<b>-8%</b>	<b>100%</b>



# Financial income and expenses



**Financial income** decreased by BGN 2,2 million to BGN 11,2 million in 2021 compared to BGN 13,4 million in 2020, as a result of the decrease in income from share participation by BGN 8,9 million, reflecting the accrued dividend from “Sopharma Trading” AD in the previous period, as this reduction was partially offset by a recovered impairment on a loan granted to a subsidiary (SIA Briz - Latvia).

<b>Finance income</b>	<b>2021</b>	<b>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>
Recovered impairment for credit losses on granted commercial loans	5 733	-	100%	51%
Interest income on loans extended	2 749	3 189	-16%	25%
Recovered impairment for credit losses on dividend receivables	1 293	0	100%	12%
Income from share participation	682	9 661	-1 317%	6%
Income from fees on provided guarantees and warranties	436	368	16%	4%
Net profit from exchange differences on receivables from the sale of a subsidiary	266	-	100%	2%
Net gain on transactions with investments in securities	-	132		0%
<i>incl. profits from the sale of investments in subsidiaries</i>	-	131		0%
Net profit from exchange rate differences under lease agreements	-	38		0%
Recovered impairment for credit losses of cash	-	12		0%
<b>Total</b>	<b>11 159</b>	<b>13 400</b>	<b>-20%</b>	<b>100%</b>

# Financial income and expenses



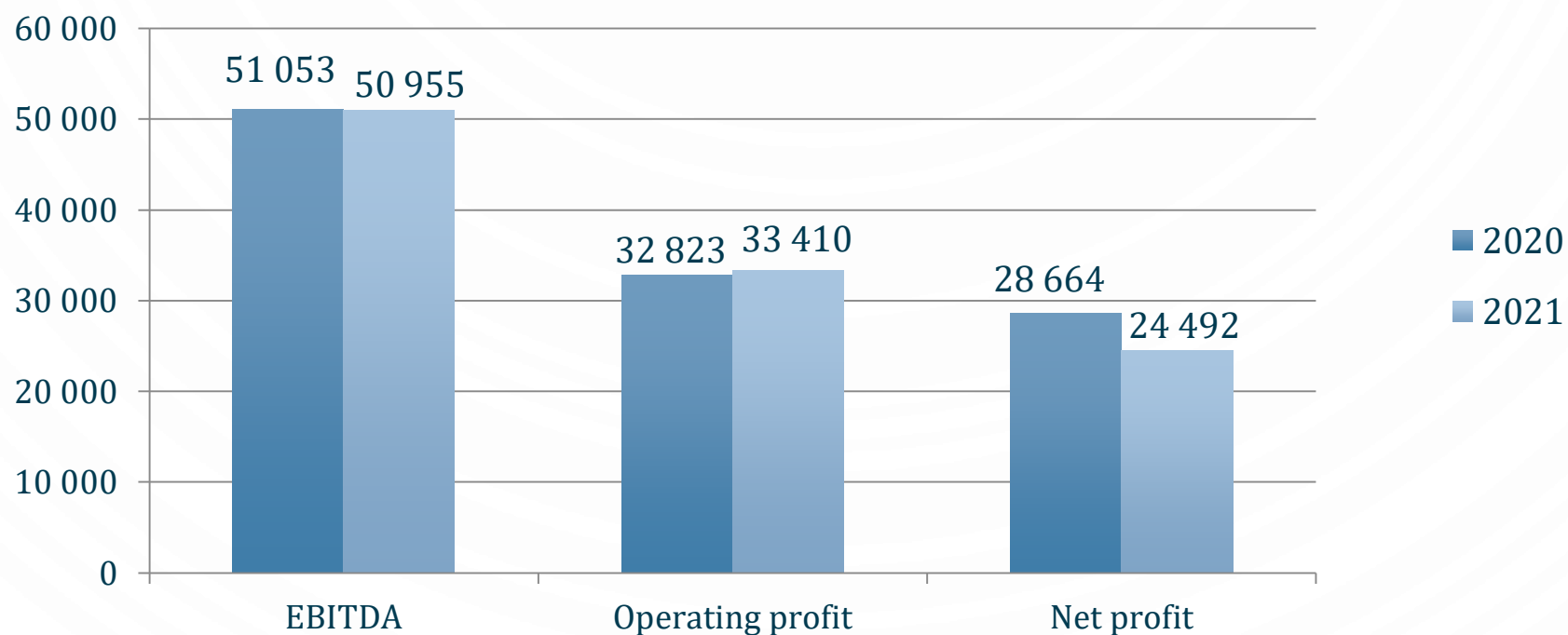
**Financial expenses** increased by BGN 5,6 million to BGN 12,7 million in 2021, compared to BGN 7,1 million in 2020, with the most significant impact being the reported loss of BGN 11,1 million from the sale of investments in subsidiaries (SIA Briz - Latvia).

Financial expenses	2021	2020	Change %	relative share of income of 2021
Net loss from operations with investments in securities	11 073	-	100%	88%
<i>incl. loss on sale of investments in subsidiaries</i>	<i>11 163</i>	<i>-</i>		
Interest expense on loans received	756	1 467	100%	6%
Bank fees and charges on loans and guarantees	410	317	23%	3%
<i>Accrued provision for financial guarantees</i>	<i>300</i>	<i>249</i>		
<i>Reimbursed provision for financial guarantees</i>	<i>-73</i>	<i>-203</i>		
Net provision for financial guarantees	227	46	80%	2%
<i>Impairment for credit losses on receivables from trade loans</i>	<i>-</i>	<i>3 793</i>		
<i>Recovered impairment for credit losses on granted commercial loans</i>	<i>-</i>	<i>-242</i>		
Net change in the impairment of loans	-	3 551		
Interest expenses on leasing contracts	116	91	22%	1%
Impairment for credit losses on fees for granted guarantees	59	-		
Net foreign exchange loss on leases	9	-		
Net foreign exchange loss on receivables from the sale of a subsidiary	-	294		
Impairment for credit losses on dividend receivables	-	1 293		
Deregistered capital of a company from the scope of long-term capital investments	-	26		
<b>Total</b>	<b>12 650</b>	<b>7 085</b>	<b>44%</b>	<b>100%</b>

## Financial result of the activity



- **EBITDA** in 2021 decreased insignificant by 0.2% to BGN 51,0 million compared to BGN 51,1 million in 2020.
- **Profit from operating activities** in 2021 increased by BGN 0,6 million or 1.8% to BGN 33,4 million in 2021 compared to BGN 32,8 million in 2020.
- **Net profit** in 2021 decreased by BGN 4,2 million or by 14.6%, to BGN 24,5 million compared to BGN 28,7 million in 2020.



# Assets

- **Non-current assets** compared to the end of the year changed mainly due to an increase in investments in associates by BGN 48,4 million, mostly as a result of reaching 32.8% share of the capital of “Sopharma Imoti” REIT. An increase is reported in investment properties (earned logistics system) and a decrease in investments in subsidiaries (exemption from participation in SIA Briz - Latvia, “Sopharma Buildings” REIT and “Momina Krepost” AD) and long-term loans by BGN 10 million.
- **Current assets** decreased by BGN 11,9 million, while receivables from related parties (mainly in the part of receivables from contracts with customers) decreased by BGN 26,6 million, while trade receivables increased by BGN 8,5 million.

Assets	31.12.2021 BGN '000	31.12.2020 BGN '000	Change %	Rel. share 2021
<b>Non-current assets</b>				
Property, plant and equipment	205 090	211 681	-3%	31%
Intangible assets	4 305	4 143	4%	1%
Investment property	47 302	44 759	5%	7%
Investments in subsidiaries	80 598	86 809	-8%	12%
Investments in associates and joint ventures	54 485	6 062	89%	8%
Other long-term equity investments	5 706	11 607	-103%	1%
Long-term receivables from related parties	49 695	59 725	-20%	8%
Other long-term receivables	9 546	11 105	-16%	1%
	<b>456 727</b>	<b>435 891</b>	<b>5%</b>	<b>69%</b>
<b>Current assets</b>				
Inventories	63 492	68 160	-7%	10%
Receivables from related parties	87 549	114 169	-30%	13%
Trade receivables	26 987	18 382	32%	4%
Loans granted to third parties	1 804	3 903	-116%	0%
Other receivables and prepayments	7 294	6 057	17%	1%
Cash and cash equivalents	15 619	3 776	76%	2%
	<b>202 745</b>	<b>214 447</b>	<b>-6%</b>	<b>31%</b>
<b>TOTAL ASSETS</b>	<b>659 472</b>	<b>650 338</b>	<b>1%</b>	<b>100%</b>

# Owner's equity and liabilities



- The equity of “Sopharma” AD increased by BGN 27,4 million compared to 31 December 2020.

EQUITY	31.12.2021 BGN '000	31.12.2020 BGN '000	Change	rel. share compared to OE 2021
Share capital	134 798	134 798	0%	24%
Treasury shares	-50 284	-33 656	33%	-9%
Reserves	439 041	408 807	7%	78%
Other capital components	12 512	0	100%	2%
Retained earnings	28 358	27 039	5%	5%
<b>Total equity</b>	<b>564 425</b>	<b>536 988</b>	<b>5%</b>	<b>100%</b>

- **Non-current liabilities** increased by BGN 6,3 million, as a result of an increase in long-term bank loans by BGN 6,7 million compared to the end of the previous year.
- **Current liabilities** decreased by BGN 24,6 million compared to 31.12.2020, mainly as a result of the decrease in short-term bank loans by BGN 29,1 million, financed by the realized free cash flow for the period. An increase in trade liabilities in the amount of BGN 5,9 million is reported compared to 31 December 2020.

LIABILITIES	31.12.2021 BGN '000	31.12.2020 BGN '000	Change	rel. share compared to total liabilities 2021
<b>Non-current liabilities</b>				
Long-term bank loans	6 750	15	100%	7%
Deferred tax liabilities	6 389	5 358	16%	7%
Government grants	4 007	4 427	-10%	4%
Liabilities under leasing contracts	496	1 533	-209%	1%
Retirement benefit obligations	4 794	4 758	1%	5%
	<b>22 436</b>	<b>16 091</b>	<b>28%</b>	<b>24%</b>
<b>Current liabilities</b>				
Short-term bank loans	46 663	73 335	-57%	49%
Current portion of long-term bank loans	-	2 404		0%
Trade payables	13 094	7 218	45%	14%
Payables to related parties	1 601	1 273	20%	2%
Tax payables	697	2 092	-200%	1%
Payables to personnel and for social security	8 025	7 507	6%	8%
Other current liabilities	2 531	3 430	-36%	3%
	<b>72 611</b>	<b>97 259</b>	<b>-34%</b>	<b>76%</b>
<b>TOTAL LIABILITIES</b>	<b>95 047</b>	<b>113 350</b>	<b>-19%</b>	<b>100%</b>
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>659 472</b>	<b>650 338</b>	<b>1%</b>	



# Cash flows



**The free cash flow** (normalized with the payments under lease contracts), generated for 2021, amounts to BGN 77,4 million inflow compared to BGN 18,3 million inflow in 2020.

Cash flows	1-12/2021 BGN '000	1-12/2020 BGN '000
Net cash flows from operating activities	86 469	27 268
Purchases of property, plant and equipment, intangible assets, net	(7 213)	(6 491)
Payments under lease contracts	(1 900)	(1 928)
<b>Free cash flow (normalized)</b>	<b>77 356</b>	<b>18 849</b>



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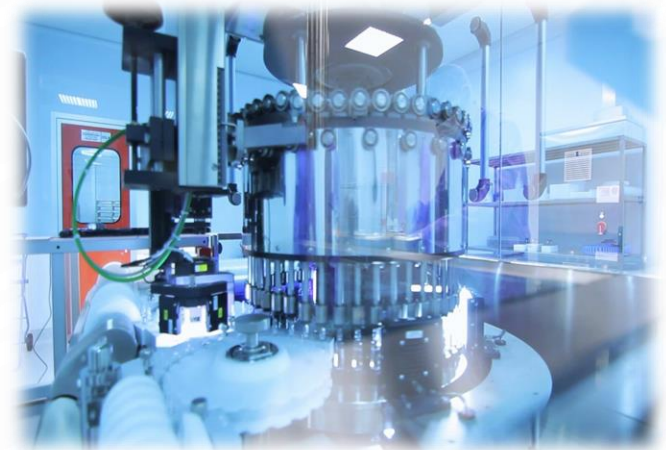
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## New products, significant events and risks

# New developments and products

The following activities were carried out in October to December 2021:

- Documentation for registration of 2 medicinal products has been submitted:
  - Carsil Max 110 mg capsules (Tajikistan).
  - Nexopral 20 mg gastro-resistant tablets (Bulgaria).
- **5** food supplements have been notified - **2** for Serbia; **2** for Ukraine and **1** for Bulgaria.
- Renewed Marketing Authorizations for **2** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **12** medicinal products.
- **113** changes for medicinal products approved by agencies.
- **137** changes for medicinal products submitted to agencies.
- **5** medicinal products have been transferred / are in the process of transfer.
- **3** 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 3 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.
- On 30 December 2021 the subscription for the public offering of the issue of warrants to the Company was successfully completed.





# 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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