

# “Sopharma” AD

Individual financial results for the first quarter of 2021





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Who are we?

## "Sopharma" AD

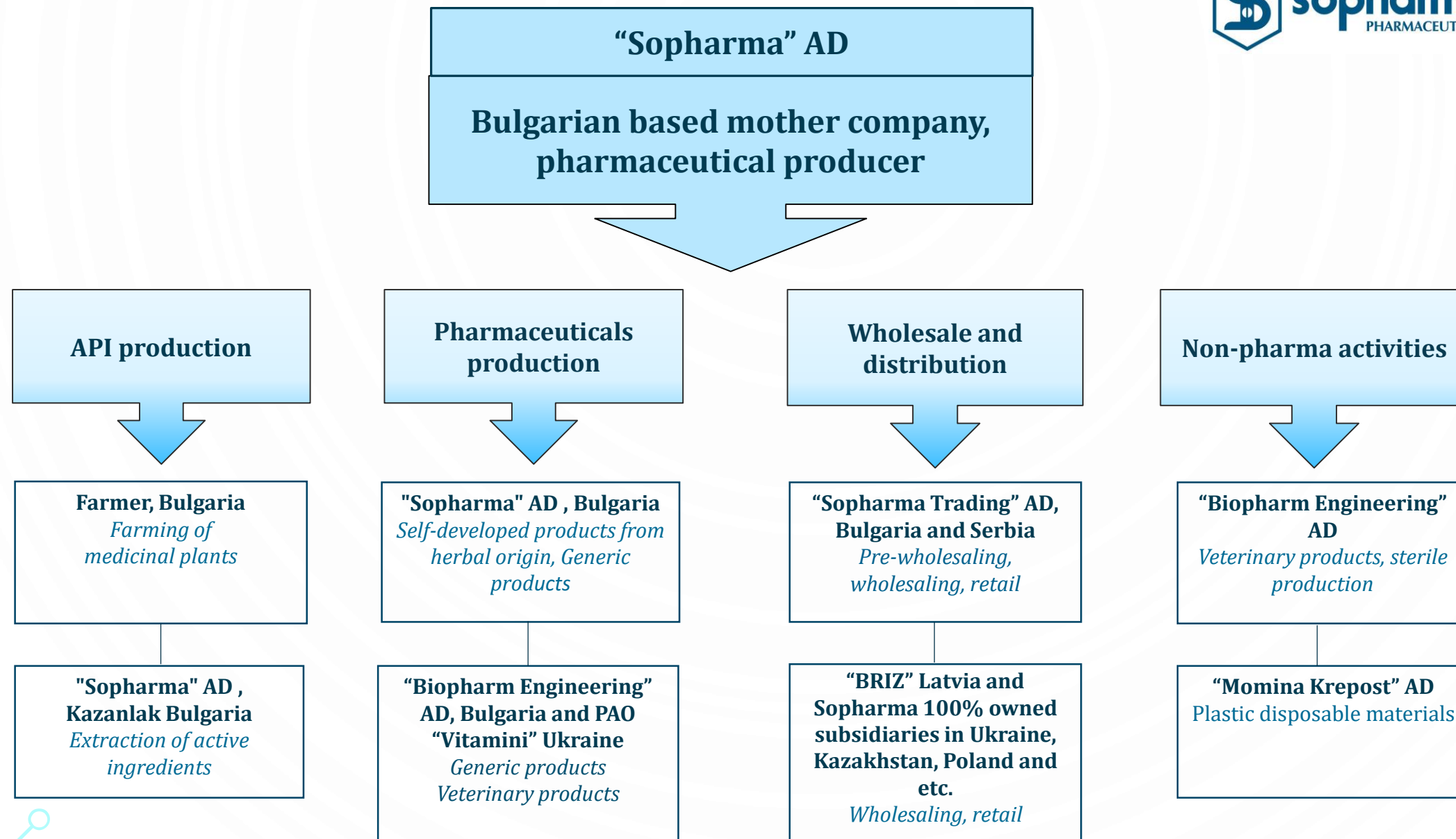


"Sopharma" AD is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other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

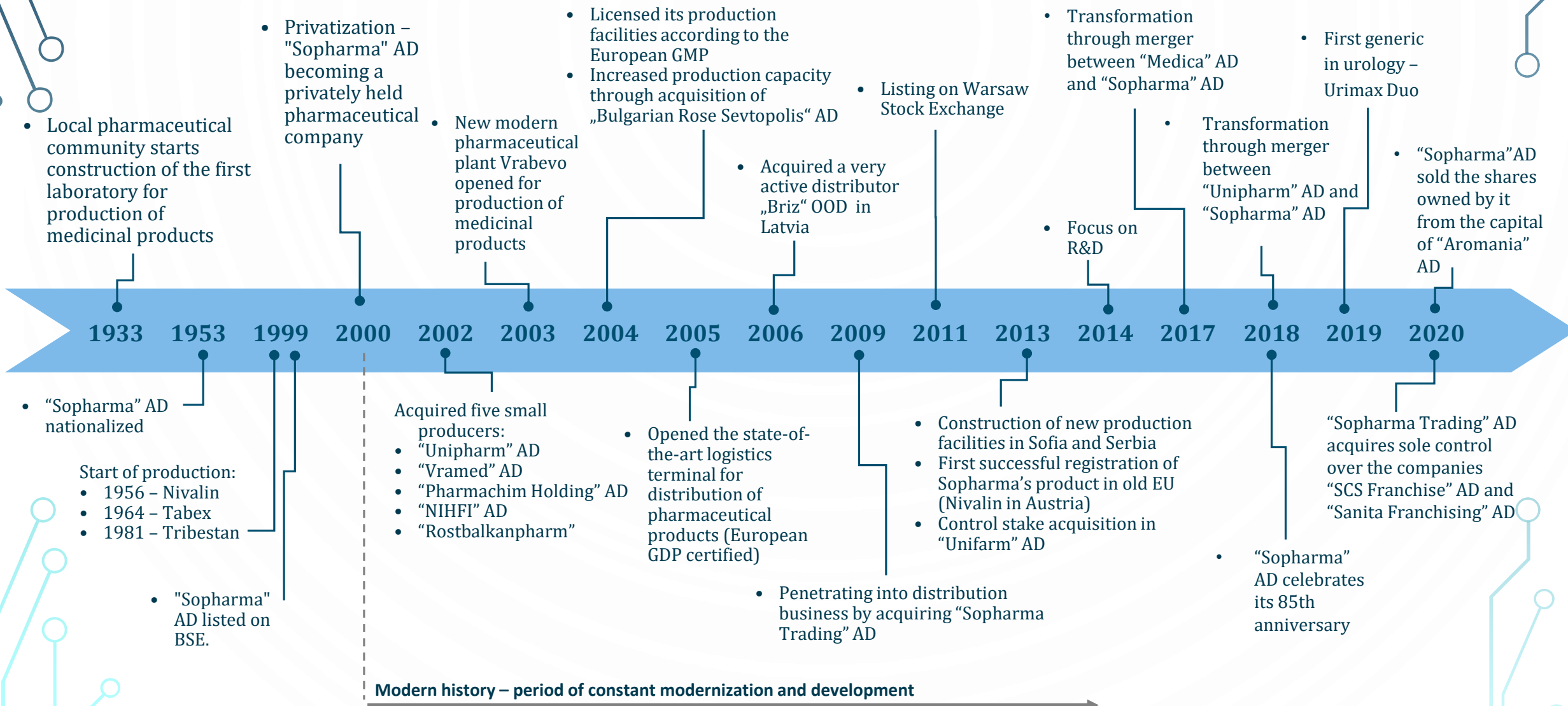
The Company works in the following areas:

- 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  
1 936**



**Revenues  
BGN 34 570  
thousand**



**EBITDA  
BGN 8 702  
thousand**



**134 797 899  
shares**

# Key financial indicators



Sales revenues decreased with 31.1%



EBITDA decreased with 35.7%



Operating profit decreased with 52.2%



Net profit decreased with 46.7%



Capex decreased with 92.6%

Indicators	1-3/2021 <i>BGN '000</i>	1-3/2020 <i>BGN '000</i>
Sales revenues	34 570	50 170
EBITDA	8 702	13 532
Operating profit	4 309	9 012
Net profit	4 626	8 680
CAPEX**	298	4 030
	<b>31.03.2021</b>	<b>31.12.2020</b>
Non-current assets	435 008	435 891
Current assets	210 165	214 447
Owners' equity	541 557	536 988
Non-current liabilities	16 226	16 091
Current liabilities	87 390	97 259
	<b>1-3/2021</b>	<b>1-3/2020</b>
<b>Ratios</b>		
EBITDA/ Revenues	25.2%	27.0%
Operating profit/Sales Revenue	12.5%	18.0%
Net profit/ Sales Revenue	14.5%	19.3%
	<b>31.03.2021</b>	<b>31.12.2020</b>
Debt/ Equity	0,19	0,21
Net debt*/ EBITDA on annual basis	1,4x	1,5x





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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;
- Cleaning validation, 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



**1 936**  
workers and  
employees.

- The average number of workers and employees for Q1 2021 in “Sopharma” AD is 1 936 (1 991 in 2020).

	31.03.2021	Rel. Share %
<b>Number of workers and employees as at 31 March 2021</b>	1 932	100%
Higher education	872	45%
College education	40	2%
Secondary education	994	52%
Primary education	26	1%
Employees under 30 years	169	9%
Employees 31 - 40 years	348	18%
Employees 41 - 50 years	551	28%
Employees 51 - 60 years	676	35%
Employees over 60 years	188	10%
Women	1214	63%
Men	718	37%



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## Management, shares and dividends



# Board of Directors



**Ognian Donev, PhD**

**Chairman of the Board of Directors 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 Board of directors**

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 Board of directors**

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.



**Ognian Palaveev**

**Independent Member of the BoD**

Mr. Palaveev completed his economic education in Germany and has over 37 years of experience in the fields of economics and trade.

In the last 15 years he has been an executive director of Unipharm AD and for more than 8 years he is member of the Board of Directors 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 2021

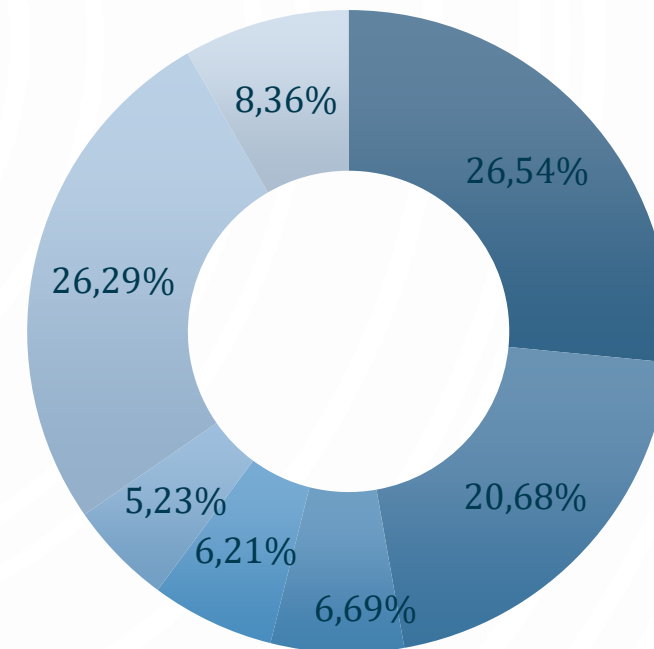


**134 797 899** shares with nominal value BGN 1 per share.



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

- Ognian Donev – directly **3 088 602** shares, **2.29%** of capital and indirectly **35 779 716** shares, **26.54%** through “Donev Investments Holding” AD
- Ognian Palaveev – **187 520** shares, **0.14%** of capital
- Alexander Tchaoushev – **111 142** shares, **0.08%** of capital
- Vessela Stoeva – **150** shares
- Ivan Badinski – **350** 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.



## Key indicators of the shares of “Sopharma” AD

	31.03.2021	31.12.2020
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 779 616	125 754 274
Number of shares outstanding at the end of the period	125 786 432	125 786 432
Net earnings per share in BGN <sup>1</sup>	0,189	0,221
Price per share at the end of the period in BGN	3,303	3,194
Price/Earnings ratio (P/E)	17,48	14,45
Book value per share in BGN <sup>2</sup>	4,305	4,262
Price/Book value ratio (P/B)	0,77	0,75
Market capitalization in BGN	445 237 460	430 544 489

<sup>1</sup> Net profit for the last four quarters belonging to the owners of the Company's equity / weighted average number of outstanding shares for the same period

<sup>2</sup> Equity other than minority interest / number of outstanding shares at the end of the period

## 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** for Q1 2021 decreased by BGN 15,7 million or by 32%, to BGN 34,1 million compared to BGN 49,8 million in Q1 2020.

- **Europe**

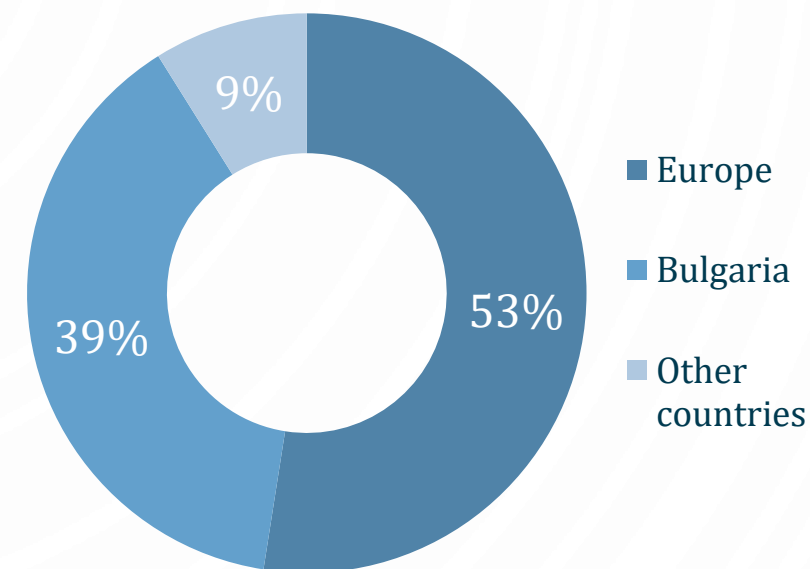
Sales revenues for European countries decreased by 27% compared to Q1 2020 due to the decrease of sales in Ukraine with 66%, Baltic States with 59%, Moldova and Poland.

- **Bulgaria**

Sales of “Sopharma” AD in the domestic market decreased by BGN 6,5 million or by 33% to BGN13,1 million in Q1 2021 compared to BGN 19,6 million in Q1 2020. The main factor for this decline is the high level of sales in March 2020, dictated by the beginning of the epidemic related to COVID - 19.

- **Other markets**

Revenues from other markets decreased with 46% compared to Q1 2020, mainly as a result of a decrease of the export for Vietnam, Georgia and Kazakhstan.



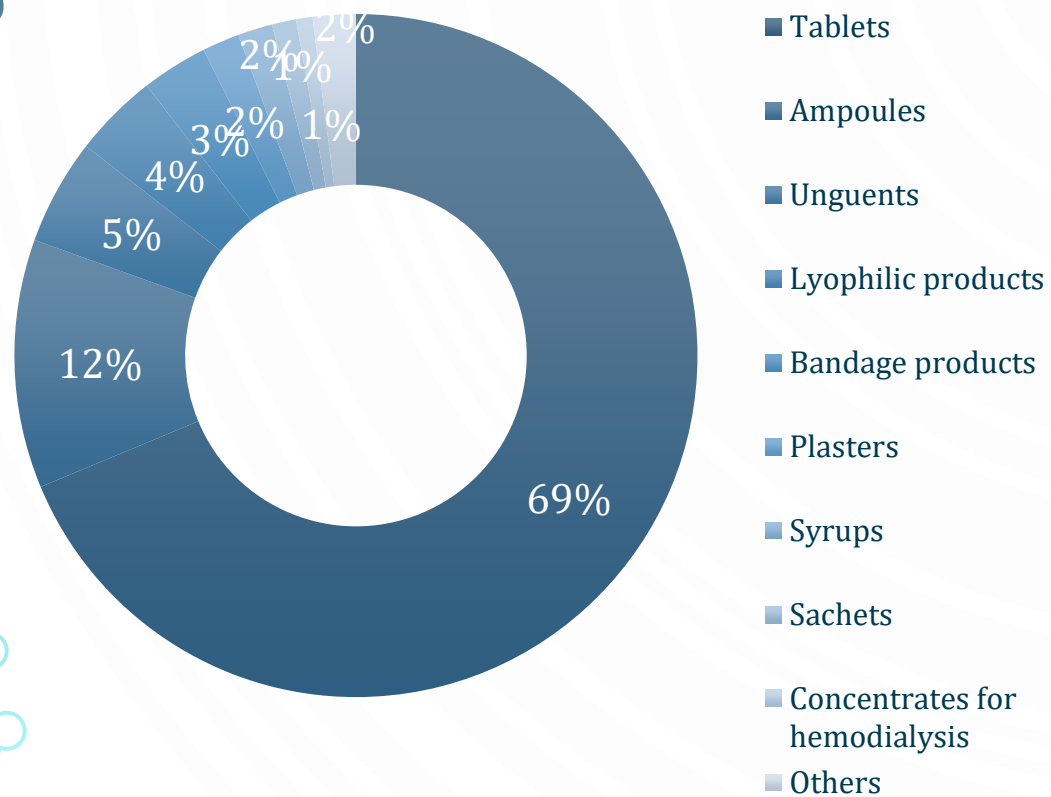


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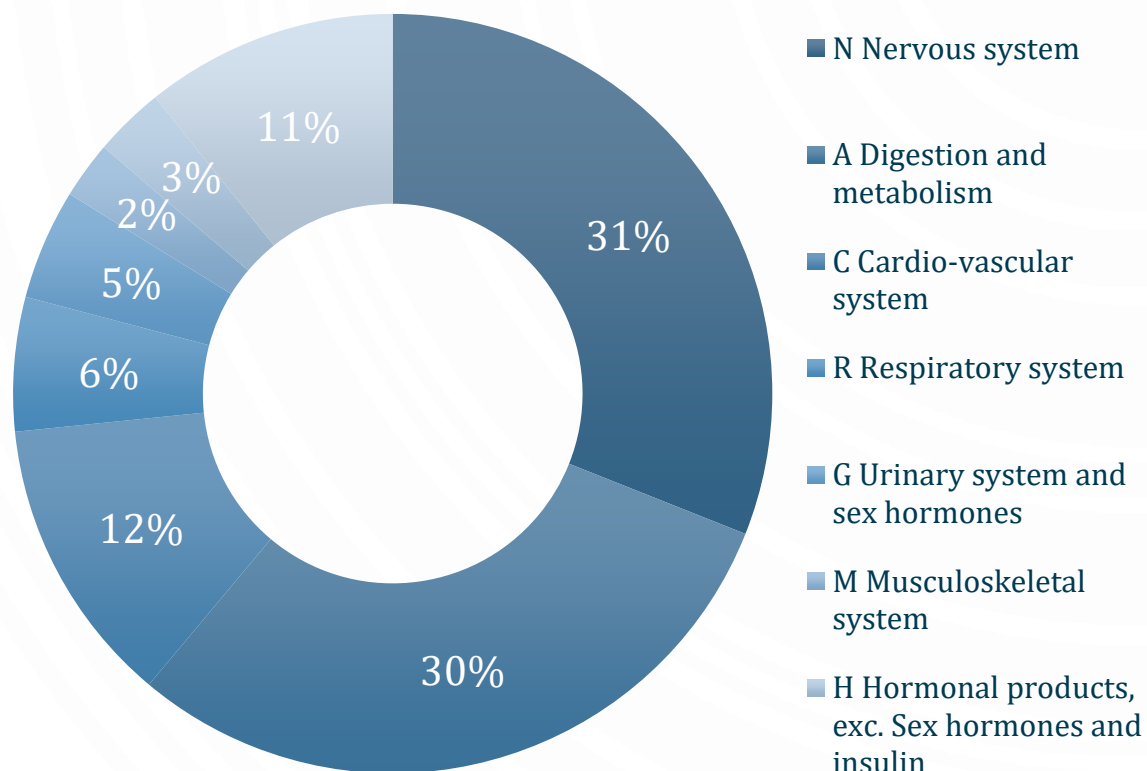
## Key financial indicators of “Sopharma” AD

# Revenue by type of formulation



Revenues by type of formulation	1-3/2021	1-3/2020	Change
	<i>BGN '000</i>	<i>BGN '000</i>	<i>%</i>
Tablets	23 372	31 622	-26%
Ampoules	4 005	7 980	-50%
Unguents	1 917	2 218	-14%
Lyophilic products	1 191	2 262	-47%
Bandage products	1 068	1 888	-43%
Plasters	600	784	-23%
Syrups	557	1 580	-65%
Sachets	389	16	2331%
Concentrates for hemodialysis	265	349	-24%
Others	691	1 081	-36%
<b>Total</b>	<b>34 055</b>	<b>49 780</b>	<b>-32%</b>

# Revenue by therapeutic group



Revenues by therapeutic group	1-3/2021 BGN '000	1-3/2020 BGN '000	Change %
N Nervous system	10 566	15 354	-31%
A Digestion and metabolism	10 240	12 677	-19%
C Cardio-vascular system	4 188	6 826	-39%
R Respiratory system	1 942	3 059	-37%
G Urinary system and sex hormones	1 603	1 237	30%
M Musculoskeletal system	828	1 527	-46%
H Hormonal products, exc. Sex hormones and insulin	1 027	2 268	-55%
Other	3 661	6 832	-46%
<b>Total</b>	<b>34 055</b>	<b>49 780</b>	<b>-32%</b>



# Other operating revenues

- Other operating revenues** decreased by BGN 0,4 million in Q1 2021 compared to Q1 2020 mainly in the part of the amounts awarded, profit on sale of long-term assets and revenue from rendering of services.



Other operating revenues	1-3/2021	1-3/2020	Change	Rel. share
	BGN '000	BGN '000	%	2021
Services rendered	445	678	-34%	59%
Revenues from financing through European projects	108	135	-20%	14%
Net exchange losses on trade receivables and payables and current accounts	69	7	886%	9%
Profit on sale of goods	57	51	12%	8%
Profit on sale of long-term assets	40	65	-38%	5%
Profit on sale of materials	15	11	36%	2%
Amounts awarded		166	100%	0%
Losses from leasing contracts	-	(4)	-100%	0%
Other revenues	17	20	-15%	2%
<b>Total other operating revenues</b>	<b>751</b>	<b>1 129</b>	<b>-33%</b>	<b>100%</b>

# Operating expenses



- **Operating** expenses decreased by BGN 11,3 million from BGN 42,3 million in Q1 2020 to BGN 31 million in Q1 2021.
- The expenses of **materials** decreased by BGN 2,9 million or 16% from BGN 17,9 million in Q1 2020 to BGN 15 million in Q1 2021.
- **Hired services** expenses decreased by BGN 1,1 million or 12% to BGN 7,8 million in Q1 2021 compared to BGN 8,9 million in Q1 2020.
- **Personnel** expenses decreased by BGN 0,7 million or by 5% from BGN 13 million in Q1 2020 to BGN 12,3 million in Q1 2021.
- **Other operating** expenses decreased by BGN 0,3 million in Q1 2021 compared to the same period in 2020 mainly in the part of business trips and others.
- **Depreciation and amortization** expenses registered a decrease of BGN 0,1 million or by 3%, retaining their value from BGN 4 million.
- **Changes in inventories of finished goods and work in progress** have an impact on the decrease in operating expenses by BGN 6,2 million.

Operating expenses	1-3/2021	1-3/2020	Change	Rel. share of expenses 2021
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	(8 717)	(2 511)	-247%	-28%
Materials	15 009	17 901	-16%	48%
Hired services	7 779	8 877	-12%	25%
Personnel	12 266	12 958	-5%	40%
Depreciation and amortization	4 393	4 520	-2.8%	14%
Other operating expenses	282	542	-48%	1%
<b>Total operating expenses</b>	<b>31 012</b>	<b>42 287</b>	<b>-27%</b>	<b>100%</b>

# Financial income and expenses



**Financial income** decreased by BGN 0,1 million to BGN 0,05 million in Q1 2021 compared to BGN 1,1 million in Q1 2020, mainly in the part of interest income on granted loans by BGN 0,3 million, as an increase registered the net gain from investment operations in securities by BGN 0,2 million.

**Financial expenses** decreased by BGN 0,09 million to BGN 0,3 million in the Q1 2021, due to a decrease in interest expense on loans received with BGN 0,1 million.

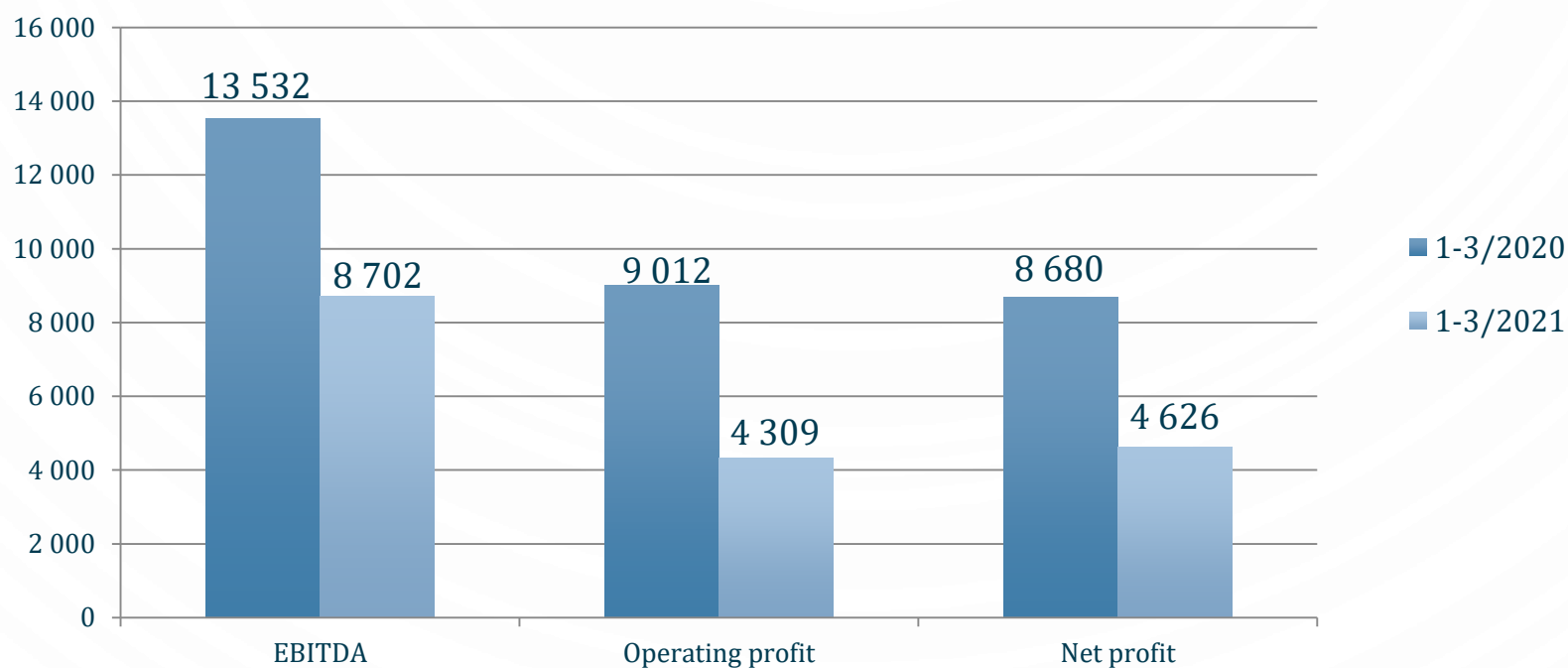
**Net financial income/(expenses)** decreased by BGN 0,05 million compared to Q1 2020.

Financial income	1-3/2021	1-3/2020	Change	relative share of income of 2021
	BGN '000	BGN '000	%	%
Interest income on granted loans	637	974	-35%	63%
Net gain from investment operations in securities	232	-	-	23%
Incl. profits from the sale of investments in subsidiaries	187	-		18%
Net gain from exchange differences on the sale of a subsidiary	148	88	6-8%	15%
<b>Total</b>	<b>1 017</b>	<b>1 062</b>	<b>-4%</b>	<b>100%</b>
Financial expenses			Change %	relative share of expenses in 2021
Interest expenses on loans received	204	310	-34%	66%
Bank fees and charges on loans and guarantees	72	71	1%	23%
Interest expense on lease contracts	25	19	32%	8%
Net foreign exchange loss on lease contracts	9	4	125%	3%
<b>Total</b>	<b>310</b>	<b>404</b>	<b>-23%</b>	<b>100%</b>

## Financial result of the activity



- **EBITDA** in Q1 2021 decreased by BGN 4,8 million or by 35.7% to BGN 8,7 million compared to BGN 13,5 million in Q1 2020.
- **Profit from operating activities** in Q1 2021 decreased by BGN 4,7 million or 52.2% to BGN 4,3 million in Q1 2021 compared to BGN 9 million in Q1 2020.
- **Net profit** decreased by BGN 4,1 million or by 46.7%, to BGN 4,6 million in Q1 2021 compared to BGN 8,7 million in Q1 2020.



# Assets

- **Total assets** decreased by BGN 5,2 million or by 1% to BGN 645,2 million in the end of the first quarter of 2021, compared to BGN 650,3 million as at 31 December 2020.
- **Non-current assets** decreased by BGN 0,9 million, or by 0.2%, mainly due to a decrease in property, plant and equipment by BGN 2,7 million in the area of land and buildings, and plant and equipment, as well as investments in subsidiaries by BGN 2,8 million.
- **Current assets** decreased by BGN 4,3 million or by 2% to BGN 210,2 million as at 31 March 2021 compared to BGN 214,5 million as at 31 December 2020. Inventories increased by BGN 6,6 million or 10% compared to 31 December 2020, mainly in the part of finished products and decreased in the part of materials, work in progress, semi-finished products and goods.

Assets	31.03.2021 BGN '000	31.12.2020 BGN '000	Change %	Rel. share 2021
<b>Non-current assets</b>				
Property, plant and equipment	208 964	211 681	-1%	48%
Intangible assets	4 001	4 143	-3%	1%
Investment property	45 884	44 759	3%	11%
Investments in subsidiaries	84 054	86 809	-3%	19%
Investments in associated companies and joined ventures	7 790	6 062	29%	2%
Other long-term equity investments	12 845	11 607	11%	3%
Long-term receivables from related parties	60 162	59 725	1%	14%
Other long-term receivables	11 308	11 105	2%	3%
	<b>435 008</b>	<b>435 891</b>	0%	67%
<b>Current assets</b>				
Inventories	74 808	68 160	10%	36%
Receivables from related parties	102 871	114 169	-10%	49%
Trade receivables	17 605	18 382	-4%	8%
Loans granted to third parties	3 909	3 903	0%	2%
Other receivables and prepaid expenses	6 624	6 057	9%	3%
Cash and cash equivalents	4 348	3 776	15%	2%
	<b>210 165</b>	<b>214 447</b>	-2%	33%
<b>TOTAL ASSETS</b>	<b>645 173</b>	<b>650 338</b>	-1%	100%



# Owner's equity and liabilities – non-current liabilities



- **The equity of “Sopharma” AD** increased by BGN 4,6 million or by 1% reaching BGN 541,6 million as at 31 March 2021 compared to BGN 537 million as at 31 December 2020, mainly as a result of the increase in retained earnings by BGN 5 million. Reserves decreased by BGN 0,4 million.
- **Non-current liabilities** increased by BGN 0,1 million or 1% to BGN 16,2 million at the end of the first quarter of 2021 compared to BGN 16,1 million as at 31 December 2020 mainly in the part of liabilities under leasing contracts by BGN 0,3 million.

OWNER'S EQUITY	31.03.2021	31.12.2020	Change	rel. share compared to OE 2021
	BGN '000	BGN '000	%	%
Share capital	134 798	134 798	0%	25%
Reserves	(33 656)	(33 656)	0%	-6%
Retained earnings	408 409	408 807	0%	75%
	32 006	27 039	18%	6%
<b>TOTAL EQUITY</b>	<b>541 557</b>	<b>536 988</b>	<b>1%</b>	<b>100%</b>
<b>LIABILITIES</b>				<b>rel. share compared to total liabilities 2021</b>
<b>Non-current liabilities</b>				
Long-term bank loans	13	15	-13%	0%
Deferred tax liabilities	5 266	5 358	-2%	5%
Government grants	4 322	4 427	-2%	4%
Lease liabilities to third parties	1 782	1 533	16%	2%
Long-term liabilities to personnel	4 843	4 758	2%	5%
	<b>16 226</b>	<b>16 091</b>	<b>1%</b>	<b>16%</b>

# Current liabilities

- **Increase:**
  - liabilities to related companies, trade payables, etc.
- **Decrease:**
  - short-term bank loans by BGN 10,6 million;
  - short-term part of long-term bank loans by BGN 1,8 million;
  - other current liabilities by BGN 0,1 million.

**The total exposure to bank loans** of the company as of 31 March 2021 decreased by BGN 12,4 million compared to 31 December 2020.

Current liabilities	31.03.2021 BGN '000	31.12.2020 BGN '000	Change %	rel. share compared to total liabilities 2021
Short-term bank loans	62 774	73 335	-14%	61%
Short-term part of long-term bank loans	601	2 404	-75%	1%
Trade liabilities	7 919	7 218	10%	8%
Liabilities to related parties	2 190	1 273	72%	2%
Liabilities for taxes	2 494	2 092	19%	2%
Liabilities to the personnel and for social insurance	8 110	7 507	8%	8%
Other current liabilities	3 302	3 430	-4%	3%
	<b>87 390</b>	<b>97 259</b>	-10%	84%
<b>TOTAL LIABILITIES</b>	<b>103 616</b>	<b>113 350</b>	-9%	100%
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>645 173</b>	<b>650 338</b>	-1%	

# Cash flow and ratios

- The free cash flow (normalized with the payments under lease contracts), generated for Q1 2021, amounts to BGN 14,6 million compared to BGN 1 million in Q1 2020.

Ratios	31.03.2021	31.12.2020
ROE <sup>1</sup>	4.4%	5.2%
ROA <sup>2</sup>	3.5%	4.1%
Asset turnover <sup>3</sup>	0,28	0,30
Current liquidity <sup>4</sup>	2,40	2,20
Quick ratio <sup>5</sup>	1,55	1,50
Cash/current liabilities <sup>6</sup>	0,05	0,04
Owners' equity/liabilities <sup>7</sup>	5,23	4,73
Cash flows	1-3/2021 BGN '000	1-3/2020 BGN '000
Net cash flows from operating activities	15 921	2 133
Proceeds of amounts by factoring	(793)	(2 653)
Purchases of property, plant and equipment, intangible assets, net	(505)	(484)
Payments under lease contracts	14 623	1 004
Free cash flow (normalized)	3 902	1 708

1 Net profit on an annual basis / average equity for the last five quarters

2 Net profit on an annual basis / average total assets for the last five quarters

3 Revenues from sales on an annual basis / average total assets for the last five quarters

4 Current assets / current liabilities

5 Receivables + Cash and cash equivalents / Current liabilities

6 Cash and cash equivalents / Current liabilities

7 Equity / Liabilities



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## New products, significant events and risks

## New developments and products

- Marketing Authorization for one new medicinal products was obtained Carsil 22,5 mg coated tablets (Belarus).
- Received 3 Authorizations for the use of medicinal products for new destinations, namely: -Ambrolytin 30 mg tablets (Estonia); Dexketoprofen Sopharma 50 mg / 2 ml solution for injection / infusion (Poland); Alyssum 7 mg / ml syrup (Romania).
- During the reporting period **two** nutritional supplement for Bulgaria.
- Submission of documentation for the renewal of the Marketing Authorizations for **29** medicinal products.
- **190** changes for medicinal products approved by agencies.
- **140** changes for medicinal products submitted to agencies.
- There is a pharmaceutical development of **4** new medicinal products;
- **6** medicinal products / active substances have been transferred / are in the process of transfer.
- **10** production processes / technologies have been 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.





# 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!

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