

“Sopharma” AD

Stand-alone financial results for the first half of 2023





What we do?

“Sopharma” AD is a public company based in Bulgaria. The company is a leading manufacturer and exporter of pharmaceuticals and health-related products. The company's activity is carried out and developed in the following main directions:

- Manufacturing and sale of medicinal substances and dosage forms;
- Research, development and implementation activities in the field of phytochemistry, chemistry and pharmaceuticals;
- Production of medical devices and cosmetic products;
- “Sopharma” AD provides services both for production and auxiliary activities.

Republic of Bulgaria: Demographic and key economic indicators

GDP (BGN million)



GDP for 2022 in real terms shows an increase by 3.4% compared to 2021.

GDP per capita

BGN 19.770 (€ 10108.24)

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

Who we are

- №1 manufacturer of ampules and suppositories in Bulgaria
- More than 200 products
- 1 692 employees

A company with established traditions and experience

- Revenue BGN 124 826 thousand
- EBITDA BGN 48 609 thousand
- 13 479 188 shares



Production facilities

“Sopharma” AD is the biggest Bulgarian manufacturer of ampoules and suppositories and the only manufacturer of lyophilic dosage forms in Bulgaria. *The production facilities are based in Bulgaria and Ukraine* and are located as follows: 10 plants in Bulgaria (6 in Sofia, 1 in Sandanski, 1 in Vrabovo, 1 in Kazanlak, 1 in Sliven) and 1 in Ukraine.

The factory for solid dosage forms in Sofia is built according to the latest requirements for Good Manufacturing Practices.

The plant in Kazanlak town has an unique technology for processing **medicinal** plants.

The plant in Sandanski produces dressing materials using one of the most advanced technologies in Europe.



Production facilities in Bulgaria and outside the country

Location	Plant	Key products	Capacity	Total built up area	Employees
Bulgaria					
Sofia	Tablet plant	Tablets, capsules	4 billion tablets	9 263 m ²	250
	Ampoule plant	Ampoules	50-70 million ampoules	5 024 m ²	190
	Lyophilic plant	Ampoules	4,3 million ampoules	1 250 m ²	50
	Suppositories	Suppositories	15 million suppositories	845 m ²	18
	Active substances	Active substances	1,6-1,8 tons	478 m ²	7
	Bulgama	Gamma radiation	-	1 250 m ²	9
	Vrabevo plant	Tablets, syrups, ointments	675 million tablets, 9 million syrups, 23 million ointments	6 850 m ²	155
Kazanlak, Stara Zagora	Kazanlak plant	Phytochemical and synthetic substances	50 - 60 tons API's, depending of production mix	4 790 m ²	135
		Medicinal products, solid and liquid dosage forms	9,5 million medicinal products; 675 million tablets; 1,5 million vials drops; 2 million liters hemodialysis concentrate	8 100 m ²	190
Sandanski, Blagoevgrad	Sandanski plant	Veterinary products	Under contract	2 000 m ²	40
Ukraine					
Uman	Vitaminy plant	Solid forms - tablets, coated tablet , capsules; Liquid forms - syrups, extracts, oil solutions; Powders	650 million solid forms, 224 tons liquid forms	-	247

Products



Our portfolio is focused on the following therapeutic fields:

- Cardiology;
- Gastroenterology;
- Pain management;
- Cough and cold;
- Immunology and dermatology;
- Respiratory tract and asthma;
- Neurology and psychiatry;
- Urology and gynecology;
- Nephrology, surgery;
- Orthopedics and traumatology.



Key products

“Sopharma” AD has more than 200 products in its portfolio, including nearly 190 medicinal products and 11 groups of medical devices. Medicinal products mainly include generics and 15 traditional products, with 12 of the products being plant-based.

The Company's traditional products and in particular Tabex, Carsil and Tempalgin have a major share in revenues from export markets, while for local market the most important are the company's generic products, among which the first place is Analgin.



Products with significant contribution to the revenue

- ***Tribestan*** – a traditional plant-based product stimulating the functions of the reproductive system;
- ***Nivalin*** – a traditional plant-based product used for diseases of the peripheral nervous system;
- ***Broncholitin*** – a traditional plant-based product used to suppress cough;
- ***Methylprednisolone*** – a generic medicine designed for cases of severe allergies and certain life-threatening conditions;
- ***Vitamin C*** – a dietary supplement with wide application;
- ***Valerian*** – a generic over-the-counter plant-based drug used to reduce stress;
- ***Medical devices*** - gauze, compresses and bandages.



New developments and products

The following activities were carried out from January to June 2023:

- Development of 5 food supplements is being carried out.

- Pharmaceutical development of 9 new medicinal products /projects is carried out.

- A marketing authorization was obtained for 3 new medicinal products.
- An application for registration of 9 new products was submitted.

- Marketing authorizations for 21 medicinal products renewed.
- An application for Marketing Authorizations renewal for 7 medicinal products was submitted to agencies.
- Changes for 69 medicinal products approved by agencies.
- 91 changes for medicinal products submitted to agencies.

- 8 production processes/technologies have been validated/optimized.

Key activities

API Production

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



Non-pharmaceutical activities
- **Factory for veterinary products, Sliven** - manufacturing of products for veterinary medicine



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

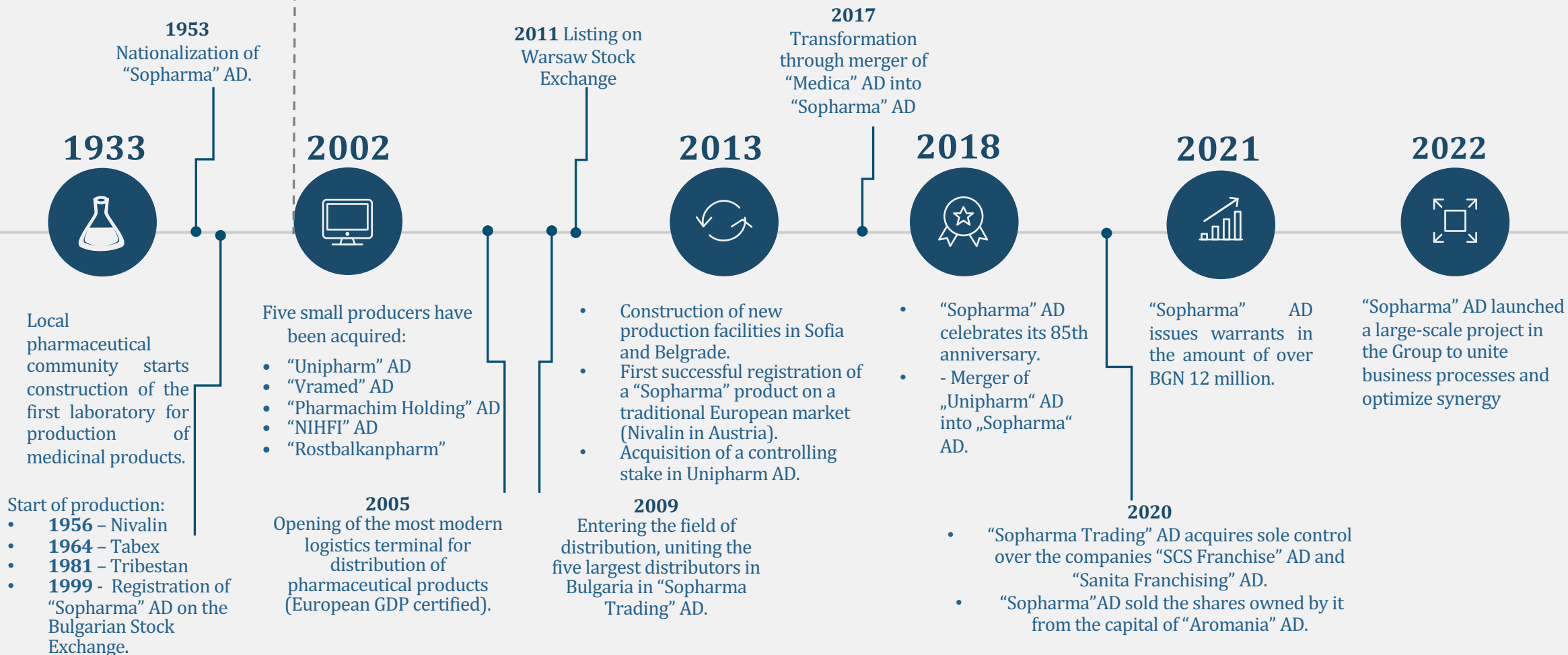


Pharmaceutical production -
- **„Sopharma“ AD, Bulgaria** – self developed products from herbal origin, generic products

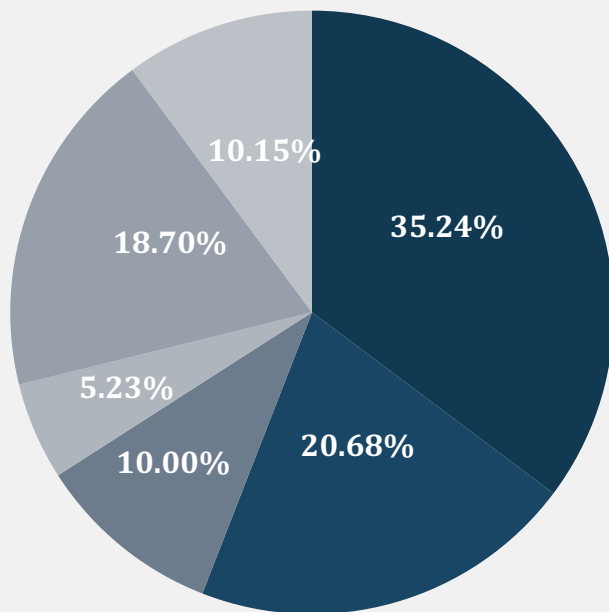
Key moments in the 90 – years history

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

Privatization – “Sopharma” AD becomes a private pharmaceutical company



Shareholder structure as of 30 June 2023



- "Donev Investments Holding" AD
- "Telecomplect invest"AD
- "Sopharma" AD (treasury shares)
- CUPF "Alianz Bulgaria"
- Other legal entities
- Individuals

Shares held by the members of the Board of Directors as of 30.06.2023:

- **Ognian Donev** - 6 363 657 shares, **4.72%** of capital
- **Alexander Tchaoushev** - 353 442 shares, **0.29%** of capital
- **Vessela Stoeva** – 150 shares, **0%** of capital
- **Ivan Badinski** – 2030 shares, **0%** of capital
- **Bissera Lazarova** – 0 shares

As of 30.06.2023, "Sopharma" AD has 13 479 188 own shares.

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.



**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 several management positions in the field of international trade, accounting and control, organization.



**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.

Shares of „Sopharma“ AD



Data on the trading of “Sopharma” AD on the Bulgarian Stock Exchange

Volume of traded shares for the period January to June 2023

Volume of traded shares

1 467 753

Turnover of traded shares

BGN 7 817 299

Maximum value of traded shares

BGN 6,30

Minimum value of traded shares

BGN 4,36

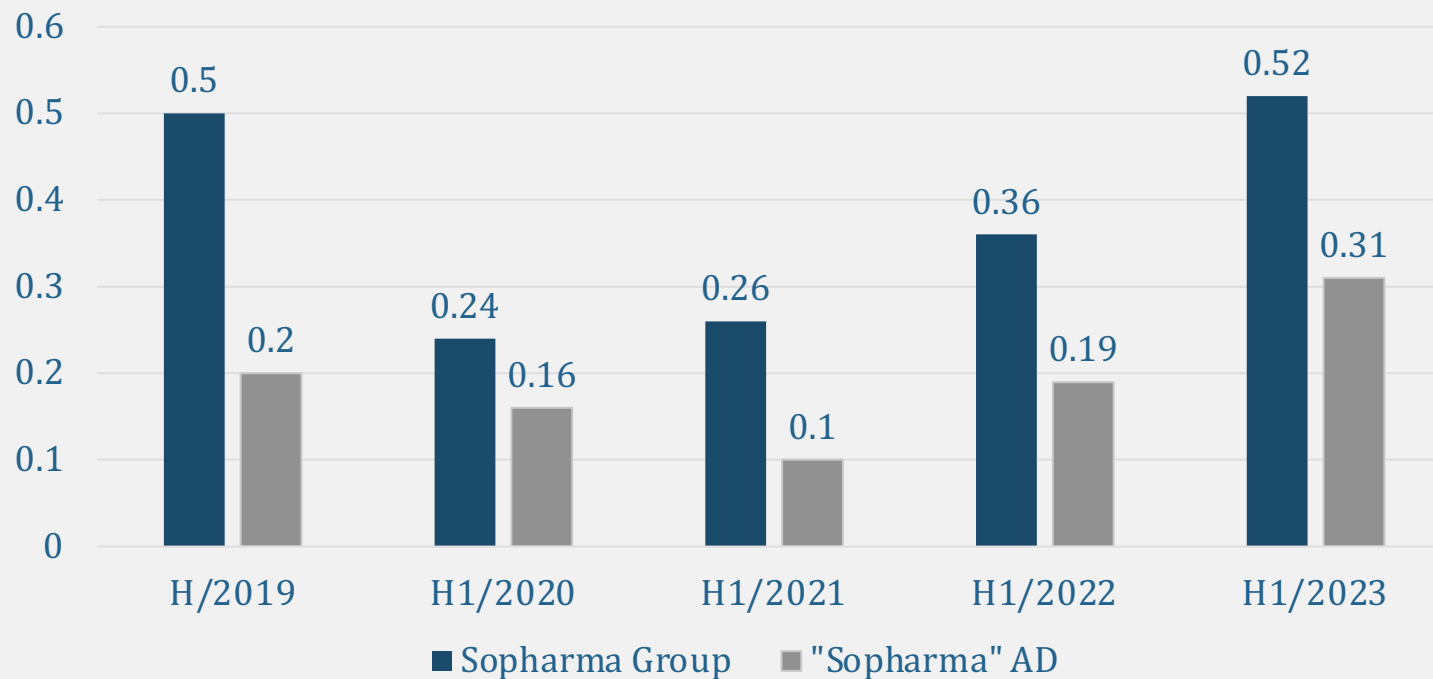
The shares are traded on the Bulgarian Stock Exchange, the Main Market (BSE), the PREMIUM Share Segment and the official market of the Warsaw Stock Exchange.

STOCK EXCHANGE
MARKET OF THE WARSAW

Source: Bulgarian Stock Exchange AD

Trading data of “Sopharma” AD on the Bulgarian Stock Exchange

Income per share



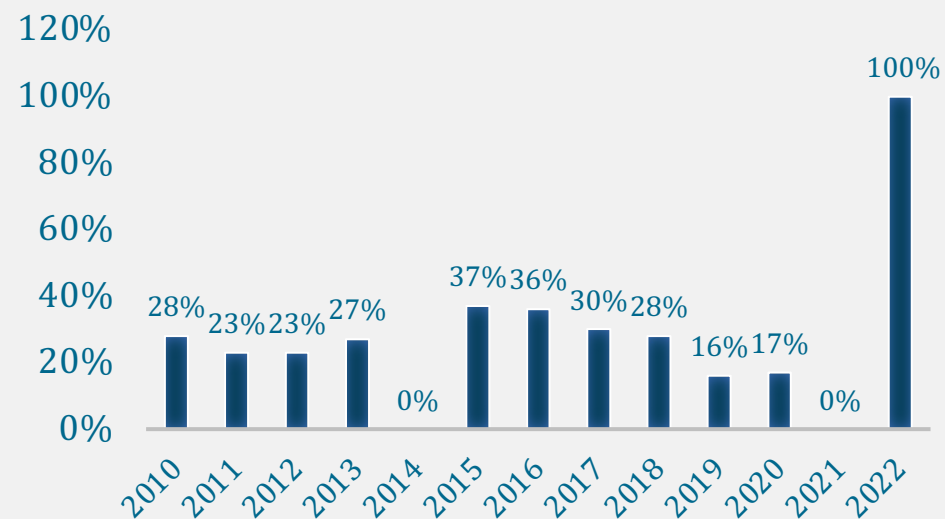
Dividends

Dividend for 1 share in BGN

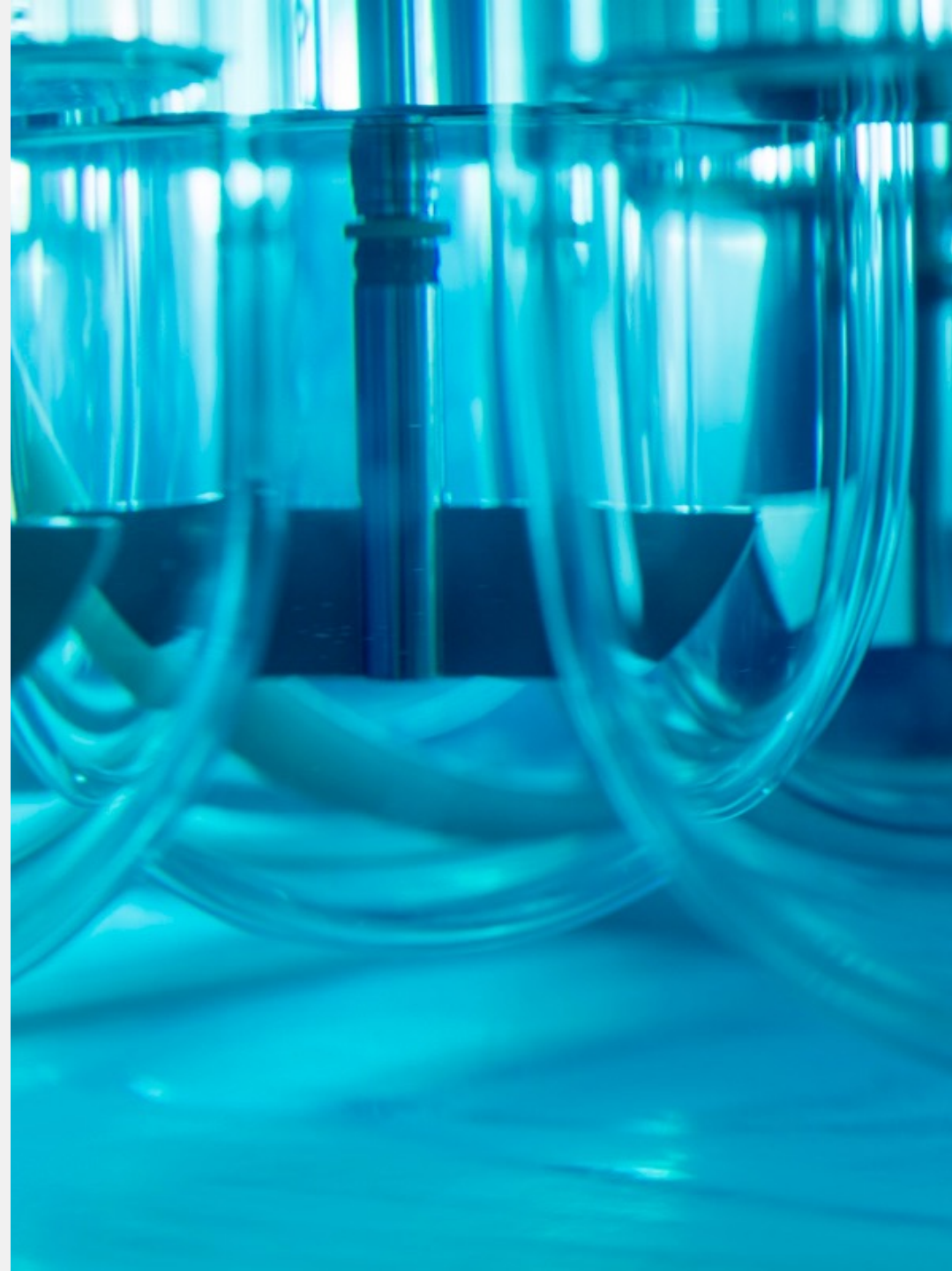
Year	"Sopharma" AD
2012	0.07
2013	0.07
2014	none
2015	0.07
2016	0.1
2017	0.11
2018	0.05
2019	0.12
2020	0.04
2021	none
2022	0.6

"Sopharma" AD is a pioneer in payment of 6-month dividend after the introduction of this legislative option in 2018.

Dividend payout ratio



Individual financial results for the first half of 2023



Key financial indicators

Revenues from contracts with customers are from sales of manufactured medicines and in the first half of 2023 increased by BGN 14,7 million reaching BGN 123,8 million compared to BGN 109,1 million in the first half of 2022. Revenues from contracts with customers also include revenues from contracting and contract production, which for the first half of 2023 amount to BGN 5.9 million.

Indicators	30.06.2023	30.06.2022	Промяна
	BGN '000	BGN '000	%
Sales revenue	124 826	110 050	13.4%
EBITDA	48 609	33 469	45.2%
Operating profit	39 146	24 592	59.2%
Net profit	37 121	23 618	57.2%
CAPEX	8 283	7 181	15.3%
	30.06.2023	31.12.2022	
	BGN '000	BGN '000	
Non-current assets	505 425	506 718	-0.3%
Current assets	244 375	194 530	25.6%
Owners' equity	5 247	600 375	-5.9%
Non-current liabilities	28 867	27 840	3.7%
Current liabilities	155 686	73 033	113.2%

Revenues from sales of products by market



The company retains its market share and according to IQVIA data at the end of 2023 has a **2.18%** (fourteenth position) of the total **Bulgarian pharmaceutical market** in value and **7.62%** (second position) of sales in volume.

The products with the largest share of sales in the country are Analgin, Sophazolon, Vicetin, Famotidine, Vitamin C, Paracetamol, Bromhexine, Methylprednisolone.



Sales of “Sopharma” AD on the **domestic market** decreased by BGN 0,3 million or by 0.7% for the first half of 2023 to BGN 45,4 million compared to BGN 45,7 million for the first half of 2022.

Sales revenues for the first half of 2023 for **European countries** increased by BGN 10,1 million or 18.4% compared to the first half of 2022.

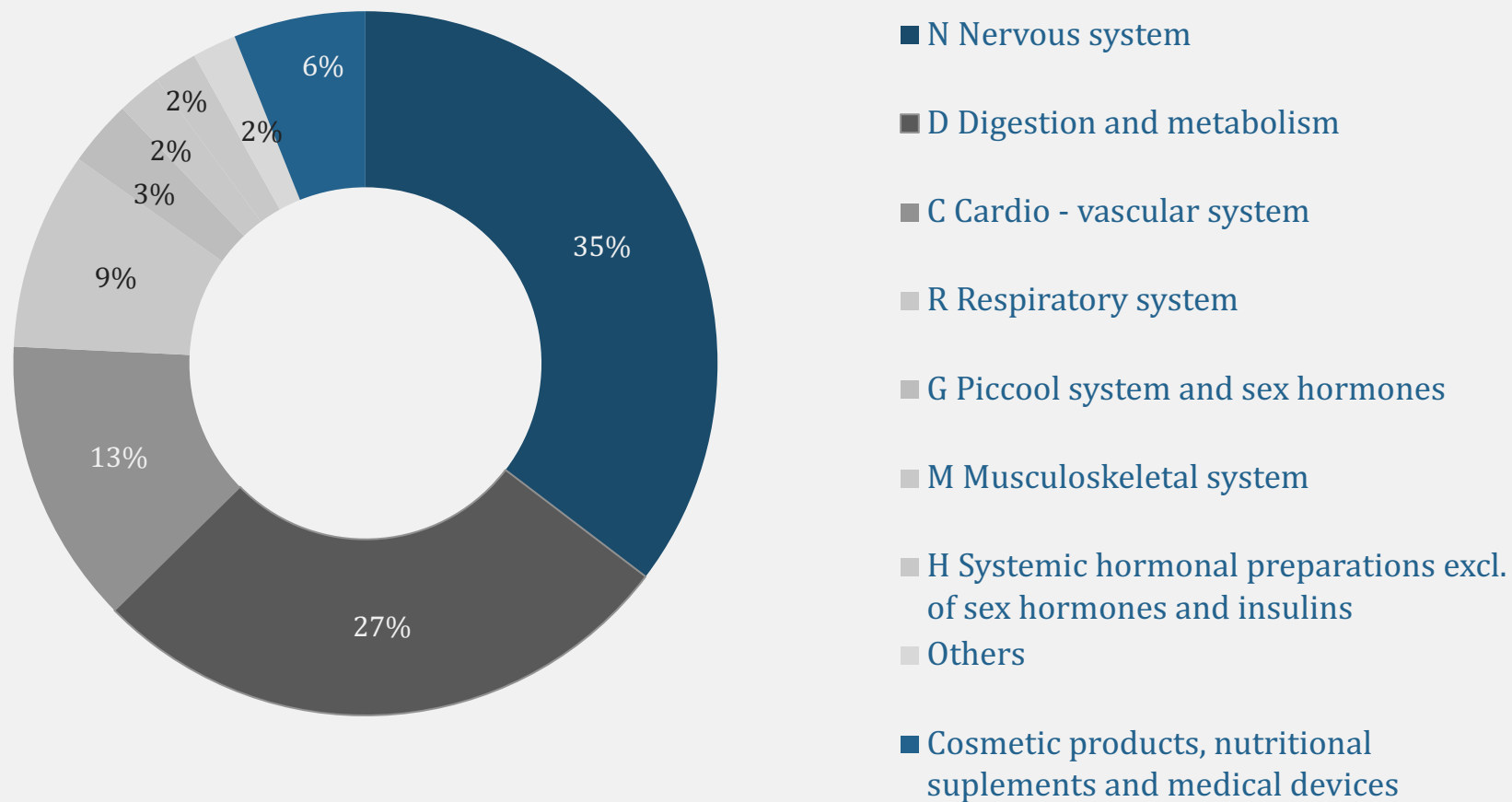
Revenues from **other markets** increased with BGN 4,9 million or 59.2% compared to first half of 2022.



Sales on the two main foreign markets accounted for the largest share, and for the current period they increased by 18.8% and 1.5%, respectively.

Growth was also registered in **other traditional markets**, with sales revenue increasing in Belarus by 69%, in Moldova by 75%, in Serbia by 40%, in Latvia by 21%, in Poland by 25%. Sales in Lithuania fell by 27%.

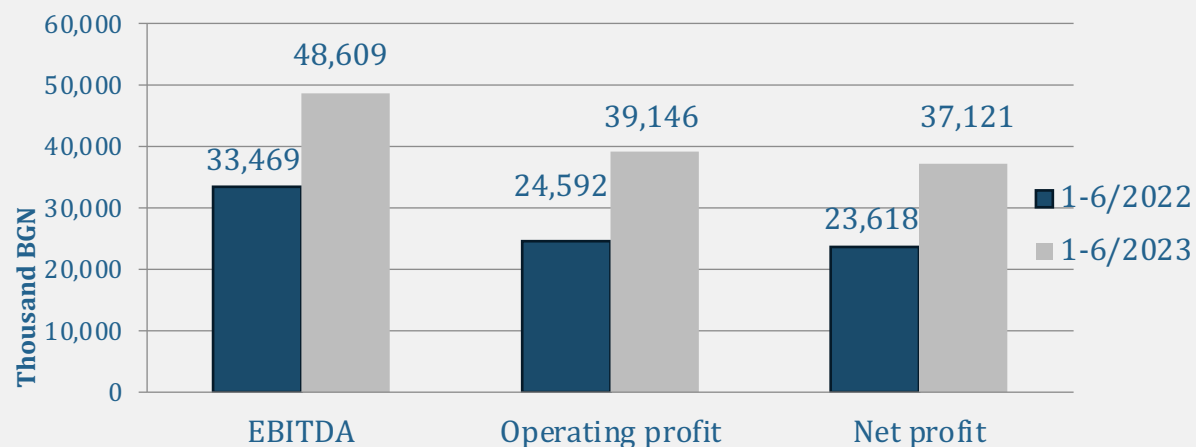
Sales revenue by therapeutic group



Key financial indicators

- **EBITDA** in the first half of 2023 increased by BGN 15,1 million or by 45.2% to BGN 48,6 million compared to BGN 33,5 million for the first half of 2022.
- **Profit from operating activities** in the first half of 2023 increased by BGN 14,6 million or by 59.2% to BGN 39,1 million compared to BGN 24,6 million in the first half of 2022.
- **Net profit** in the first half of 2023 increased by BGN 13,5 million or by 57.2%, to BGN 37,1 million compared to BGN 23,6 million in the first half of 2022.

	30.06.2023	30.06.2022
EBITDA/Sales revenues	38.9%	30.4%
Operating profit/Sales revenues	31.4%	22.3%
Net profit/Sales revenue	29.7%	21.5%
Borrowed capital/Owners' equity	0,33	0,17
Net debt/EBITDA on a annual basis	0,7x	0,4x



Operating expenses

- For the current period, the costs for materials increased by BGN 2 million compared to the first half of 2022 in the part of basic, laboratory and technical materials.
- Personnel costs increased by BGN 6,1 million.
- The largest change was registered in the costs of manufacturing medicines and costs of advertising and marketing services, which increased by BGN 1,7 million and BGN 2,2 million, respectively.

Operating expenses	1-6/2023	1-6/2022	Change	Rel. share of expenses 2023
	<i>BGN '000</i>	<i>BGN '000</i>	%	%
Raw materials and consumables used	(41 721)	(39 687)	5%	40%
Hired services expense	(19 880)	(14 815)	25%	19%
Employee benefits expense	(32 853)	(26 762)	19%	32%
Depreciation expense	(9 463)	(8 877)	6%	9%
Other operating expenses	202	(907)	-349%	0%
Total operating expenses	(103 715)	(91 048)		100%

Financial income

Financial income increased by BGN 0,5 million to BGN 3,8 million in the first half of 2023, mainly due to the increase in interest income on loans of BGN 0,3 million.

Finance income	1-6/2023	1-6/2022	Change	Relative share of income of 2023
	<i>BGN '000</i>	<i>BGN '000</i>	%	%
Equity income	1,711	1,513	12%	45%
Interest income on loans extended	1,523	1,185	22%	40%
Income from fees on provided guarantees	452	261	42%	12%
Income from interest on assignment contracts	63	0	100%	2%
Net gain on sale of investments in associates	23	0	100%	1%
Net gain on sale of investments in subsidiaries	4	0	100%	0%
Net profit from exchange rate differences under lease agreements	2	0	100%	0%
Net profit from exchange differences on receivables from the sale of a subsidiary	0	312	100%	0%
Total	3,778	3,271		100%

Financial expenses

Financial expenses increased by BGN 0,5 million to BGN 1,2 million in the first half of 2023, the main reason being the impairment charge for credit losses on receivables from commercial loans granted in the amount of BGN 0,5 million.

Financial expenses	1-6/2023	1-6/2022	Change %	Relative share of income of 2023
Impairment for credit losses on commercial loan receivables	477	-	100%	39%
Interest expense on loans received	389	223	43%	32%
Interest expenses on leasing contracts	151	59	61%	12%
Bank fees and charges on loans and guarantees	137	373	-172%	11%
Net foreign exchange gain on receivable from sale of subsidiary	68	-	100%	6%
Net foreign exchange loss on leases	-	1	0%	0%
Total	1 222	656		100%

Assets

- **Non-current assets** compared to the end of 2022 decreased by BGN 1,3 million, to BGN 505,4 million, the most significant being the change in long-term receivables from related enterprises, which increased by BGN 4,7 million.
- **Current assets** increased by BGN 49,8 million to BGN 244,4 million, with an increase in inventories of BGN 24,6 million, where the most significant increased by BGN 15,2 million was recorded in finished products.

Assets	30.06.2023 BGN '000	31.12.2022 BGN '000	Change %	Rel. share 2023
Non-current assets				
Property, plant and equipment	209 325	217 894	-4%	28%
Intangible assets	4 461	4 247	5%	1%
Investment property	49 487	49 267	0%	7%
Investments in subsidiaries	90 777	90 235	1%	12%
Investments in associates and joint ventures	69 468	69 372	0%	9%
Other long-term equity investments	6 270	4 706	25%	1%
Long-term receivables from related parties	72 179	67 471	7%	10%
Other long-term receivables	3 458	3 526	-2%	0%
	505 425	506 718		67%
Current assets				
Inventories	107 225	82 618	23%	14%
Receivables from related parties	88 194	74 682	15%	12%
Trade receivables	27 351	18 095	34%	4%
Loans granted to third parties	11 177	8 317	26%	1%
Other receivables and prepayments	5 416	6 057	-12%	1%
Cash and cash equivalents	5 012	4 761	5%	1%
	244 375	194 530	20%	33%
Total assets	749 800	701 248	6%	

Owner's equity

The equity of “Sopharma” AD decreased by BGN 35,1 million to BGN 565,2 million as a result of the distribution of additional dividend reserves.

EQUITY	30.06.2023	31.12.2022	Change %	Rel. share compared to OE 2023
	BGN '000	BGN '000		
Share capital	134 798	134 798	0%	24%
Treasury shares	(52 203)	(52 203)	0%	-9%
Reserves	425 426	461 449	-8%	75%
Other capital components	12 480	12 488	0%	2%
Retained earnings	44 746	43 843	2%	8%
Total equity	565 247	600 375	-6%	92%

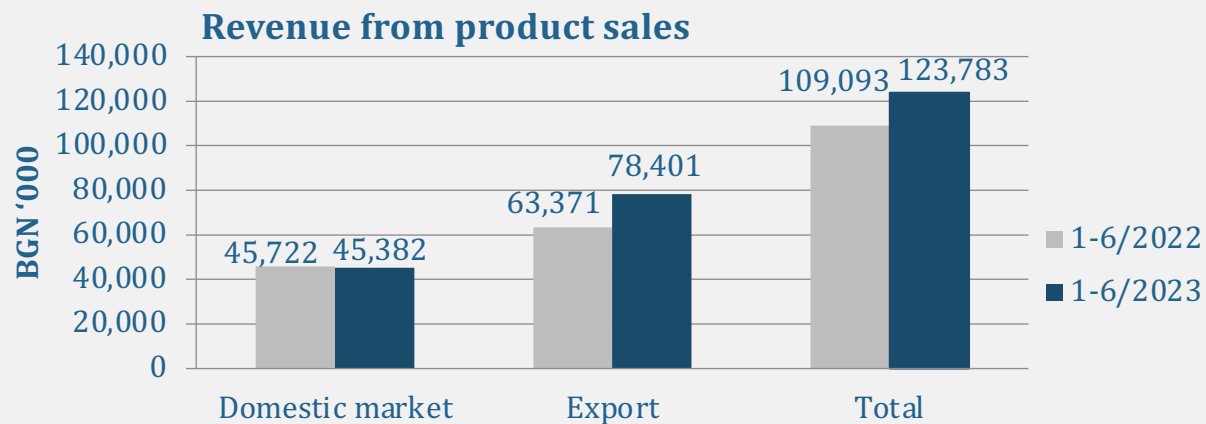
Liabilities

- **Non-current liabilities** increased by BGN 1 million, to BGN 28,9 million, as a result of a of liabilities under long-term lease contracts with related parties at the amount of BGN 0,9 million.
- **Current liabilities** increased by BGN 82,7 million, to BGN 155,7 million, as a result of the increase in liabilities under short-term bank loans by BGN 30,3 million, as well as a result of accrued liabilities to related parties and third parties for receiving dividends in the amount of BGN 72,8 million. Trade liabilities decreased by BGN 23 million, which is the result of the decrease in advances received for the sale of finished products, which decrease by BGN 20 million.

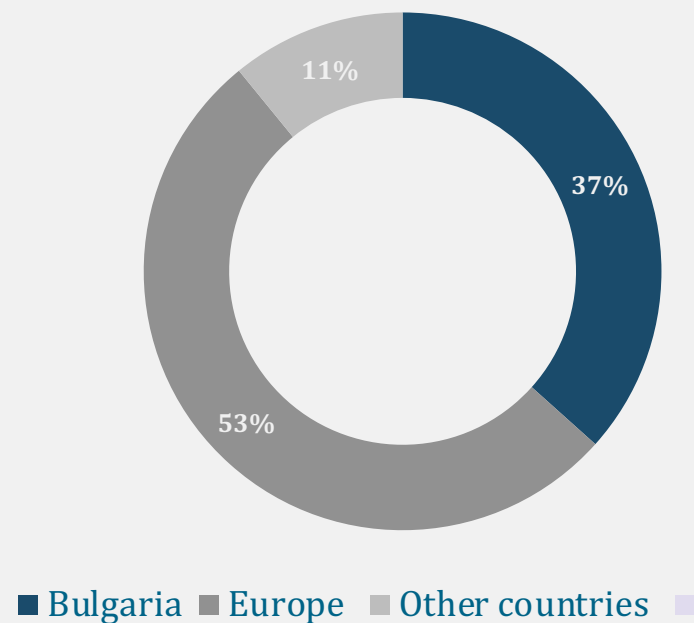
LIABILITIES	30.06.2023	31.12.2022	Change %	Rel. share compared to total liabilities 2023
Non-current liabilities	BGN '000	BGN '000		
Long-term bank loans	-	-	-	-
Deferred tax liabilities	4 485	4 728	-5%	2%
Government grants	3 377	3 587	-6%	2%
Liabilities under leasing contracts to related enterprises	15 629	14 739	6%	8%
Liabilities under leasing contracts to third parties	916	594	35%	0%
Long-term liabilities to staff	4 460	4 192	6%	2%
	28 867	27 840	4%	14%
Current liabilities				
Short-term bank loans	42 061	11 734	72%	23%
Trade payables	17 031	40 031	-135%	9%
Payables to related parties	52 050	2 632	95%	28%
Tax payables	4 249	885	79%	2%
Payables to personnel and for social security	10 390	9 410	9%	6%
Other current liabilities	29 905	8 341	72%	16%
	155 686	73 033	53%	84%
TOTAL LIABILITIES	184 553	100 873	45%	98%
TOTAL OWNERS' EQUITY AND LIABILITIES	749 800	701 248	6%	

Revenue from production sales

Revenues under contracts with customers are from sales of manufactured medicines. In the first half of 2023 increased by BGN 14,7 million to BGN 123,8 million compared to BGN 109,1 million in the first half of 2022.



Sales revenue



Main risks review



Business risk

The Company faces significant competition. The Company's ability to pay dividends depends on several factors and there is no guarantee that it will be able to pay dividends in a given year in accordance with its dividend policy. The company is subject to regulatory approvals.



Currency risk

The Company supplies some of its main raw materials and materials in US dollars. Currency risk is related to the negative movement of the US dollar exchange rate against the Bulgarian lev in future business operations, on recognized foreign exchange assets and liabilities and on net investments in foreign companies. To control the currency risk, there is a system of planning the supply of imports, for sales in foreign currency, and others.



Risks related to other markets

Macroeconomic environment, especially in Bulgaria, Russia and Ukraine, has a significant effect on the Company's operations. The political situation in Bulgaria and in the export markets of the Company, in particular Russia and Ukraine, has a significant effect on the operations of the Company and its financial condition. Risks related to exchange rates and the current currency board in Bulgaria.



Legal risk

Developing legislation in some of the countries where the Company sells its products, in particular Russia and Ukraine, may adversely affect its operations in those countries. Interpretation of tax provisions may be unclear and tax laws and regulations applicable to the Company may be amended. Litigation or other out-of-court procedures or actions can have an adverse effect on business.

“Sopharma” AD as a contract manufacturer:

Large variety of services:

- EU-GMP compliant pharmaceutical contract manufacturing;
- EU primary and secondary packaging services for international markets;
- Development of various dosage forms;
- Technological transfer of customer - developed products.



Development of pharmaceuticals:

- Solid dosage forms (film coated tablets, hard gelatin capsules);
- Semi-solid dosage forms (creams, gels, suppositories);
- Sterile dosage forms and non-sterile solutions.

A woman with a backpack and a man walking in a desert landscape. The woman is in the foreground, smiling, wearing a white tank top and a plaid shirt. The man is in the background, also smiling, wearing a white t-shirt and khaki shorts. They are walking on a sandy path with mountains in the background.

**Thank you for your
attention!**
**Investor Relations
Directorate**
“Sopharma” AD
www.sopharma.com
ir@sopharma.bg
+3592 8134 556