

# “Sopharma” AD

Individual financial results for the first half of 2021





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Who are we?

## “Sopharma” AD

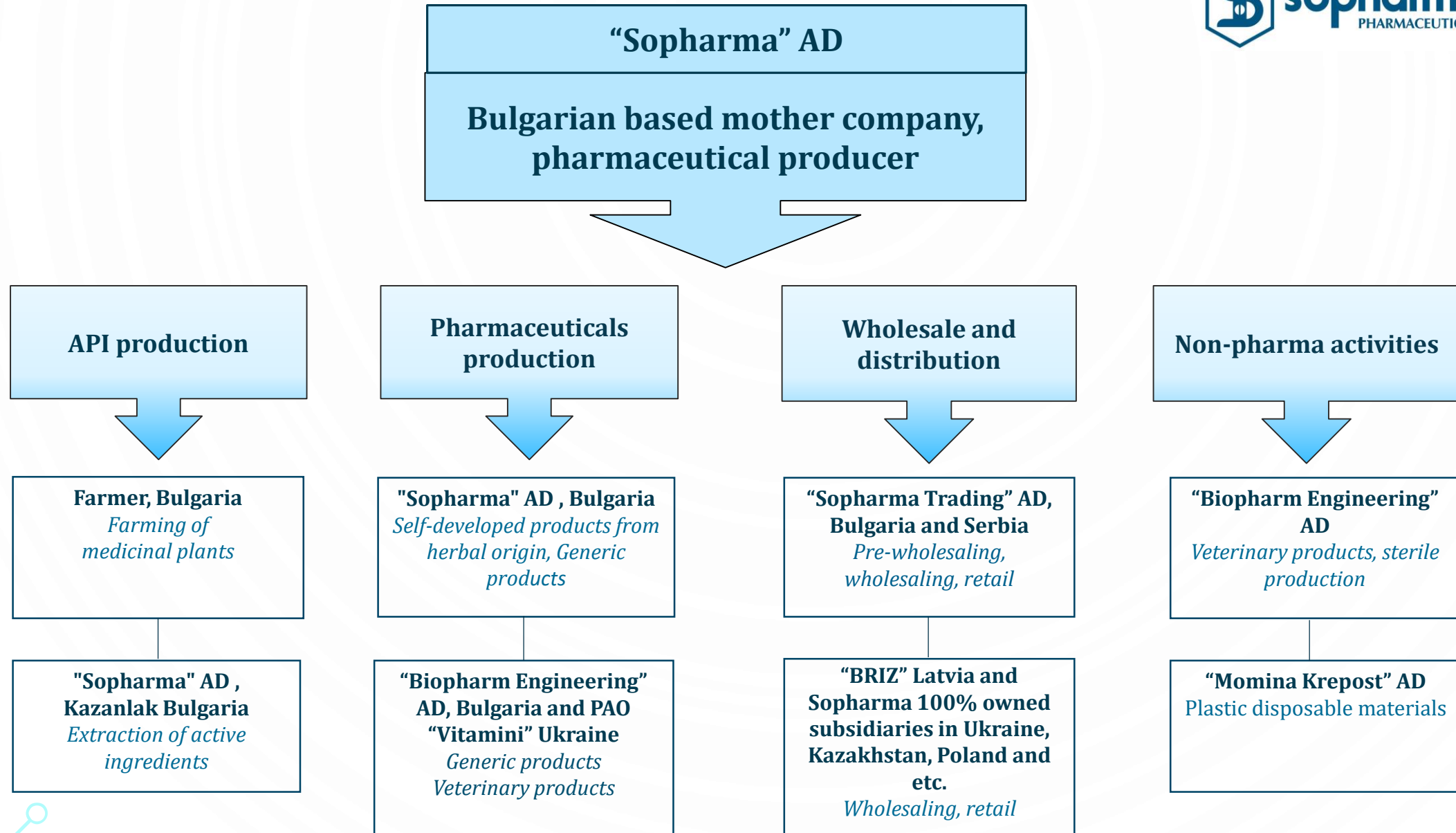


"Sopharma" AD is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other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

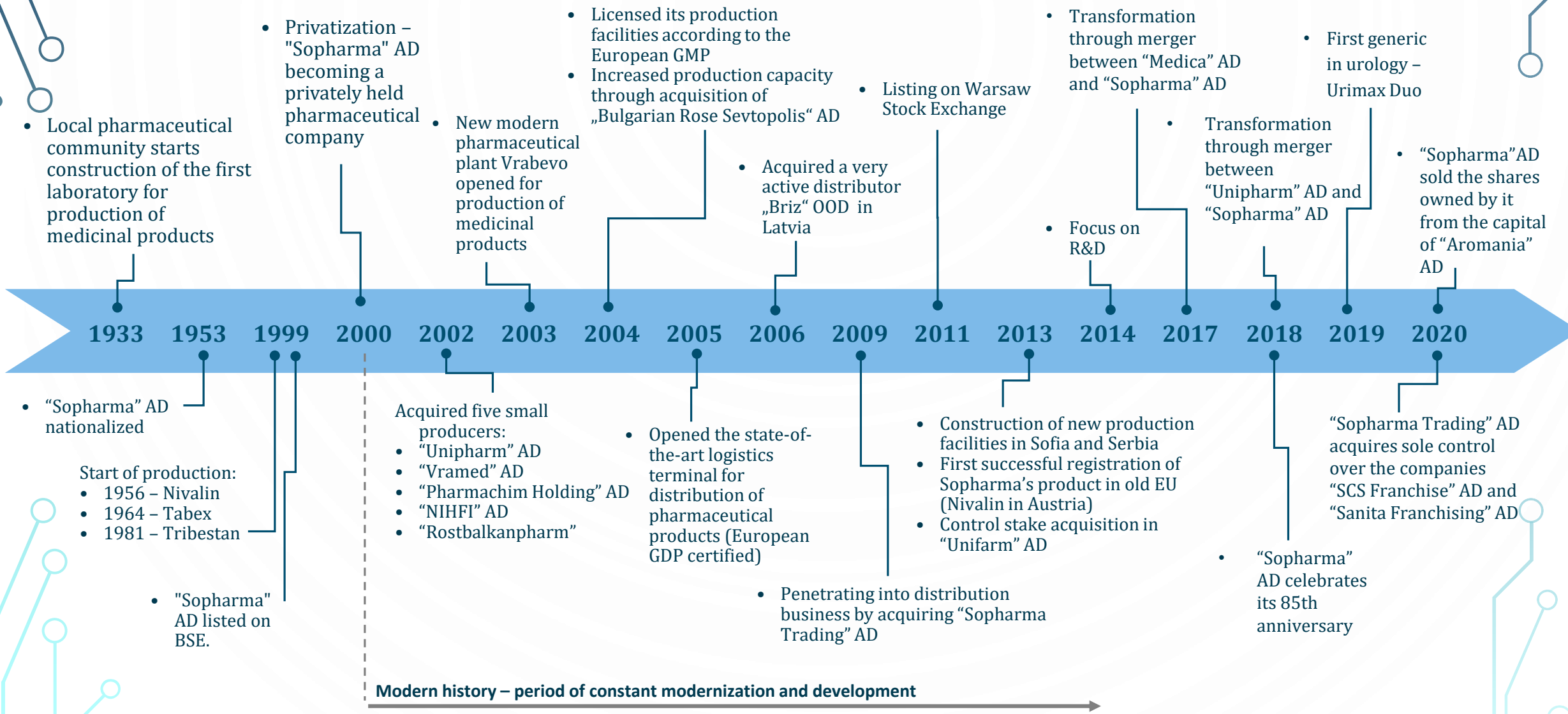
The Company works in the following areas:

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





# Brief history and key milestones:



**Modern history – period of constant modernization and development** →



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Our business

# “Sopharma” AD



Established in 1933



**№1 manufacturer of  
ampules and suppositories**



**Revenues  
BGN 80 524  
thousand**



**More than 200  
products**



**Company with established  
traditions and experience**



**EBITDA  
BGN 30 384  
thousand**



**9  
manufacturing plants**



**134 797 899  
shares**



**employees  
1 859**

# Key financial indicators



Sales revenues decreased with 20.9%



EBITDA decreased with 17.6%



Operating profit increases with 25.9%



Net profit decreased with 41.1%



Capex decreased with 31.6%

Indicators	1-6/2021	1-6/2020	
	<i>BGN '000</i>	<i>BGN '000</i>	
Sales revenues	80 524	101 801	
EBITDA	20 384	24 749	
Operating profit	11 588	15 645	
Net profit	12 023	20 508	
CAPEX**	4 075	5 958	
	30.06.2021	31.12.2020	
	<i>BGN '000</i>	<i>BGN '000</i>	
Non-current assets	435 157	435 891	
Current assets	202 367	214 447	
Owners' equity	548 929	536 988	
Non-current liabilities	15 909	16 091	
Current liabilities	72 686	97 259	
	Ratios	1-6/2021	1-6/2020
EBITDA / Sales revenues		25.3%	24.3%
Operating profit/ Sales revenues		14.4%	15.4%
Net profit/ Sales revenues		14.9%	20.1%
	30.06.2021	31.03.2021	
Borrowed capital/Owners' equity		0,16	0,19
Net debt**/ EBITDA		1,1x	1,4x



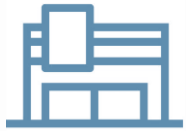


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## Production activity: "Sopharma" AD

# 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;
- 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



- The average number of workers and employees for 2021 in “Sopharma” AD is 1 864 (1 991 in 2020).



**1 864**  
workers and employees.

	30.06.2021	Rel. Share %
<b>Number of workers and employees as at 30 June 2021</b>	1 859	100%
Higher education	836	45%
College education	39	2%
Secondary education	960	52%
Primary education	24	1%
Employees under 30 years	152	8%
Employees 31 - 40 years	328	18%
Employees 41 - 50 years	535	29%
Employees 51 - 60 years	660	35%
Employees over 60 years	184	10%
Women	1171	63%
Men	688	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**  
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 June 2021

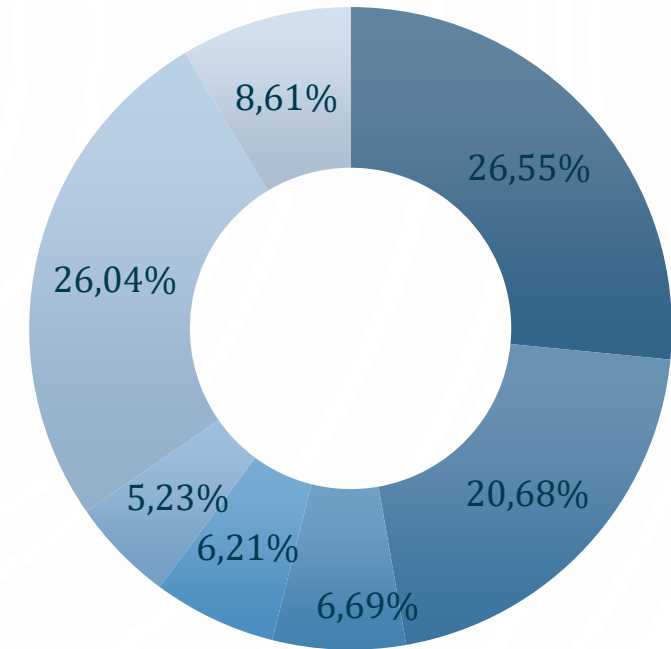


**134 797 899** shares with nominal value BGN 1 per share.



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

- Ognian Donev – directly **3 617 900** shares, **2.68%** of capital and indirectly **35 788 216** shares, **26.55%** 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%



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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 the first half of 2021 decreased by BGN 21,4 million or by 21%, to BGN 79,6 million compared to BGN 101 million in the first half of 2020.

- **Europe**

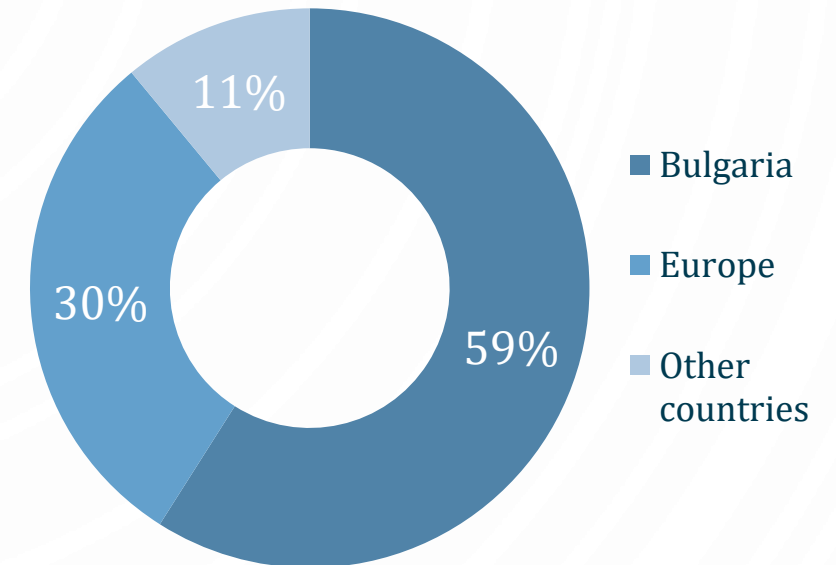
Sales revenues for the first half of 2021 for European countries decreased by 36% compared to the first half of 2020 due to the decrease of sales in Russia with 39%, Ukraine with 51% and Poland with 26%.

- **Bulgaria**

Sales of “Sopharma” AD in the domestic market increased by BGN 2,9 million or by 9% to BGN 33,7 million in the first half of 2021 compared to BGN 30,8 million in the first half of 2020.

- **Other markets**

Revenues from other markets decreased with BGN 2,9 million or 27% compared to the first half of 2020, mainly as a result of a decrease of the export for Vietnam, Georgia and Kazakhstan.



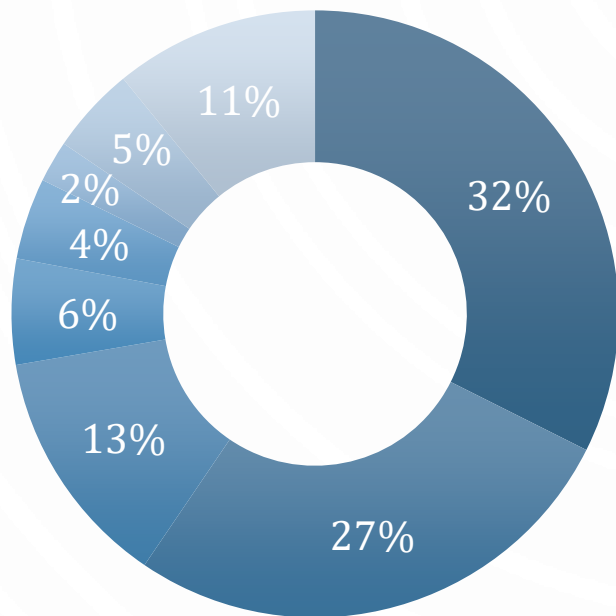


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## Key financial indicators of “Sopharma” AD

# Revenue by 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 2,7 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 1,2 million, while in the direction of decrease the costs of construction and maintenance of buildings have the largest contribution.

Operating expenses	1-6/2021	1-6/2020	Change	Rel. share of expenses
	<i>BGN '000</i>	<i>BGN '000</i>	%	2021 %
Raw materials and consumables used	30457	38574	-27%	37%
Hired services expense	16229	17470	-8%	20%
Employee benefits expense	24720	27287	-10%	30%
Depreciation and amortisation expense	8796	9104	-4%	11%
Other operating expenses	1036	2346	-126%	1%
<b>Total operating expenses</b>	<b>81238</b>	<b>94781</b>		<b>100%</b>

# Financial income and expenses



**Financial income** decreased by BGN 8,6 million to BGN 2,4 million in the first half of 2021 compared to BGN 11 million in the first half 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.

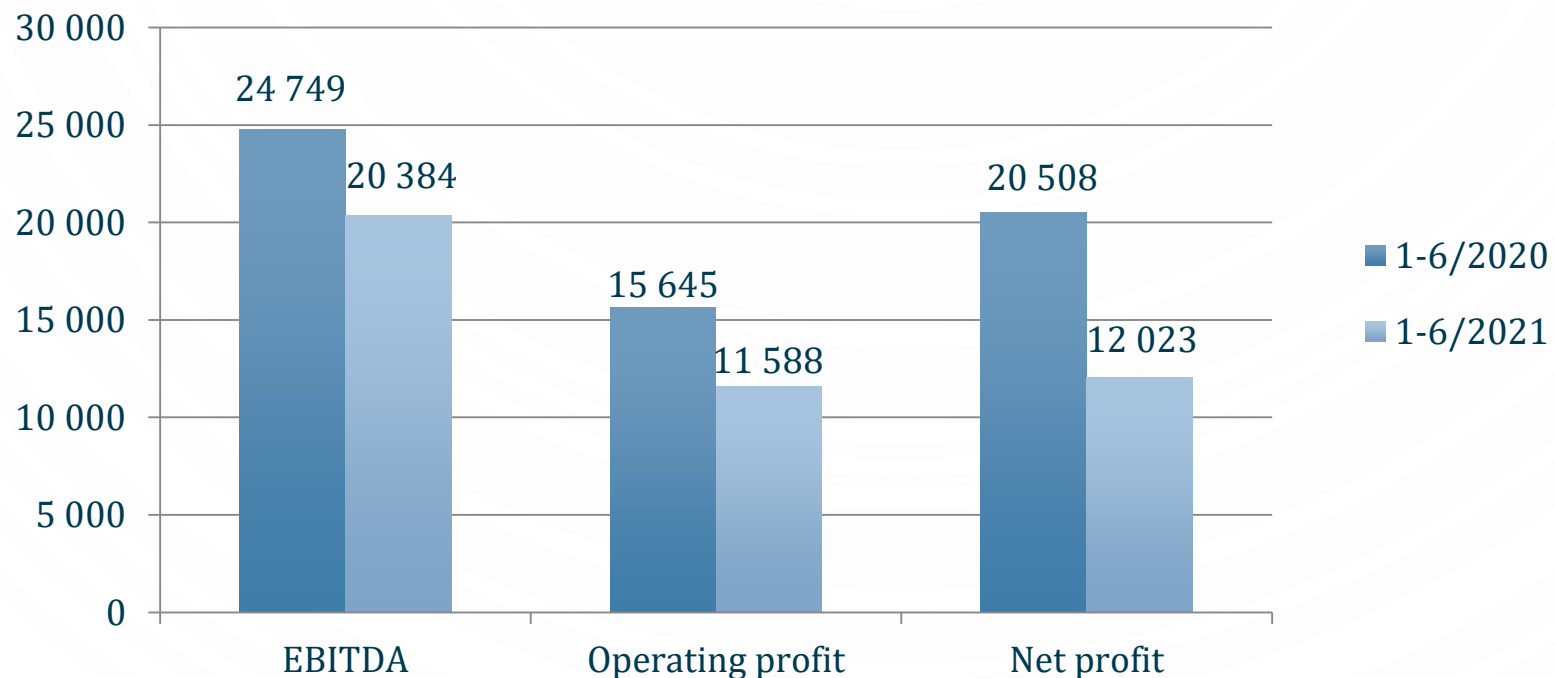
**Financial expenses** decreased by BGN 3,6 million to BGN 0,8 million in the first half of 2021, due to accrued impairments of loans granted in the previous period.

Financial income	1-6/2021	1-6/2020	Change	relative share of income of 2021
	BGN '000	BGN '000	%	%
Interest income on loans extended	1285	1766	-37%	54%
Income from share participation	646	9195	-1323%	27%
Net gain on transactions with investments in securities	228	-	100%	10%
<i>incl. profits from the sale of investments in subsidiaries</i>	151	-		
Income from provided guarantees and warranties	110	-	100%	5%
Net profit from exchange differences on the sale of a subsidiary	104	-	100%	4%
<b>Total</b>	<b>2373</b>	<b>10961</b>		<b>100%</b>
Financial expenses			Change	relative share of income of 2021
			%	%
Interest expense on loans received	419	687	-64%	56%
Bank fees and charges on loans and guarantees	266	115	57%	35%
Interest expense on leasing contracts	55	43	22%	7%
Net loss from exchange differences from leases	10	8	20%	1%
<i>Impairment for credit losses on receivables from trade loans</i>	-	3548		0%
<i>Recovered impairment for credit losses on granted commercial loans</i>	-	-9		0%
Net change in the impairment of loans	-	3539		0%
<b>Total</b>	<b>750</b>	<b>4392</b>		<b>100%</b>



## Financial result of the activity

- **EBITDA** in the first half of 2021 decreased by BGN 4,4 million or by 18% to BGN 12 million compared to BGN 20,5 million in the first half of 2020.
- **Profit from operating activities** in the first half of 2021 decreased by BGN 4 million or 26% to BGN 11,6 million in the first half of 2021 compared to BGN 15,6 million in the first half of 2020.
- **Net profit** in the first half of 2021 decreased by BGN 8,5 million or by 41%, to BGN 12 million compared to BGN 20,5 million in the first half of 2020. The reasons are the lower operating profit of BGN 4 million as a result of the decrease in revenues, as well as the reduction of the net amount of financial revenues and expenses by BGN 5 million due to undistributed dividend from subsidiaries this year.



# Assets



- **Current assets** decreased by BGN 12,1 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 17,3 million.

Assets	30.06.2021 BGN '000	31.12.2020 BGN '000	Change %	Rel. share 2021
<b>Non-current assets</b>				
Property, plant and equipment	206719	211681	-2%	32%
Intangible assets	4232	4143	2%	1%
Investment property	47017	44759	5%	7%
Investments in subsidiaries	83872	86809	-4%	13%
Investments in associates and joint ventures	7751	6062	22%	1%
Other long-term equity investments	13645	11607	15%	2%
Long-term receivables from related parties	60603	59725	1%	10%
Other long-term receivables	11318	11105	2%	2%
	<b>435157</b>	<b>435891</b>		<b>68%</b>
<b>Current assets</b>				
Inventories	73 717	68 160	8%	12%
Receivables from related parties	96 852	114 169	-18%	15%
Trade receivables	18 219	18 382	-1%	3%
Loans granted to third parties	3 916	3 903	0%	1%
Other receivables and prepayments	6 993	6 057		
Cash and cash equivalents	2 670	3 776	-41%	0%
	<b>202 367</b>	<b>214 447</b>		<b>32%</b>
<b>ОБЩО АКТИВИ</b>	<b>637 524</b>	<b>650338</b>	-2%	100%

# Owner's equity and liabilities



- The equity of "Sopharma" AD increased by BGN 11,9 million compared to 31 December 2020.

EQUITY	30.06.2021	31.12.2020	Change	rel. share
	BGN '000	BGN '000		compared to OE 2021
Share capital	134 798	134 798	0%	25%
Treasury shares	-33 656	-33 656	0%	-6%
Reserves	432 232	408 807	5%	79%
Retained earnings	15 555	27 039	-74%	3%
<b>Total equity</b>	<b>548 929</b>	<b>536 988</b>	<b>2%</b>	<b>100%</b>

- Current liabilities decreased by BGN 24,6 million compared to 31.12.2020, mainly as a result of the decrease in bank loan liabilities by BGN 24,9 million, financed by the realized free cash flow for the period.

LIABILITIES	30.06.2021	31.12.2020	Change	rel. share compared to total liabilities 2021
	BGN '000	BGN '000		
<b>Non-current liabilities</b>				
Long-term bank loans	10	15		
Deferred tax liabilities	5 360	5358	0%	6%
Government grants	4 217	4427	-5%	5%
Liabilities under leasing contracts	1 412	1533	-9%	2%
Retirement benefit obligations	4 910	4758	3%	6%
	<b>15 909</b>	<b>16 091</b>	<b>-1%</b>	<b>18%</b>
<b>Current liabilities</b>				
Short-term bank loans	50 834	73 335	-44%	57%
Current portion of long-term bank loans	10	2 404	-23940%	0%
Trade payables	8 269	7 218	13%	9%
Payables to related parties	1 060	1 273	-20%	1%
Tax payables	908	2 092	-130%	1%
Payables to personnel and for social security	8 824	7 507	15%	10%
Other current liabilities	2 781	3 430	-23%	3%
	<b>72 686</b>	<b>97 259</b>	<b>-34%</b>	<b>82%</b>
<b>TOTAL LIABILITIES</b>	<b>88 595</b>	<b>113 350</b>	<b>-28%</b>	<b>100%</b>
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>637 524</b>	<b>650 338</b>	<b>-2%</b>	

## Cash flows



**The free cash flow** (normalized with the payments under lease contracts), generated for the first half of 2021, amounts to BGN 26,6 million inflow compared to BGN 18,3 million outflow in the first half of 2020.

<b>Cash flows</b>	<b>1-6/2021 BGN '000</b>	<b>1-6/2020 BGN '000</b>
Net cash flows from operating activities	30 334	(13 496)
Purchases of property, plant and equipment, intangible assets, net	(2 753)	(3 823)
Payments under lease contracts	(968)	(964)
<b>Free cash flow (normalized)</b>	<b>26 613</b>	<b>(18 283)</b>



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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 **12** Authorizations for the use of medicinal products for new destinations.
- During the reporting period **two** nutritional supplement for Bulgaria.
- Submission of documentation for the renewal of the Marketing Authorizations for **44** medicinal products.
- **297** changes for medicinal products approved by agencies.
- **227** changes for medicinal products submitted to agencies.
- There is a pharmaceutical development of **4** new medicinal products.



## 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.



# 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

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