

Sopharma Group Consolidated financial results for the first quarter of 2024





What we do?

Sopharma Group is a leading Bulgarian producer, exporter and local distributor of health-related products with strong presence in Eastern and South-Eastern Europe, offering a wide range of prescription medicines and OTC products, veterinary products, food supplements, cosmetics, medical devices etc.

The Group operates in the following areas:

- Production of pharmaceutical products including medicines, CHC products, herbal-based substances and food supplements, which is mainly done by “Sopharma” AD (the Company).
- Production of medicinal products and cosmetics, as plasters, bandages and sanitary-hygiene products focused at the production site in Sandanski city.
- Distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics, which is mainly performed by “Sopharma Trading” in Bulgaria and in Serbia.

Who are we?

Subsidiaries

Sopharma Group

Sopharma AD – production and trade of medicinal substances (active ingredients) and medicinal forms; scientific-research and engineering-implementation activity in the field of medicinal products;

Sopharma Trading AD – trade in health-related products in Bulgaria and Serbia

Sopharma Trading D.O.O. – wholesale trade in medicinal products

Sopharmacy group – franchising, know-how, property rental, trade and others;

PAO Vitamini Ukraine – production and trade of pharmaceutical products

Sopharma Warsaw SP. Z.O.O – distribution of health-related products

OOO Sopharma Ukraine – distribution of health-related products

T00 Sopharma Kazakhstan – trade in pharmaceutical products

Veta Pharma AD – production of medicinal, non-medicinal and other

Pharmalogistica AD – secondary packaging of pharmaceutical products and leasing of real estate

Electroncommerce EOOD – trade, transportation and packaging of radioactive materials and nuclear equipment for medicine, household electronics and electrical engineering

Farmahim EOOD – consulting activity

Sopharma Rus OOO – wholesale trade in pharmaceutical products and market and public opinion research

Who are we?

Associated companies

Sopharma Group

Doverie Obedinen Holding AD – acquisition, management, evaluation and sale of shares and/or shareholdings in Bulgarian and foreign companies (financial institutions, wineries, hospitals, medical centers and others)

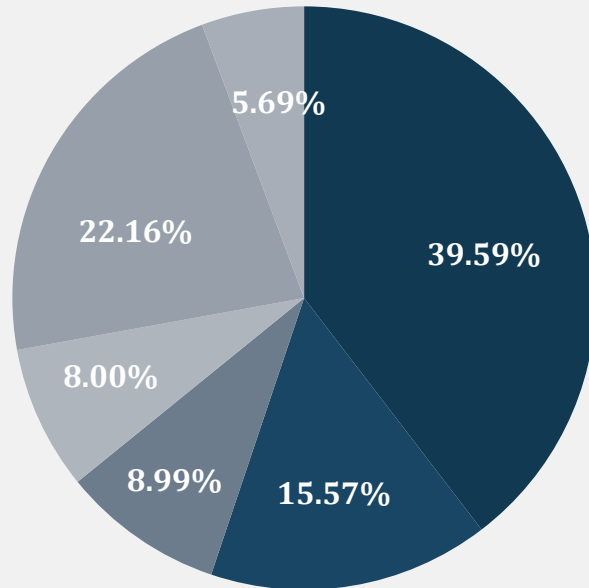
Sopharma Imoti REIT – investment of funds raised through the issuance of securities in real estate

Sopharma Buildings REIT – investing money raised by issuing securities in real estate

Joint venture

Momina Krepost AD – development, implementation and production of medical devices for human and veterinary medicine

Shareholder structure as at March 31th, 2024



- "Donev Investments Holding" AD
- "Telecomplex Invest" AD
- Ognian Donev
- "Sopharma" AD (treasury shares)
- Other legal persons
- Other physical persons

Shares held by the members of the Board of Directors as of 31.03.2024:

- **Ognian Donev**- 16 108 613 shares, **8.99%** of capital
- **Alexander Tchaoushev** - 390 442, shares, **0.22 %** of capital
- **Vessela Stoeva** - 150 shares, **0%** of the capital
- **Ivan Badinski** - 2 030 shares, **0%** of the capital
- **Bissera Lazarova** - 30 000 shares, **0.02%** of the capital

As of March 31th, 2024 "Sopharma" AD has 14 328 336 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 has been an economic advisor to the CEO and Deputy-chairman of the Board of directors in "Sopharma" AD since 2000.



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 first quarter of 2024

Volume of traded shares
BGN 486 807

Turnover of traded shares
BGN 2 954 990

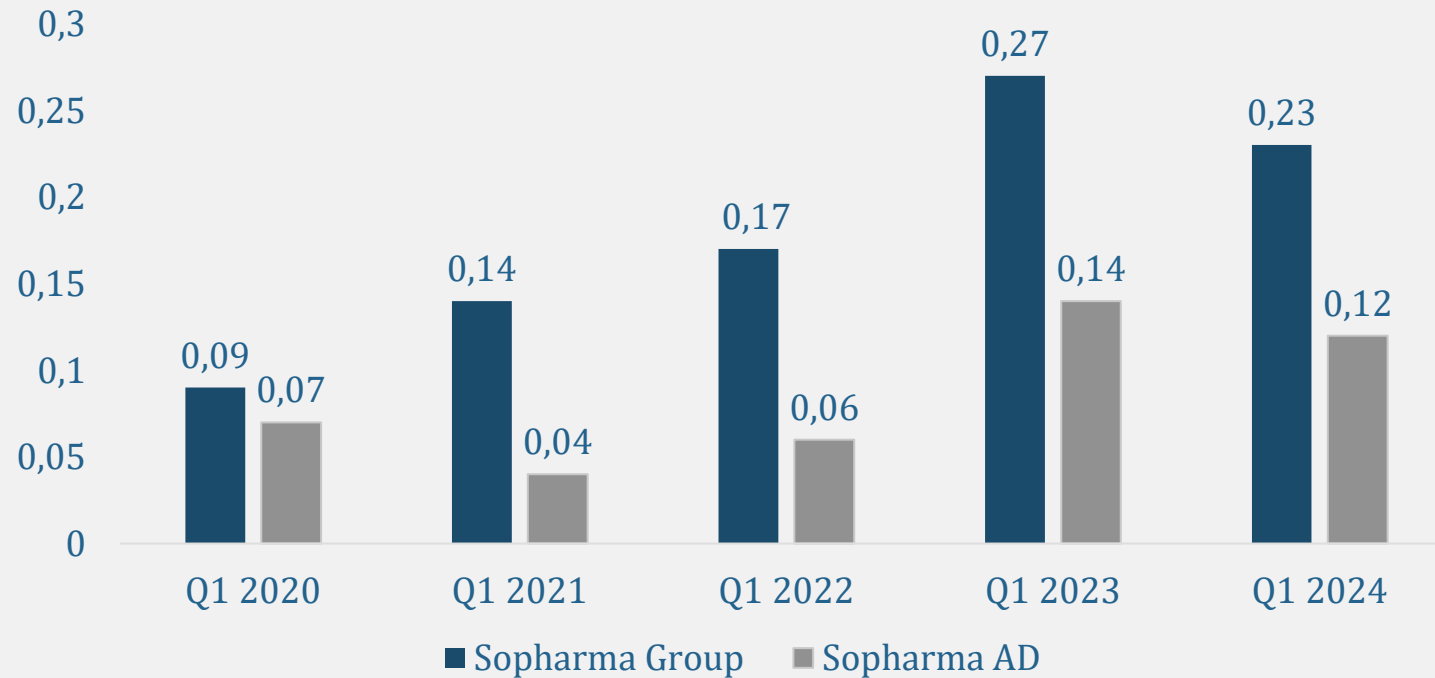
Maximum price of traded shares
BGN 6.68

Minimum price of traded shares
BGN 5.58

The shares are traded on the Bulgarian Stock Exchange, on PREMIUM Share Segment and the official market of the Warsaw Stock Exchange.

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

Income per share



Dividends

History on dividends paid by the public companies in the Sopharma Group

Dividend for 1 share in BGN

Year	“Sopharma” AD	“Sopharma Trading” AD	“Sopharma Imoti” REIT
2023	0.09	none	0.160
H1 2023	0.90	none	none
2022	0.60	none	0.165
2021	none	none	0.166
2020	0.04	none	0.164
2019	0.12	0.30	0.284

Consolidated financial results for the first quarter of 2024



Key financial indicators

Sales revenues of the Group increased by BGN 42,3 million or 9%, reaching BGN 509,5 million in the first quarter of 2024 compared to BGN 467,2 million in the first quarter of 2023. Sales of goods increased by BGN ,7 million or 12,3%, reaching BGN 435 million in the first quarter of 2024 compared to BGN 387,3 million in the first quarter of 2023. Sales of finished products decreased by BGN 5,5 million or 6.8%, to BGN 75,5 million in the first quarter of 2024 compared to BGN 79,9 million in the first quarter of 2023.

Indicators	1-3/2024 BGN '000	1-3/2023 BGN '000	Change %
Sales revenue	509 476	467 204	9.0%
EBITDA	45 891	45 477	0.9%
Operating profit	31 969	32 078	-0.3%
Net profit	31 371	33 643	-6.8%
CAPEX	18 425	12 017	53.3%
	31.03.2024	31.12.2023	
	BGN '000	BGN '000	%
Non-current assets	725 082	727 099	-0.3%
Current assets	897 006	787 063	14.0%
Owners' equity	812 434	753 626	7.8%
Non-current liabilities	151 933	151 346	0.4%
Current liabilities	657 721	609 190	8.0%

*acquired tangible and intangible long-term assets

Revenues from sales of products by market



On a consolidated basis, the growth in sales of finished products in Bulgaria for the first quarter of 2024 is 7.7% compared to the previous period. According to IQVIA data, at the end of the first quarter of 2024, the company occupies 1,99% (fifteenth position) of the Bulgarian pharmaceutical market in value and 6,78% (second position) in volume.



On a consolidated basis for the first quarter of 2024, growth in sales revenues was registered in Georgia by 24%, in Azerbaijan by 69.7%, in Uzbekistan by 6.1%, in Vietnam by 111.9%, in Moldova by 72.8% and in Poland by 59%.



A decrease in sales revenue was registered in Russia by 16.1%, in Ukraine by 15.6%, in Belarus by 19% and in Kazakhstan 2.8%.

Key financial indicators

Indicators	1-3/2024	1-3/2023
EBITDA/Sales revenues	9.0%	9.7%
Operating profit/Sales revenues	6.3%	6.9%
Net profit/Sales revenue	6.2%	7.2%
	31.03.2024	31.12.2023
Borrowed capital/Owners' equity	1,00	1,01
Net debt/EBITDA on a annual basis	2,3x	1,4x

* net debt includes bank loans and leasing and factoring liabilities less cash, taking into account the effects of the adoption of IFRS 16 Leasing, effective from 1 January 2019.

Operating expenses

For the current period, the costs of materials increased by BGN 4,3 million to BGN 28 million, като най- with the most significant change being recorded in the costs of basic materials, which increased by BGN 5 million, and costs for electricity and heat, decreasing by BGN 10,5 million and BGN 0,9 million. Costs for external services increased by BGN 3,7 million to 23,3 million, as the most significant change there are expenses for advertising, which increased by BGN 3,3 million. Personnel expenses increased by BGN 3 million to BGN 47,1 million as a result of updating the current remuneration of the average number of employees in the Group. Other expenses for the activity increased by BGN 0,7 million.

Indicators	2024 BGN'000	2023 BGN'00
Raw materials and consumables used	(27 974)	(23 693)
Hired services expense	(23 319)	(19 596)
Employee benefits expense	(47 051)	(40 781)
Depreciation expense	(13 922)	(13 399)
Carrying amount of goods sold	(383 483)	(341 199)
Other operating expenses	(2 302)	(1 595)

Financial income

Financial income increased by BGN 0,2 million in first quarter of 2024.

Financial income	2024 BGN '000	2023 BGN '000	Change %
Interest income on loans granted	583	688	-15,26%
Interest income on past due trade receivables	327	129	153,49%
Interest income on bank deposits	90	-	-
Net gain from exchange differences from receivable on transactions in securities	78	-	-
Interest income on cession agreements	32	31	3,23%
Interest income on special agreements	22	31	-29,03%
Net gain from exchange differences on foreign currency loans and leases	1	-	-
Total	1 133	879	28,90%

Financial expenses

Financial expenses increased by a total of BGN 1,1 million, and interest expenses on received loans and leases for the current period increased by BGN 1,1 million.

Financial expenses	2024 BGN '000	2023 BGN '000	Change %
Interest expense on loans received	2 353	1 339	75,73%
Net change in the allowance for impairment of credit losses on receivables under business loans granted	530	462	14,72%
Interest expense on leases	527	404	30,45%
Bank fees and charges on loans and guarantees	331	353	-6,23%
Expense for other interest	30	67	-55,22%
Expenses related to the payment of dividends	21	-	-
Interest expense on factoring agreements	7	16	-56,25%
Net loss from exchange differences on receivables from securities transactions	-	71	-
Net loss on exchange differences from loans denominated in foreign currencies and leases	-	18	-
Total	3 799	2 730	39,16%

ASSETS

Non-current assets compared to the end of 2023, decreased by BGN 2 million. The most significant increase is the change in other long-term capital investments due to the newly acquired shares in Achieve Life Sciences, Inc, USA in the amount of BGN 8,7 million. Long-term receivables on affiliated enterprises decreased by BGN 20,7 million as a result of loans granted „Doverie Invest“ EAD and “Industrial Holding Doverie” AD.

Current assets at the end of the first quarter of 2024 increased by BGN 109,9 million compared to the end of the previous year. The most significant is the impact of the increase in other short-term receivables and assets in the amount of BGN 142, 9 million, representing cash provided to the Central Depository for dividend payment, while cash and equivalents decreased by BGN 101,1 million. An increase was registered in inventories by BGN 22.3 million and in trade receivables by BGN 45.7 million.

ASSETS	31.03.2024 BGN'000	31.12.2023 BGN'000	Change %
Non-current assets			
Property, plant and equipment	359 236	357 624	0,45%
Intangible assets	58 836	57 829	1,74%
Goodwill	4 089	3 439	18,90%
Investments property	11 198	11 198	0,00%
Investments in associates and joint ventures	237 890	231 292	2,85%
Other long-term equity investments	11 873	3 942	201,19%
Long-term receivables from related parties	32 646	53 353	-38,81%
Other long-term receivables	6 223	5 604	11,05%
Deferred tax assets	3 091	2 818	9,69%
	725 082	727 099	-0,28%
Current assets			
Inventories	361 646	339 333	6,58%
Trade receivables	310 671	264 955	17,25%
Receivables from related parties	14 993	14 905	0,59%
Other short-term receivables and assets	181 883	38 991	366,47%
Cash and cash equivalents	27 813	128 879	-78,42%
	897 006	787 063	13,97%
TOTAL ASSETS	1 622 088	1 514 162	7,13%

Owner's equity

The equity of Sopharma Group at the end of the first quarter of 2024 increased by BGN 58,8 million compared to December 31, 2023 as a result of an increase in the fixed capital and reserves, retained earnings.

EQUITY	31.03.2024 BGN'000	31.12.2023 BGN'000
Share capital	179 100	172 591
Reserves	190 209	167 987
Other capital components	162	1 857
Retained earnings	426 099	395 897
	795 570	738 332
Non-controlling interests	16 864	15 294
Total	812 434	753 626

LIABILITIES

Liabilities at the end of the first quarter of 2024 increased by BGN 49,1 million compared to the end of 2023 as a result of the increase in bank loan obligations by BGN 31,9 million. Trade payables increased by BGN 9,1 million compared to the end of the previous year.

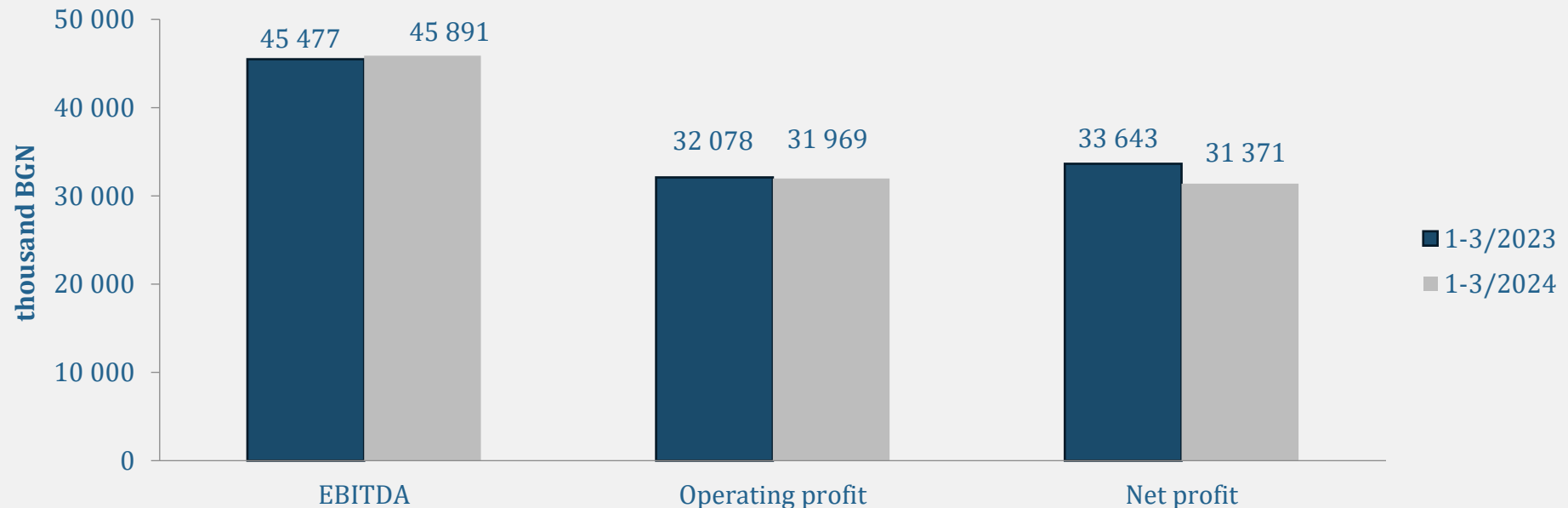
LIABILITIES	31.03.2024 BGN'000	31.12.2023 BGN'000	Change %
Non-current liabilities			
Long-term bank loans	53 680	56 462	-4,93%
Deferred tax liabilities	4 992	4 415	13,07%
Non-current liabilities to related parties	16 496	16 914	-2,47%
Retirement benefit obligations	8 408	8 352	0,67%
Lease liabilities	58 024	54 729	6,02%
Government grants	4 790	4 931	-2,86%
Other non-current liabilities	5 543	5 543	0,00%
	151 933	151 346	0,39%
Current liabilities			
Short-term bank loans	236 253	200 478	17,84%
Current portion of long-term bank loans	5 082	6 132	-17,12%
Trade payables	203 054	193 932	4,70%
Payables to related parties	102 653	101 063	1,57%
Current portion of lease liabilities	13 089	13 424	-2,50%
Payables to personnel and for social security	24 896	24 385	2,10%
Tax payables	8 153	8 485	-3,91%
Other current liabilities	64 541	61 291	5,30%
	657 721	609 190	7,97%
TOTAL LIABILITIES	809 654	760 536	6,46%
TOTAL EQUITY AND LIABILITIES	1 622 088	1 514 162	7,13%

Financial results for the first quarter of 2024

Earnings before interest, taxes and depreciation (EBITDA) increased by BGN 0,4 million or with 0.9%, while in the first quarter of 2024 it amounted to BGN 45,9 million compared to BGN 45,5 million in the first quarter of 2023. The realized profit from the increase in sales compared to the previous period was offset by the increased costs for realization and management in both main segments.

Profit from operating activities decreased by BGN 0,1 million or by 0.3%, to BGN 32 million in the first quarter of 2024 compared to BGN 32,1 million in the first quarter of 2023.

Net profit decreased by BGN 2,3 million or 6.8%, to BGN 31,4 million in the first quarter of 2024 compared to BGN 33,6 million in the first quarter of 2023. This decline was mainly influenced by the reduction during the current period of profits from associated companies by BGN 2,4 million.



Main Risks review





Business Risk

The Group faces significant competition. Part of the Group's revenues, in particular in Bulgaria, depends on the inclusion of the Group's medicines in reimbursement lists. The companies in the Group are subject to multiple laws and regulations on environmental protection and health and safety work conditions and are exposed to potential environmental liabilities.



Currency risk

The Group companies perform their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk. In order to control the currency risk, a system of planning of import deliveries, for foreign currency sales, as well as procedures for daily monitoring of movements in the dollar exchange rate and control of forthcoming payments, is introduced.



Risks related to other markets

The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position. The political environment in Bulgaria and in the export markets, especially Russia and Ukraine, has a significant effect on the Group operations and financial position. Risks relating to exchange rates and the Currency Board in Bulgaria.



Legal risk

Developing legislation in some of the countries in which the Group sells its products may negatively affect its operations in those countries. Interpretation of tax provisions may be unclear and tax laws and regulations applicable to the Company may change. Litigation or other out-of-court procedures or actions can have an adverse effect on the Group's business, financial position and results of operations.



**Thank you
for your
attention!**

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