

# Sopharma Group Consolidated financial results for the first six months 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?

## Sopharma Group

## Subsidiaries

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**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;

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

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

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

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**PAO Vitamini Ukraine** – production and trade of pharmaceutical products

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

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**OOO Sopharma Ukraine** – distribution of health-related products

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**TOO Sopharma Kazakhstan** – trade in pharmaceutical products

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

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

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

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**Farmahim EOOD** – consulting activity

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

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# Who are we?

## Sopharma Group

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**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)

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

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

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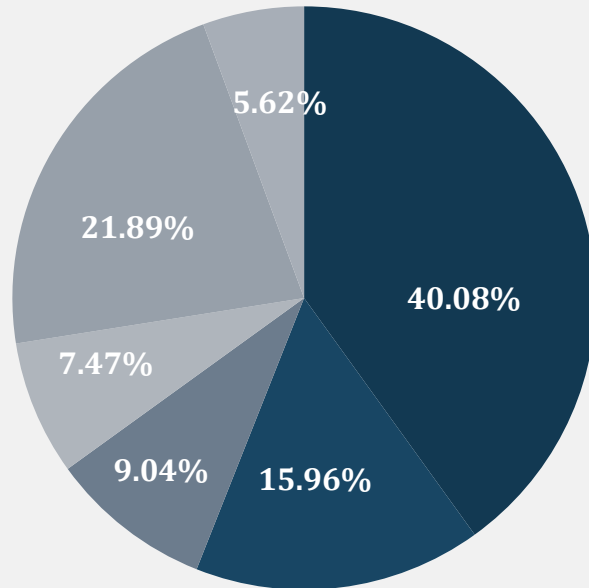
## Joint venture

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

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# Shareholder structure as at June 30th, 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 30.06.2024 :

- **Ognian Donev**- 16 197 770 shares, 9.04% of capital
- **Alexander Tchaoushev** - 446 042, shares, **0.25 %** of capital
- **Vessela Stoeva** - 150 shares, **0%** of the capital
- **Ivan Badinski** - 2 030 shares, **0%** of the capital
- **Bissera Lazarova** - 34 200 shares, **0.02% of the capital**

As of June 30th, 2024 "Sopharma" AD has 13 370 998 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 six months of 2024

Volume of traded shares  
**BGN 3 164 339**

Turnover of traded shares  
**BGN 19 071 118**

Maximum price of traded shares  
**BGN 6.56**

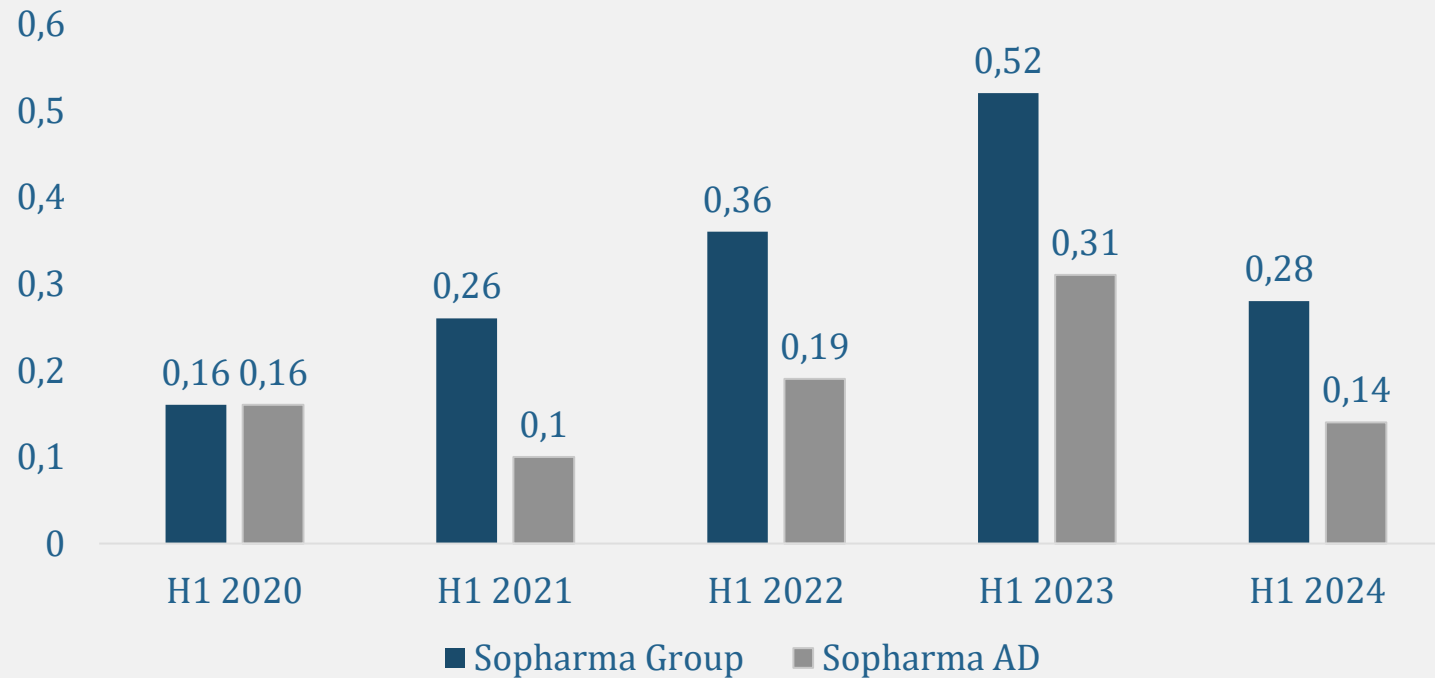
Minimum price of traded shares  
**BGN 5.56**

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 six months of 2024



# Key financial indicators

*Sales revenues* of the Group increased by BGN 82 million or 8.9%, reaching BGN 998,8 million in the first six months of 2024 compared to BGN 916,9 million in the first six months of 2023. Sales of goods increased by BGN 86,6 million or 11,3%, reaching BGN 852,3 million in the first six months of 2024 compared to BGN 756,7 million in the first six months of 2023. Sales of finished products decreased by BGN 4,6 million or 3%, to BGN 146,6 million in the first six months of 2024 compared to BGN 151,2 million in the first six months of 2023.

Indicators	1-6/2024	1-6/2023	Change
	BGN '000	BGN '000	%
Sales revenue	998 853	916 892	8.9%
EBITDA	77 754	90 959	-14.5%
Operating profit	49 661	63 735	-22.1%
Net profit	48 827	65 948	-26.0%
CAPEX	32 129	27 671	16.1%
	<b>31.12.2023</b>	<b>31.12.2022</b>	
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Non-current assets	727 099	727 099	-1.6%
Current assets	787 063	787 063	-2.5%
Owners' equity	753 626	753 626	8.9%
Non-current liabilities	151 346	151 346	-10.0%
Current liabilities	609 190	609 190	-13.6%

\*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 six months of 2024 is 11.1% compared to the previous period. According to IQVIA data, at the end of the first six months of 2024, the company occupies 1,97% (fifteenth position) of the Bulgarian pharmaceutical market in value and 6,73% (second position) in volume.



On a consolidated basis for the first six months of 2024, decrease in sales revenues was registered in Russia by 19,7% and in Ukraine by 17,4%. Growth in sales revenue was registered in Poland, Kazakhstan, Belarus and in Serbia, and a decrease in sales was registered in Lithuania and Moldova.



Other operating income increased by BGN 4,6 million to BGN 10,3 million in the first six months of 2024 compared to BGN 5,7 million in the first six months of 2023 as a result of an increase in income from services rendered.

# Key financial indicators

<b>Indicators</b>	<b>1-6/2024</b>	<b>1-6/2023</b>
EBITDA/Sales revenues	7.8%	9.9%
Operating profit/Sales revenues	5.0%	7.0%
Net profit/Sales revenue	4.9%	7.2%
	<b>30.06.2024</b>	<b>31.12.2023</b>
Borrowed capital/Owners' equity	0,81	1,01
Net debt/EBITDA on a annual basis	2,4x	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 1,4 million to BGN 52,2 million, with the most significant change being recorded in the costs of basic materials, which increased by BGN 3,8 million, and costs for electricity and heat, decreasing by BGN 0,6 million and BGN 1,3 million.

Costs for external services increased by BGN 9,9 million to 49,9 million, as the most significant change there are expenses for advertising, which increased by BGN 6,2 million.

Personnel expenses increased by BGN 14,7 million to BGN 97,7 million as a result of updating and increasing the current remuneration of the average number of employees in the Group. Other expenses for the activity increased by BGN 2,9 million.

Indicators	(01.01-30.06)	(01.01-30.06)
	2024	2023
	BGN'000	BGN'00
Raw materials and consumables used	(52 223)	(50 832)
Hired services expense	(49 939)	(40 019)
Employee benefits expense	(97 681)	(83 005)
Depreciation expense	(28 093)	(27 224)
Other operating expenses	(4 664)	(1 763)

# Financial income

Financial income increased by BGN 0,2 million in first six months of 2024

Financial income	(01.01-30.06)	(01.01-30.06)	Change
	2024	2023	%
	BGN '000	BGN '000	
Interest income on loans granted	920	1 285	28,4%
Interest income on past due trade receivables	558	149	274,5%
Net profit from operations in debt securities held for trading	123	-	-
Net gain from exchange differences from receivable on transactions in securities	114	-	-
Interest income on bank deposits	97	-	-
Interest income on special agreements	67	59	13,6%
Interest income on cession agreements	63	63	0,00%
Equity income (dividends)	40	26	53,9%
Income from provided sureties and guarantees	-	189	-
<b>Total</b>	<b>1 982</b>	<b>1 771</b>	<b>11,9%</b>



# Financial expenses

Financial expenses increased by a total of BGN 2 million, and interest expenses on received loans and leases for the current period increased by BGN 1,9 million.

	(01.01-30.06) 2024 BGN '000	(01.01-30.06) 2023 BGN '000	Change %
<b>Financial expenses</b>			
Interest expense on loans received	4 678	3 082	51,8%
Interest expense on leases	1 092	835	30,8%
Bank fees and charges on loans and guarantees	748	657	13,9%
Net change in the allowance for impairment of credit losses on receivables under business loans granted	652	477	36,7%
Expense for other interest	59	138	-57,2%
Net loss on exchange differences from loans denominated in foreign currencies and leases	36	16	125%
Expenses related to the payment of dividends	21	-	-
Interest expense on factoring agreements	10	52	-80,8%
Net loss from exchange differences on receivables from securities transactions	-	68	-
<b>Total</b>	<b>7 296</b>	<b>5 325</b>	<b>37%</b>

# Assets

**Non-current assets** compared to the end of the first six months of 2024, decreased by BGN 11,7 million compared to the end of the 2023. 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 as well as the increase in investments in associated and joint companies in the amount of BGN 8.4 million. Long-term receivables on affiliated enterprises decreased by BGN 33,1 million as a result of loans granted „Doverie Invest” EAD and “Industrial Holding Doverie” AD.

**Current assets** at the end of 2023 increased by BGN 214,6 million compared to the end of previous year, while the most significant being the impact of the increase in cash and cash equivalents by BGN 109 million as a result of an increase in the Company’s capital. An increase was recorded in inventories by BGN 60,7 million and in trade receivables by BGN 40,6 million.

ASSETS	30.06.2023 BGN '000	31.12.2023 BGN '000	Change %
<b>Non-current assets</b>			
Property, plant and equipment	358 527	357 624	0.3%
Intangible assets	58 686	57 829	1.5%
Goodwill	4 067	3 439	18.3%
Investments property	11 201	11 198	0%
Investments in associates and joint ventures	239 649	231 292	3.6%
Other long-term equity investments	12 520	3 942	217.6%
Long-term receivables from related parties	20 270	53 353	-62%
Other long-term receivables	7 258	5 604	29,5%
Deferred tax assets	3 235	2 818	14,8%
	<b>715 413</b>	<b>727 099</b>	<b>-1,6%</b>
<b>Current assets</b>			
Inventories	379 189	339 333	11,7%
Trade receivables	313 929	264 955	18,5%
Receivables from related parties	12 507	14 905	-16,1%
Other receivables and prepayments	35 275	38 991	-9,5%
Cash and cash equivalents	26 355	128 879	-79,6%
	<b>767 255</b>	<b>787 063</b>	<b>-2,5%</b>
<b>TOTAL ASSETS</b>	<b>1 482 668</b>	<b>1 514 162</b>	<b>-2,1%</b>

# Owner's equity

*The equity* of Sopharma Group at the end of the first six months of 2024 increased by BGN 66,8 million compared to December 31, 2023 as a result of an increase in the fixed capital and reserves, retained earnings.

	<b>EQUITY</b>	<b>30.06.2024</b>	<b>31.12.2023</b>
		<b>BGN'000</b>	<b>BGN'000</b>
Share capital		179 100	172 591
Reserves		193 731	167 987
Other capital components		162	1 857
Retained earnings		429 656	395 897
<b>Total</b>		<b>802 649</b>	<b>738 332</b>

# LIABILITIES

*Liabilities* at the end of the first six months of 2024 decreased by BGN 98,3 million compared to the end of 2023 as a result of the decrease of liabilities incurred by the payment of dividends. The increase in bank loan liabilities increased by BGN 10,5 million. Trade liabilities increased by BGN 9,3 million compared to the end of last year.

LIABILITIES	30.06.2024 BGN'000	31.12.2023 BGN'000	Change %
<b>Non-current liabilities</b>			
Long-term bank loans	38 223	56 462	-32,3%
Deferred tax liabilities	4 835	4 415	9,5%
Non-current liabilities to related parties	15 847	16 914	-6,3%
Retirement benefit obligations	8 700	8 352	4,2%
Lease liabilities	58 437	54 729	6,8%
Government grants	4 646	4 931	-5,8%
Other non-current liabilities	5 542	5 543	0%
	<b>136 230</b>	<b>151 346</b>	<b>-10%</b>
<b>Current liabilities</b>			
Short-term bank loans	231 182	200 478	15,3%
Current portion of long-term bank loans	4 158	6 132	-32,2%
Trade payables	203 242	193 932	4,8%
Payables to related parties	14 717	101 063	-85,4%
Current portion of lease liabilities	14 363	13 424	7%
Payables to personnel and for social security	24 695	24 385	1,3%
Tax payables	8 112	8 485	-4,4%
Other current liabilities	25 570	61 291	-58,3%
	<b>526 039</b>	<b>609 190</b>	<b>-13,6%</b>
<b>TOTAL LIABILITIES</b>	<b>662 269</b>	<b>760 536</b>	<b>-12,9%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 482 668</b>	<b>1 514 162</b>	<b>-2,1%</b>

# Financial results for the first six months of 2024

**Earnings before interest, taxes and depreciation (EBITDA)** decreased by BGN 13,2 million or with 14.5%, while in the first six months of 2024 it amounted to BGN 77,8 million compared to BGN 91 million in the first six months of 2023. The realized profit from the increase in sales compared to the previous period was offset by the decrease in revenues from finished products and the increased costs for realization and management in both main segments.

**Profit from operating activities** decreased by BGN 14,1 million or by 22.1%, to BGN 49,7 million in the first six months of 2024 compared to BGN 63,7 million in the first six months of 2023.

**Net profit** decreased by BGN 17,1 million or 26%, to BGN 48,8 million in the first six months of 2024 compared to BGN 65,9 million in the first six months of 2023.



# 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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