

PRELIMINARY MANAGEMENT REPORT

for 2019



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I. General information about Sopharma Group

1. Main activities

Sopharma Group

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group operates in the following areas:

- production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is primarily done by “Sopharma” AD (the Company);
- production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products focused on 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 Serbia.
- production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine, which is mainly performed by “Momina Krepost” AD, and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

2. Registration and activity of the Company

“Sopharma” AD is a company registered in Bulgaria under the Provisions of the Commercial Law, with its registered office in Sofia, 16 Iliensko shose str.

Sopharma was established in 1933. The court registration of the Group is from 15 November 1991, decision №1/1991 of Sofia City Court. “Sopharma” AD is a public company under the Public Offering of Securities Act.

The Group conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. “Sopharma” AD provides services related to production, as well as to ancillary and supporting activities.

3. Controlled companies

Sopharma Group consists of “Sopharma” AD and its 49 subsidiaries, directly or indirectly controlled by the Company. In addition, the Group has investments in 1 associated company.

Group

**Interest as at
31.12.2019 in %**

Sopharma Group

"Sopharma Trading" AD, Sofia, Bulgaria*	74.23
"Biopharm Engineering" AD, Sliven, Bulgaria	97.15
"Pharmalogistica" AD, Sofia, Bulgaria	89.39
"Elektroncommerce" EOOD, Sofia, Bulgaria	100.00
"Sopharma Buildings" REIT, Sofia, Bulgaria	40.38
"Momina Krepost" AD, Veliko Tarnovo, Bulgaria	63.12
"Phyto Palauzovo" AD, Kazanluk, Bulgaria**	95.00
"Sopharmacy" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 2" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 3" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 4" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 5" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 6" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 7" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 8" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 9" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 10" EOOD, Sofia, Bulgaria**	74.23
"Veta Pharma" AD, Veliko Tarnovo, Bulgaria	99.98
"Aromania" AD, Sofia, Bulgaria	76.00
"Sopharmacy 11" (PharmaStore 1) EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 12" (PharmaStore 2) EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 13" (PharmaStore 3) EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 14" (PharmaStore 4) EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 15" (PharmaStore 5) EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 16" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 17" EOOD, Sofia, Bulgaria**	74.23
"Sopharmacy 18" EOOD, Sofia, Bulgaria**	74.23
PAO "Vitamini", Uman, Ukraine	100.00
"Sopharma" Poland Sp. z. o. o, Warsaw, Poland in Liquidation	60.00
"Sopharma" Warsaw Sp. z. o. o, Warsaw, Poland	100.00
"Sopharma Trading Pharmaceuticals", Serbia**	74.23
"BRIZ SIA", Riga, Latvia	68.14
Brititrade SOOO, Minsk, Belarus**	54.51
"Tabina" SOOO, Minsk, Belarus **	54.66
"Brizpharm" SOOO, Minsk, Belarus**	56.42
OOO "Sopharma" Ukraine, Kiev, Ukraine	100.00
OOO "Pharmacist Plus", Minsk, Belarus**	40.26
OOO "Bellerofon", Minsk, Belarus***	61.33
TOO "Sopharma" Kazakhstan, Almaty, Kazakhstan	100.00
ZAO "Interpharm", Vitebsk, Belarus***	61.33
OOO "Galenapharm", Pinsk, Belarus**	61.73
ODO "Medjel", Minsk, Belarus**	55.87
ODO "Alenpharm-Plus", Belarus**	62.68

Sopharma Group

ODO "Salius Line", Grodno, Belarus**	52.47
"Rap Pharma International" OOD, Kishinev, Moldova	51.00
"Sopharma Trading" D.o.o., Sabac, Serbia**	74.23
OOO "Zdorovei", Minsk, Belarus**	45.55
BOOO "SpetzApharmacia", Bobruisk, Belarus**	47.70
UAB "Recessus", Kaunas, Lithuania**	34.74

*effective interest in percent

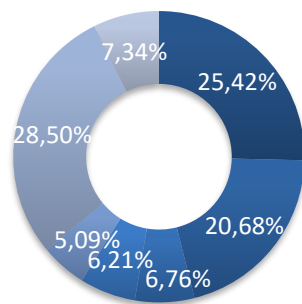
**indirect interest

***joint venture

4. Board of directors

"Sopharma" AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman and members Vessela Stoeva, Alexander Tchaushev, Ognian Palaveev and Ivan Badinski. The company is represented and managed by the Executive Director Ognian Donev, PhD.

5. Shareholder structure as at 31 December 2019



- Donev Investments Holding AD
- Telecomplex invest AD
- Sopharma AD (treasury shares)
- Rompharm Company OOD
- CUPF Allianz Bulgaria
- Other legal persons
- Other physical persons

6. Employees

As at 31 December 2019, the average number of employees of Sopharma Group is 5 166 (compared to 5 075 in 2018). The average number of employees of "Sopharma" AD as at 31 December 2019 is 2 275 (at 2 137 in 2018) and of "Sopharma Trading" AD is 833 (compared to 820 in 2018).

The training programs offered to employees of the Company aim to develop employee competencies. The training policy is specifically aimed at providing high professional knowledge as well as in relation to the requirements for health and safety at work.

The employees are entitled to the higher additional remuneration required by applicable law on overtime, night shifts and work on Saturdays, Sundays and holidays. Employees who work under specific, harmful or dangerous conditions receive personal protective equipment and allowances.

II. Recent developments

1. Industrial activity

The company and its manufacturing subsidiaries have 12 pharmaceutical plants in Bulgaria, complied with EU requirements - GMP, one plant in Ukraine, certified by local authorities, which is recognized in all CIS countries.

The production activities of the Group are carried out and developed in the following areas:

- production of pharmaceutical products;
- substances and preparations based on vegetable raw materials (phytochemical production);
- veterinary vaccines;
- infusion solutions;
- concentrates for hemodialysis;
- medical disposable products for human and veterinary medicine;
- injection molded products for the industry, agriculture and households.

“Sopharma” AD

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. Medicinal products mainly include generics and 15 traditional products, 12 of which are plant-based. The traditional products of the Group (and in particular Tabex, Carsil and Tempalgin) are key contributors to its revenue from export markets,

while for the domestic sales the most important products are generics, of which the leading drug is Analgin.

The product portfolio of “Sopharma” AD focuses on the following therapeutic areas: 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.

The most significant products in terms of their contribution to the amount of revenue are:

- Carsil – a traditional plant-based product used to treat gastro-enterological diseases (liver diseases);
- Tempalgin - a traditional analgesic (painkiller);
- Tabex - a traditional plant-based anti-smoking drug;
- Tribestan - a traditional plant-based product that stimulates the functions of the sexual system;
- Broncholitin - a traditional plant-based product used to suppress cough;
- Analgin - generic analgesic (pain reliever);
- Nivalin - a traditional plant-based product used for diseases of the peripheral nervous system;
- Methylprednisolone - a generic medicine for cases of severe allergies and certain life-threatening conditions;
- Vitamin C - a widely used nutritional supplement;
- Valeriana - a generic non-prescription herbal medicine used to reduce the stress;
- Medical devices - gauzes, compresses and dressings.

“Biopharm Engineering” AD

“Biopharm Engineering” AD has modern production units and is continuously expanding and modernizing its production capacities. The strategy of “Biopharm Engineering” AD steps on the market and technological advantages of the company. The company has a Good Manufacturing Practice Certificate (GMP). It is successfully developing in the following areas:

- Manufacture of infusion solutions;
- Production of injection solutions;
- Manufacture of veterinary medical preparations;

Main Markets:

The manufactured infusion solutions are realized through “Sopharma” AD on both the Bulgarian and the international market. Veterinary medical products are available in Bulgaria and other European countries.

PAO “Vitamini”, Ukraine

PAO “Vitamini” manufactures and sells medicines, tablets, powders, oil solutions, syrups and tinctures. Production of the medicines of PAO “Vitamini” is highly effective, of excellent quality, affordable prices and is sold successfully not only in Ukraine and the CIS.

At present, the production takes place in the following production sites:

- for liquid dosage forms;
- two production sites for solid dosage forms;
- production site for extraction;
- tincture production;
- production of solutions;
- production of powdered products.

2. Distribution

“Sopharma Trading” AD

The company is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 21% (according to IQVIA). “Sopharma Trading” is the only distributor on the Bulgarian market of particular pharmaceutical products for several leading international pharmaceutical and other companies the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The Group offers more than 15 000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of “Sopharma” AD, and holds exclusive rights for Bulgaria over brands of strategic partners such as “Aboca”, “Colief”, “Jamieson”, “Planter's”, “Premax”, “Skincode”,

“SVR” Laboratories, “US Pharmacia” and “Wyeth”, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. “Sopharma Trading” cooperates with more than 400 partners and over 3 000 clients.

3. Revision of the activities of the Group and the main risks it faces

Risks relating to the Group’s business and the industry the Group operates in

The Group faces significant competition;

- Part of “Sopharma Trading” AD revenues in Bulgaria is generated by sales to state hospitals, which predetermines a high degree of business risk;
- The Group is dependent on regulatory approvals;
- Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations;
- Part of the Group’s revenues, in particular in Bulgaria, depend on the inclusion of the Group’s medicines on reimbursement lists;
- The Group’s production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group’s operations;
- The Group’s ability to pay dividends depends on a number of factors and there can be no assurance that the Group will be able to pay dividends in accordance with its dividend policy or at all in any given year;
- The Group is subject to operational risk, which is inherent to its business activities;
- The Group is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities;
- Litigation or other out-of-court proceedings or actions may adversely affect the Group’s business, financial condition and results of operations.

Risks relating to Bulgaria and other markets in which the Group operates

- 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 has a significant effect on the Group’s operations and financial condition;
- The political environment in the Group’s export markets, especially in Russia and Ukraine, has a significant effect on the Group’s operations and financial condition;

- Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in such countries;
- Risks relating to exchange rates and the Bulgarian Currency Board;
- Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Group companies carry out their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

Through the companies in Belarus and Ukraine, the group carries out business operations in these countries and, accordingly, has substantial exposures in Belarusian rubles and Ukrainian hryvnia. The currency risk is related to the negative movement of the exchange rates of these currencies against the Bulgarian lev in the future business operations, the recognized assets and liabilities in foreign currency and the net investments in foreign companies. The rest of the companies abroad are selling mainly on local markets, leading to currency risk and against their currencies – Serbian Dinar, Polish zloty.

To control the currency risk, a system is in place throughout the Group for import planning, for foreign currency sales, as well as procedures for day-to-day monitoring of movements in the US dollar exchange rate and for control over pending payments. The exposures of the subsidiaries in Bulgaria to currency risk are insignificant as almost all sales are realized on the local market in Bulgarian leva. Imports of goods are fully realized in euro. Loans when denominated in foreign currency are mainly denominated in euro.

4. Analysis of the activities

Key financial indicators

Indicator	1-12/2019 <i>BGN '000</i>	1-12/2018 <i>BGN '000</i>	Change %
Revenues from sales	1 281 421	1 179 143	8,7%
EBITDA	105 887	72 278	46,5%
Operating profit	61 925	39 143	58,2%
Net profit	89 616	30 637	192,5%
CAPEX*	63 883	40 775	56,7%

	31.12.2019	31.12.2018	
	BGN '000	BGN '000	
Non-current assets	631 561	480 688	31,4%
Current assets	546 097	529 915	3,1%
Owners' equity	581 066	508 529	14,3%
Non-current liabilities	114 230	69 175	65,1%
Current liabilities	482 362	432 899	11,4%

*acquired tangible and intangible fixed assets

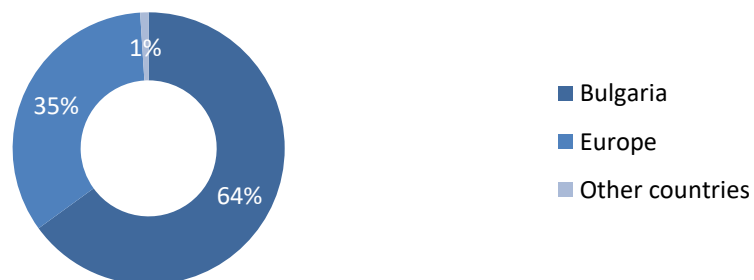
Indicator	1-12/2019	1-12/2018
EBITDA/Sales revenues	8,3%	6,1%
Operating profit / Sales revenues	4,8%	3,3%
Net profit/Sales revenues	7,0%	2,6%
	31.12.2019	30.09.2019
Attracted capital / Equity	1,03	1,15
Net debt/EBITDA on annual basis	3,63x	4,73x

* the net debt includes loans from banks and lease and factoring liabilities less cash, taking into account the effects of the introduction of IFRS 16 Leases, effective from 01.01.2019

Revenue from sales

Revenue from sales of the Group increase with BGN 102,3 million or 9%, reaching BGN 1 281,4 million in 2019 compared to BGN 1 179,1 million in 2018. Sales of goods increased with BGN 64,5 million or 7%, reaching BGN 992,8 million in 2019 compared to BGN 928,3 million in 2018. Sales of finished products increase by BGN 37,8 million, or 15%, to BGN 288,6 million in 2019 compared to BGN 250,8 million in 2018.

Geographical distribution of sales revenues



The contribution of sales in Bulgaria to the consolidated sales revenue in 2019 amounted to 64%, increasing by 9% compared to 2018. Sopharma has a 3% share of the Bulgarian pharmaceutical market in terms of value and a 10 % share in terms of sold quantity (units). The positions of the main competitors of the Company in the country are as follows: “Novartis” – 7% (4% in units), “Roche” – 6% (0.2% in units), “Actavis” – 4.5% (9% in units), “Pfizer” – 3.8% (1% in units), “Merck Sharp Doh” – 3.8% (1% in units), “Abbvie” – 3.8% (0% in units), “Glaxosmithkline” – 3.4% (2.5% in units), “Sanofi-Aventis” – 3% (2% in units), “Astra Zeneca” – 2.6% (0.5% in units).

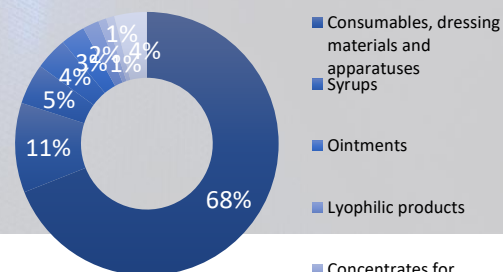
Revenues from sales of the Group in Europe amount to 35% of total consolidated sales revenues for 2019 and increase with 10% compared to 2018.

Sales by type of formulation

The reported revenue of the Group includes the following items: proceeds from the sale of finished goods and revenues from the sale of goods.

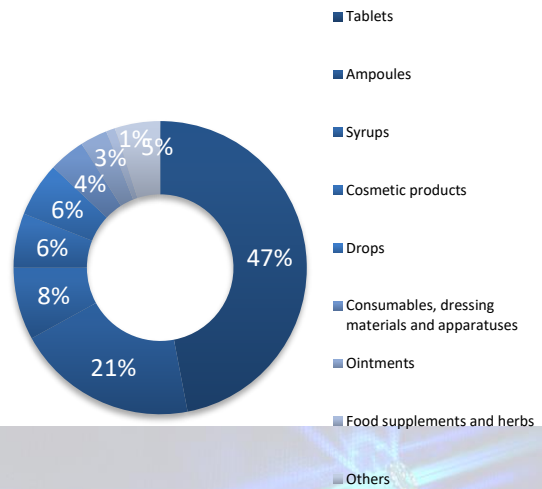
Income from the sale of finished goods includes revenues from the sale of products produced by the Company and the companies of the Group.

	2019	2018	Change
Revenues from products	BGN '000	BGN '000	%
Tablets	195 597	166 405	18%
Ampoules	32 985	33 880	-3%
Syrups	13 241	8 689	52%
Consumables, dressing materials and apparatuses	13 147	11 546	14%
Ointments	10 004	8 294	21%
Lyophilic products	8 261	6 736	23%
Concentrates for hemodialysis	1 571	1 945	-19%
Inhaler products	1 226	1 128	9%
Other	12 560	12 186	3%
Total	288 592	250 809	15.1%



Revenues from sale of goods include revenues from sales of goods to third parties distributed mainly by “Sopharma Trading” AD, SIA “Briz” and SOOO “Brititrade”.

Revenue earned from sale of goods	2019	2018	Change
	BGN '000	BGN '000	
Tablets	467 577	448 473	4%
Ampoules	202 125	196 366	-2%
Syrups	82 048	77 354	30%
Drops	58 107	62 419	3%
Consumables, dressing materials and apparatuses	51 228	32 240	126%
Ointments	36 633	24 305	49%
Cosmetic products	29 498	29 063	-1%
Food supplements and herbs	12 804	16 851	-19%
Others	52 809	42 263	-3%
Total	992 829	928 334	7%



Other revenues	2019	2018	Change	Rel. share 2019
	BGN '000	BGN '000		
Services rendered	5 909	7 675	-23%	47%
Rents	1 059	822	29%	8%
Profit / (loss) on trade receivables and payables and current accounts	991	(1 688)	-159%	8%
Services related to social activities and events	918	910	1%	7%
Derecognition of liabilities	864	1 400	-38%	7%
Government grants	835	889	-6%	7%
Profit from change in the fair value of investment property	407	613	-34%	3%
Profit from sale of long-term assets	271	446	-39%	2%
Interests on current accounts	87			1%
Profit from sale of materials	41	133	-69%	0%
Other	1 236	637	94%	10%
Total other operating income	12 618	11 837	7%	90%

Other operating income increase by BGN 0.8 million, reaching BGN 12.6 million in 2019, compared to BGN 11.8 million in 2018 due to a decrease in the net losses on exchange rate differences on trade receivables and current liabilities accounts with BGN 2.7 million. Services decreased by BGN 1.8 million.

Operating expenses

Operating expenses	2019	2018	Change	Rel. share of expenses 2019
	BGN '000	BGN '000		
Changes in inventories of finished goods and work in progress	3 503	(8 773)	-140%	0%
Materials	93 067	91 303	2%	8%
Hired services	74 923	75 897	-1%	6%
Personnel	126 908	119 447	6%	10%
Depreciation and amortization	43 962	33 135	33%	4%
Carrying amount of goods sold	878 912	825 571	6%	71%
Other operating expenses	10 839	15 263	-29%	1%
Total	1 232 114	1 151 837	7%	100%

Operating expenses increase by BGN 81.3 million or by 7% from BGN 1 151.8 million in 2018 to BGN 1 232.1 million in 2019. The change is due to an increase in sales and, respectively, to the carrying amount of goods sold by the group, increase in expenses for personnel, amortization, material expenses and change in production stocks and work in progress.

Material expenses (with 7% share) increase by BGN 1.8 million or 2% to BGN 93.1 million in 2019 compared to BGN 91.3 million in 2018. The expenses of basic materials decreased by BGN 0.3 million or by 1%, as the most significant impact is reported for the costs of substances and others. An increase is reported for the costs of auxiliary materials, spare parts, laboratory and technical materials, electricity, advertising materials and others.

External services expenses account for 6% relative share of operating expenses and decrease by BGN 1 million or by 1% to BGN 74.9 million in 2019 compared to BGN 75.9 million in 2018. The largest decrease is in rent expenses by BGN 10.7 million, which is the result of the adoption of IFRS 16 Leasing, as well as the cost of maintaining buildings and by BGN 1.4 million. Expenses for advertising and marketing services increased by BGN 2 million, service charges by BGN 1.5 million and commissions by BGN 1.2 million

Personnel expenses (with a share of 10%) increase by BGN 7.5 million or by 6% to BGN 126.9 million in 2019 compared to BGN 119.4 million in 2018.

Other operating expenses (with a 1% share) decrease by BGN 4.4 million or 29% from BGN 15.2 million in 2018 to BGN 10.8 million in 2019.

Depreciation expenses (with a 4% share) increase by BGN 10.8 million or 33% from BGN 33.1 million in 2018 to BGN 43.9 million in 2019. The main reason for the increase during the period is the adoption of IFRS 16 Leasing, the effect is an accrual of depreciation on assets of "right of use" in the amount of BGN 8.7 million.

Finance income	2019	2018	Change	Rel. share of expenses in 2019
	BGN '000	BGN '000		
Net profit from operations with investments in securities	4 048			38%
Interest income on overdue trade receivables	2 876	2 616	10%	27%
Interest income on loans extended	2 799	1 167	140%	27%
Foreign exchange gains and losses on foreign currency loans and leases	508			5%
Interest income (dividends)	188	96	96%	2%
Interest on receivables under special contracts	69			1%
Net profit from exchange differences on the sale of a subsidiary	47	152	-69%	0%
Interest income on bank deposits	1	3	-67%	0%
Total	10 536	4 034	161%	100%
Finance costs				Rel. share of costs in 2019
	Change			
Interest expense on loans received	9 011	7 233	25%	72%
Interest expense on lease	1 852	84	2105%	15%
Bank fees and charges on loans and guarantees	955	753	27%	8%
Interest expense under factoring agreement	449	374	20%	4%
Financial guarantee provision	231			2%
Net change in the allowance for impairment of credit for trade receivables	41	133	-69%	0%
Expenses for other interest	7			0%
Net loss on securities investments		11	-100%	0%
Impairment of cash in banks under special supervision		528	-100%	0%
Foreign exchange losses on foreign currency loans and leasing contracts		565	-100%	0%
Effects from derivatives		47	-100%	0%
Total	12 546	9 728	29%	100%

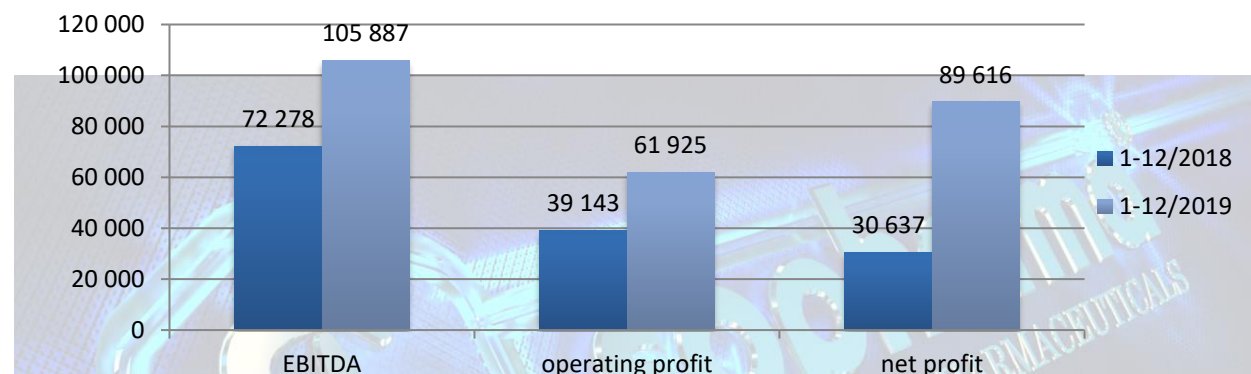
Sopharma Group

Financial revenue increase by BGN 6.5 million to BGN 10.5 million in 2019 compared to BGN 4 million in 2018, mainly due to an increase in revenues on loans granted by BGN 1.6 million and net gain on operations and investments in securities with BGN 4 million.

Financial expenses increase by BGN 2.8 million from BGN 9.7 million in 2018 to BGN 12.5 million in 2019, mainly due to an increase in interest expense on loans received by BGN 1.8 million and expenses interest on leases by BGN 1.8 million

Net financial revenues (expenses) changed by BGN (3.7) million to BGN (24) million as at 31 December 2019 compared to BGN (5.7) million at 31 December 2018.

Financial result



Earnings before interest, taxes and depreciation (EBITDA) increase by BGN 33.6 million or by 46%, while in 2019 it amounted to BGN 105.9 million compared to BGN 72.3 million, in 2018. Its increase over the period is partly due to the adoption of IFRS 16 Leasing, as the effect is a decrease in rental costs of BGN 10.7 million.

Profit from operating activities increases by BGN 22.8 million or by 58%, to BGN 61.9 million in 2019 against BGN 39.1 million in 2018.

Net profit increases by BGN 59 million or 193% to BGN 89.6 million in 2019 compared to BGN 30.46 million in 2018.

Assets

	31.12.2019	31.12.2018	Change	Rel. share 2019
	BGN '000	BGN '000		
Non-current assets				
Property, plant and equipment	381 139	324 525	17%	60%
Intangible assets	43 112	62 195	-31%	7%
Goodwill	15 909	23 516	-32%	3%
Investment property	10 999	10 427	5%	2%
Investments in associated companies and joint ventures	66 012	20 383	224%	10%
Other long - term equity investments	10 102	8 598	17%	2%
Long-term receivables from related parties	91 767	23 055	298%	15%

Other long-term receivables	10 281	6 399	61%	2%
Deferred tax assets	2 240	1 590	41%	0%
	631 561	480 688	31.4%	54%
Current assets				
Inventories	228 950	235 763	-3%	42%
Trade receivables	255 780	235 911	8%	47%
Receivables from related parties	7 090	9 942	-29%	1%
Other short-term receivables and assets	26 737	22 717	18%	5%
Cash and cash equivalents	27 540	25 582	8%	5%
	546 097	529 915	3.1%	46%
TOTAL ASSETS	1 177 658	1 010 603	16.5%	100%

Total assets increase by BGN 167.1 million or by 16%, from BGN 1 010.6 million as at 31.12.2018 to BGN 1 177.7 million as at 31.12.2019, mainly due to an increase in non-current and current assets.

Non-current assets increase by BGN 150.9 million or by 31%, mainly due to an increase in property, plant and equipment with BGN 56.6 million, investments in associated companies and joint-ventures with BGN 45.6 million, other long-term equity investments by BGN 1.5 million, long-term receivables from related parties by BGN 68.7 million and other long-term receivables by BGN 3.9 million.

Current assets increase by BGN 16.2 million or 3%, to BGN 546.1 million as at 31.12.2019 compared to BGN 529.9 million as at 31.12.2018 in the part of trade receivables with BGN 19.9 million and other short-term receivables and assets with BGN 4.02 million. There is a decrease in inventories with BGN 6.8 million, receivables from related parties with BGN 2.8 million in the part of commercial loans granted with BGN 2.5 million.

Cash and cash equivalents increase by BGN 2 million as compared to 31.12.2018 and deposits provided at the end of the period to the amount of BGN 5.6 million and blocked cash to the amount of BGN 0.2 million.

Liabilities and owners' equity

EQUITY	31.12.2019	31.12.2018	Change	From owners' equity 2018
	BGN '000	BGN '000		
Equity attributable to owners of the parent company				
Share capital	134 798	134 798	0%	23%
Reserves	60 855	55 661	9%	10%
Retained earnings	365 222	285 101	28%	63%
	560 875	475 560	18%	97%
NON-CONTROLLING INTEREST	20 191	32 969	-39%	3%
TOTAL EQUITY	581 066	508 529	14%	100%

	31.12.2019	31.12.2018	Change	% total liabilities
	BGN '000	BGN '000	%	2018
LIABILITIES				
Non-current liabilities				
Long-term bank loans	56 847	41 124	38%	10%
Deferred tax liabilities	8 145	11 781	-31%	1%
Long-term liabilities to related parties	2 129			0%
Long-term liabilities to personnel	6 558	6 015	9%	1%
Finance lease liabilities	28 115	2 486	1031%	5%
Government grants	10 696	7 470	43%	2%
Other non-current liabilities	1 740	299	482%	0%
	114 230	69 175	65%	19%
Current liabilities				
Short-term bank loans	274 836	242 859	13%	46%
Current portion of long-term bank loans	16 731	14 874	12%	3%
Trade payables	115 209	124 476	-7%	19%
Payables to related parties	7 392	467	1483%	1%
Payables on contract for factoring	24 772	21 791	14%	4%
Current portion of finance lease liabilities	10 307			2%
Payables to the personnel and for social security	15 396	14 176	9%	3%
Tax payables	6 749	6 675	1%	1%
Other current liabilities	10 970	7 581	45%	2%
	482 362	432 899	11%	81%
TOTAL LIABILITIES	596 592	502 074	19%	100%
TOTAL EQUITY AND LIABILITIES	1 177 658	1 010 603	16.5%	

The equity of Sopharma Group increases by BGN 72.5 million compared to 31.12.2018, mainly due to an increase in retained earnings and reserves. The equity related to the equity holders of the Company is 48% of the total equity and liabilities, and there is improvement in the financial autonomy of the Group. The letter increases by BGN 85.3 million mainly due to the undistributed profit and reserves.

Non-current liabilities increase by BGN 45 million, or 65%, from BGN 69.2 million at the end of 2018 to BGN 114.2 million at 31.12.2019, mainly from increase in lease liabilities by BGN 25.6 million, which is a consequence of the effects of the introduction of IFRS 16 Leasing, effective as of 01.01.2019.

Current liabilities increase by BGN 49.5 million or by 11% compared to the end of 2018, mainly due to an increase of short-term bank loans by BGN 32 million as well as an increase of liabilities to related enterprises by BGN 6.9 million, payables on contracts for factoring by BGN 3

million, payables to personnel and social security by BGN 1.2 million, other current obligations by BGN 3.4 million and short-term part of finance lease obligations by BGN 10.3 million. There is a decrease of trade liabilities by BGN 9.3 million mainly in the part of liabilities to suppliers by BGN 9.2 million. Total liabilities on bank loans, leasing and factoring of the Group increase by BGN 88.5 million compared to the end of 2018, with the net debt after deduction of cash and cash equivalents increase by BGN 86.5 million.

Ratios

	31.12.2019	30.09.2019
ROE ¹	8,0%	7,2%
ROA ²	8,2%	3,3%
Asset turnover ³	1,15	1,15
Current liquidity ⁴	1,13	1,10
Quick ratio ⁵	0,66	0,63
Cash/current liabilities ⁶	0,06	0,04
Owners' equity/liabilities ⁷	0,97	0,87

¹ Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of non-minority interest for the last five quarters

² Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of total assets for the last five quarters

³ Revenue from sales on an annual basis / arithmetic mean of total assets over the last five quarters

⁴ Current assets / current liabilities

⁵ Receivables + Cash / Current liabilities

⁶ Cash / Current liabilities

⁷ Own capital / Liabilities

Cash flow

	31.12.2019 BGN '000	31.12.2018 BGN '000
Net cash flow from/ (used in) operations	(127 723)	(123 784)
Net cash flow used in investment activities	(104 890)	(41 178)
Net cash flow (used in)/from financial operations	235 872	166 477
Net increase/(decrease) of cash and cash equivalents	3 259	1 515
Cash and cash equivalents on 1 January	24 129	22 614
Cash and cash equivalents on 31 December	27 388	24 129

Net cash flows in 2019 generated from operating activities amounted to BGN 127.7 million outflow, investment activities amounted to BGN 104.9 million outflow and from financial activities amounted to BGN 235.9 million inflow. As a result of these activities, cash and cash equivalents decreased net by BGN 3.3 million and amounted to BGN 27.4 million as at 31 December 2019, compared to BGN 24.1 million as of 1 January 2019.

Factoring proceeds of BGN 200.8 million are reported as cash flows from financial activities. As a consequence, a significant decrease in net cash flows from operating activities is registered at the expense of an increase in net cash flow from financial activities.

New developments and products

- New Products for the period January - December 2019:
 - The Marketing Authorization for Norepinephrine 1 mg / ml concentrate for solution / infusion (Bulgaria, Latvia, Lithuania and Estonia) has been received.
- New medicinal products introduced into production:

- Norepinephrine 1 mg/ml concentrate for solution/infusion.
 - By the end of 2020, it is expected that 3 to 5 new medicinal products to be introduced
- New registrations and re-registrations / changes:

New registrations

Received 47 Authorizations for the use of medicinal products for new destinations, namely:

- Analgin Kids 500 mg/ml oral drops, solution (Armenia);
- Sopral 20 mg gastro-resistant capsules, hard (Armenia);
- Felogel 1 g/100 g gel (Azerbaijan);
- Tuspan 7 mg/ml syrup (Azerbaijan);
- Allergosan 10 mg/ml solution for injection (Azerbaijan);
- Captopril Sopharma 25 mg tablets (Georgia);
- Allergosan 10 mg/ml solution for injection (Georgia);
- Amikacin 125 mg/ml solution for injection (Georgia);
- Amikacin 250 mg/ml solution for injection (Georgia);
- Digoxin Sopharma 0.25 mg tablets (Georgia);
- Analgin 500 mg/ml solution for injection (Georgia);
- Antiallersin 25 mg/ml solution for injection (Georgia);
- Carsil Max 110 mg capsules, hard (Kazakhstan);
- Sophalor 0.5 mg/ml oral solution (Kazakhstan);
- Deavit Neo 0.5 mg/ml oral drops, solution (Kazakhstan);
- Deflamol 350 IU/400 IU/g ointment (Kazakhstan);
- Ketotifen Sopharma 0.2 mg/ml syrup (Mongolia);
- Metamizol sodic PML 500 mg/ml solution for injection (Romania);
- Paracetamol PML 500 mg tablets (Romania);
- Carsil Max 110 mg capsules, hard (Russia);

Sopharma Group

- Desloratadine Sopharma 0.5 mg/ml oral solution (Serbia);
- Promerol 1 mg/ml solution for injection, 10 x 5 ml (Serbia);
- Promerol 1 mg/ml solution for injection, 50 x 5 ml (Serbia);
- Vitamin C Sopharma 100 mg/ml solution for injection, 10 x 5 ml (Serbia);
- Vitamin C Sopharma 100 mg/ml solution for injection, 10 x 2 ml (Serbia);
- Ivadron 3 mg/3 ml solution for injection (Serbia);
- Ivadron 150 mg tablets (Serbia);
- Felogel 1 g/100 g gel (Tajikistan);
- Carsil Max 110 mg capsules, hard (Tajikistan);
- Silden 100 mg film-coated tablets (Tajikistan);
- Sophalor 0.5 mg/ml oral solution (Tajikistan);
- Sophalor 5 mg film-coated tablets (Tajikistan);
- Ketotifen Sopharma 1 mg tablets (Tajikistan);
- Sopral 20 mg capsules, hard (Tajikistan);
- Duspaverin 135 mg film-coated tablets (Tajikistan);
- Otigo 40 mg/10 mg/g ear drops, solution (UK);
- Allergosan (Desloratadine) Sopharma 0.5 mg/ml oral solution (Ukraine);
- Allergosan (Desloratadine) Sopharma 5 mg film-coated tablets (Ukraine);
- Syafen 100 mg/5 ml oral suspension (Vietnam);
- Carsil 90 mg capsules, hard (Vietnam);
- Vicetin 10 mg tablets (Vietnam);
- Nivalin 5 mg tablets (Vietnam).

Documentation for the registration of 67 medicinal products to agencies of new destinations was submitted.

Cosmetic products:

- 14 cosmetic products were notified in Georgia (two), Moldova (two), Poland (two), Kazakhstan (two) and Ukraine (two), Armenia (two) and Kyrgyzstan (two)

Food additives:

- During the reporting period, 4 food supplements for Bulgaria, Azerbaijan and Lithuania was notified.

Medical supplies:

- 16 medical supplies are registered in Bulgaria.

Re-registrations / changes:

- Updated Authorizations for use of 81 medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for 107 medicinal products to agencies.
- 1 216 changes for medicinal products approved by agencies.
- 1 370 changes made for medicinal products to the agencies.

- *Developments:*
 - There is a pharmaceutical development of 17 new medicinal products.
 - 27 medicinal products have been transferred / undergoing transfer and 42 manufacturing processes / technologies have been validated / optimized.

5. Significant events in 2019 and until the date of the interim consolidated management report

- On 02.01.2019, the merger of OOO “Med-dent”, Belarus with BOOO “SpetsApharmatsiya”, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company OOO “Med-dent” is terminated and all its rights and obligations at the moment of the merger are taken by BOOO SpetsApharmatsiy, Belarus.
- On 15.01.2019, an agreement was signed for the acquisition of the non-controlling interest of the subsidiary “Sopharma Trading” AD in the capital of “Lekovit” D.O.O. at the rate of 30%. After the performance of the contract, on 04.02.2019 100% ownership of the capital was registered by the subsidiary “Sopharma Trading” AD.
- On 31.01.2019, the “Sopharma” AD received a valid production / import authorization for medicinal products № BG / MIA - 0081 from the Bulgarian Drug Agency, which includes the unincorporated subsidiary Unipharm AD.
- As at 30.01.2019 the share participation of ZLPF “Allianz” Bulgaria in the capital of “Sopharma” AD reached 5.09%.
- On 15.02.2019, was made a deal for disposal by “Sopharma” AD of 253,000 shares of the capital of “Momina Krepost” AD, with which the share of “Sopharma” AD in the capital of “Momina Krepost” AD drops from 93, 56% to 78.60%.
- On 27.02.2019 and 18.03.2019, the Board of Directors of the subsidiary “Sopharma Trading” AD decided to change the names of the companies “Sopharma Trading”Belgrade OOD, Serbia and “Lekovit” OOD, Serbia respectively to ““Sopharma Trading”Pharmaceuticals” and “Sopharma Trading”.
- On 28.02.2019 in the Commercial Register is registered “Sopharmacy 18” EOOD with sole owner of the capital of “Sopharmacy” EOOD. The newly established company has its

headquarters and address of management Republic of Bulgaria, Sofia 1756, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, fl. 12.

- On 07.03.2019, through its subsidiary SOOO “Britetrade”, Belarus, the Group acquired 25% of the capital of OOO “Bellerofon”, Belarus, as a result of which the parent acquires control and the company is classified as a subsidiary.
- As at 29.03.2019, after the sale of 126,626 shares of the capital of “Momina Krepost” AD, the share of “Sopharma” AD in the capital of “Momina Krepost” AD went below 75% - from 78.60% (1 329 212 shares) to 71.11% (1 202 590 shares).
- As at 02.04.2019, after the acquisition of 127,000 shares of the capital of “Momina Krepost” AD, the share of Medical Supplies Ltd. in the capital of “Momina Krepost” AD reached 22.47% (380,000 shares).
- On 7.06.2019, the General Meeting of Shareholders of “Sopharma” AD was held, where the following decisions were made: 1. The AGM approves the Annual Report of the Board of Directors on the company's activities in 2018. 2. The AGM approves the Annual Report of the Investor Relations Director in 2018. 3. The AGM approves the Audited Annual Individual Financial Statement of the Company for 2018. 4. The AGM approves the audited Annual Consolidated Financial Statement of the Company for 2018. 5. The AGM approves the Auditor's Report on the Audit of the Annual Individual Financial Statements of the Company for the year 2018. 6. The AGM approves the Auditor's Report on the Audit of the Annual Consolidated Financial Statements of the Company for the year 2018. 7. The AGM approves the proposal of the Board of Directors for the distribution of the company's profit in 2018 as follows: The total amount of the profit to be distributed amounts to BGN 33 298 305.68 (thirty-three million two hundred ninety-eight thousand three hundred and five leva and sixty-eight stotinki). After allocating 10% to a mandatory reserve BGN 3 329 830.57 (three million three hundred twenty-nine thousand eight hundred and thirty and fifty-seven stotinki), for an advance dividend for the half-year of 2018 in the amount of BGN 6 284 217.88 (six million two hundred eighty four thousand two hundred and seventeen leva and eighty eight stotinki), to cover losses amounting to BGN 4 651 695.74 (four million six hundred fifty-one thousand six hundred and ninety-five and seventy-four stotinki), as the remainder of the profit for the year 2018, amounting to BGN 22 362 392.06 (twenty-two million three hundred sixty-two thousand three hundred ninety-two and six stotinki), with retained earnings amounting to BGN 3 456 793.04 (three million four hundred fifty six thousand seven hundred ninety three and four stotinki) should be taken as an additional reserve of the Company. Do not distribute dividends to shareholders. 8. The AGM approves the Audit Committee's report on its activities in 2018. 9. The AGM releases the members of the Board of Directors from responsibility for their activities in 2018. 10. The AGM elects a registered auditor to verify and certify the Annual

Financial Statements of the Company for 2019, as proposed by the Audit Committee, included in the items on the agenda. 11. The General Meeting approves the Report of the Board of Directors on the Application of the Remuneration Policy of the Members of the Board of Directors of the Company for 2018. 12. Pursuant to Art. 24, para 3, letter A of the Articles of Association of the company, the AGM decided: the permanent remuneration of the members of the Board of Directors and the permanent remuneration of the Executive Director in 2019 remain unchanged. 13. Pursuant to Art. 24, para 3, letter B of the Articles of Association, the Executive Director of the Company shall be paid an additional remuneration of 1% (one percent) of the amount of profits realized in 2018 according to the approved Annual Financial report. 14. The General Meeting adopts a decision, 2% (two percent) of the profit realized in 2018 to be distributed among the members of the company's senior management team, subject to the requirements of Art. 26a, item 12 of the Articles of Association of the company. 15. AGM adopts the Substantiated Report of the Board of Directors for transactions within the scope of Art. 114, para 1 of POSA. 16. AGM empowers the representative of the public company "Sopharma" AD to conclude on behalf of the Company as a contracting entity a transaction with "Sofprint Group" AD as a contractor falling within the scope of Art. 114, para 1, in conjunction with paragraph 7 of the same provision of POSA, under the conditions set out in Section One of the Substantiated Report. 17. AGM empowers the representative of the public company "Sopharma" AD as a seller to conclude a transaction with "Sopharma Trading" AD on behalf of the Company as a co-debtor a credit agreement with a creditor (Bank) and a subsidiary as a borrower - a deal falling within the scope of Art. 114, para 1 of the POSA, under the conditions set out in Section Two of the Substantiated Report. 18. The AGM empowers the representative of the public company "Sopharma" AD to conclude on behalf of the Company as a co-debtor an overdraft loan agreement with a creditor (Bank) and a subsidiary as a borrower - a deal falling within the scope of Art. 114, para 1 of POSA, under the conditions set out in Section Three of the Substantiated Report. 19. The AGM empowers the representative of the public company "Sopharma" AD to conclude a transaction on behalf of the Company as a co-debtor loan agreement with a creditor (Bank) and a subsidiary as a borrower - a deal falling within the scope of Art. 114, para 1 of POSA, under the conditions set out in Section Four of the Substantiated Report. 20. The AGM empowers the representing the public company "SOPHARMA" AD to conclude on behalf of the Company a framework contract for the rental of conference areas and parking spaces between "SOPHARMA" AD as a tenant and Sopharma Properties REIT as a lessor - a deal falling within the scope of Art. 114, par. 1, item 1 and item 2 in connection with para 7 of POSA, under the conditions set out in Section Five of the Substantiated Report. 21. The AGM empowers the representing of the public company "SOPHARMA" AD to conclude on behalf of the Company a contract for the lease of offices

between "SOPHARMA" AD as a tenant and Sopharma Properties REIT as a lessor - a deal falling within the scope of Article 114, para 1, item 1 and item 2 in connection with para 7 of the POSA, under the conditions set out in Section Six of the Substantiated Report.

- On 11.06.2019 the General Meeting of Shareholders of "Sopharma Buildings" REIT was held and were adopted the following decisions: 1. The GMS approves the Annual Report of the Board of Directors on the activity of the Company in 2018; 2. The GMS approves the Annual Activity Report of the Investor Relations Director in 2018; 3. The GMS approves the Auditor's Report for the Audit of the Annual Financial Statements of the Company for 2018; 4. The GMS approves the Audited Annual Financial Report of the Company for 2018; 5. The GMS approves the audit committee's report for its activity in 2018; 6. The GMS approves the Report of the Board of Directors on the implementation of the Remuneration Policy of the Members of the Board of Directors of the Company for 2018; 7. The GMS approves a decision for the distribution of the financial result of the Company realized in 2018, namely: For the reason that the Company has completed the accounting year 2018 with a negative financial result, the loss for 2018, amounting to 70 555,45 (seventy thousand five hundred and fifty-five leva and forty-five cents) leva shall be covered by the accumulated reserves of the Company's Premiums Fund. "; 8. The GMS approves a decision to discharge the members of the Board of Directors of the Company for their activity in 2018; 9. The GMS has decided to keep the current amount of the constant monthly remuneration of the members of the Board of Directors of the Company for 2018; 10. The GMS elects a specialized audit company - BAKER TILLY CLIT AND PARTNERS OOD, Sofia, for registered auditor of the Company for 2019, in accordance with the recommendation of the Audit Committee of the Company.
- On 07.06.2019, the General Meeting of Shareholders of "Sopharma Trading" AD was held, where the following decisions were made: 1. The AGM approves the annual report of the Board of Directors on the activity of the company in 2018 year; 2. The AGM approves the Annual Activity Report of the Investor Relations Director in 2018; 3. The AGM approves the Auditor's Report on the Audit of the Annual Financial Statements of the Company for 2018; 4. The AGM approves the Audited Annual Financial Statements of the Company for 2018; 5. The AGM approves the Auditor's Report for the Audit of the Consolidated Annual Financial Statements of the Company for 2018; 6. The AGM approves the Audited Consolidated Annual Financial Statements of the Company for 2018; 7. The AGM approves the report of the Board of Directors under Art. 12, para. 1 of Ordinance No 48 of 20 March 2013 on the remuneration requirements; 8. The AGM approves the Audit Committee's report on its activities in 2018; 9. The AGM approves a decision for distribution of the Company's profit realized in 2018: The net financial result of BGN 17 970 639,05 / seventeen million nine hundred and seventy thousand six hundred and thirty-nine leva

and five stotinki / divided as follows: BGN 1 797 063,91 / one million seven hundred and ninety-seven thousand and sixty-three leva and ninety-one stotinki / shall be treated in the Reserve Fund as a 10% reserve, 9,871,502.70 BGN / nine million eight hundred seventy-one thousand five hundred and two leva and seventy stotinki / to distribute a cash dividend to the shareholders, BGN 6 302 072.44 / six million three hundred and two thousand and seventy two leva and forty-four stotinki / to be taken as an additional reserve of the company. The proposed gross dividend per share is BGN 0.30 (thirty cents); 10. The AGM approves a decision to discharge the members of the Board of Directors for their activities in 2018; 11. The AGM determinates of the amount of the remuneration of the members of the Board of Directors for 2019; 12. The AGM approves a decision for the payment of variable remuneration to the Executive Director of "Sopharma Trading" AD; 13. The AGM selects a registered auditor of the Company for 2019; 14. The AGM approves of the Substantiated report of the Board of Directors under Art. 114a, para 1 of the Public Offering of Securities Act on the feasibility and conditions of transactions from the scope of Article 114, paragraph 1 of POSA; 15. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning a contract for the purchase of medicinal products and other products of importance for human health between "Sopharma Trading" AD as seller and Sopharma EOOD as a buyer; 16. - 32. The AGM empowers the Board of Directors of the Company to conclude a transaction from the scope of Art.114, para 1 of POSA on a contract for the purchase of medicinal products and other products of significance for human health between "Sopharma Trading" AD as a seller and Sopharma 2 EOOD - Sopharma 18 EOOD as a buyer; 33. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning a contract for the purchase of medicinal products and other products of importance for human health between "Sopharma Trading" AD as a seller and "Sopharma Trading" DOO Beograd as a buyer; 34. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning a contract for marketing services for medicinal products and other products of importance for human health between "Sopharma" AD contracting authority and "Sopharma Trading" JSC as a contractor; 35. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art. 114, para 1 of the Public Offering of Securities Act concerning a credit agreement between Expressbank AD as Bank and "Sopharma Trading" AD as a borrower and "Sopharma" AD co-debtor; 36. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art. 114, para 1 of the Public Offering of Securities Act concerning a collateral contract between Raiffeisen Bank and Beograd as Bank, "Sopharma Trading" AD and "Sopharma" AD as guarantors; 37. The AGM

empowers the Board of Directors of the company to conclude a transaction from the scope of Art. 114, para 1 of the Public Offering of Securities Act concerning a contract of guarantee between Raiffeisen Bank and Beograd as Bank, "Sopharma Trading" AD and "Sopharma" AD as guarantors; 38. The AGM empowers the Board of Directors of the Company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning the lease of conference space between Sopharma Real Estate REIT as Landlord and "Sopharma Trading" AD as Tenant; 39. The AGM approves the amendments to the Articles of Association of "Sopharma Trading" AD, as follows: A new Art. 50 with the following wording: "The Board of Directors has the right to make decisions on increasing the Company's capital up to a maximum total nominal capital of BGN 40,000,000 for a period of 5 years ".

- On 14.06.2019 the General Meeting of Shareholders of "Momina Krepost" AD was held, where the following decisions were made: 1. The GMS approves of the annual report of the Board of Directors on the activity of the company in 2018 together with the corporate governance statement and the non-financial declaration for 2018; 2. The GMS approves the Annual Activity Report of the Investor Relations Director in 2018; 3. The GMS approves the Audit Report for the Audit of the Annual Financial Statements of the Company for the year 2018; 4. The GMS approves the Audited Annual Financial Statement of the Company for the year 2018; 5. The GMS approves the Audit Committee's report on its activities in 2018; 6. The GMS approves a decision for distribution of the Company's profit realized in 2018, namely: BGN 22 thousand to be taken as an additional reserve of the Company. No dividend is distributed to shareholders.; 7. The GMS approves a decision on the discharge of the members of the Board of Directors for their activity in 2018; 8. The GMS selects a registered auditor for 2019; 9. The GMS approves a report on the implementation of the remuneration policy of the members of the Board of Directors of "Momina Krepost" AD for 2018; 10. The GMS decided to retain the current amount of the permanent monthly remuneration of the Chairman of the Board of Directors and the members of the Board of Directors, and in 2019 the GMS has decided to maintain the current amount of the monthly remuneration under a management contract of the Executive Director in 2019.; 11. The GMS approves the amendments to the Articles of Association of the Company.
- On 15.07.2019 the Board of Directors of "Sopharma Trading" AD made a decision to increase the capital of the Company by public offering of shares on the grounds of Art. 194, para. 1 of the Commercial Act, Art. 121 et seq. of the Public Offering of Securities Act (POSA) and pursuant to the authorization under Art. 50 of the Articles of Association of the Company. The capital of the Company should be increased from BGN 32 905 009 to BGN 34 276 051 by issuing up to 1 371 042 new ordinary dematerialized shares, each with a nominal value of BGN 1 and an issue value of BGN 6.85.

- From 06.08.2019 “Sopharma Trading” AD starts the payment of the annual dividend by a decision of the General Meeting of Shareholders. Dividend amount per share gross - 0.30 BGN. The amount of the dividend per share net (for shareholders natural persons only) - 0.285 BGN.
- As at 12.09.2019, after the sale of 94 636 shares of the capital of “Momina Krepost” AD, the share of “Sopharma” AD in the capital of “Momina Krepost” AD passes the threshold of 70% to 65.07% (1 100 398 shares).
- As at 24.09.2019, the share of Medical Consumables OOD in the capital of “Momina Krepost” AD is 28.31% (478 696 shares).
- On 19.09.2019, the Financial Supervision Commission confirmed a prospectus for public offering of up to 1 371 042 ordinary, registered, dematerialized, freely transferable voting shares with value of BGN 1 per share and an issue value of BGN 6.85, ISIN code 1100086070 to be issued by “Sopharma Trading” AD as a result of a capital increase, in accordance with the decision of the Board of Directors of 15.07.2019.
- On 26.09.2019, pursuant to Art. 92a, para 1 and para 2 of the POSA “Sopharma Trading” AD shall notify about the beginning, the terms and conditions for making the public offering (the “offering”) on up to 1 371 042 (one million three hundred seventy-one thousand forty-two) new ordinary, dematerialized shares, each with value of BGN 1 (one) and an issue value of BGN 6.85 (BGN six and eighty-five).
- On 07.11.2019 “Sopharma” AD presented an invitation for convening an Extraordinary General Meeting of Shareholders and the materials for a General Meeting of Shareholders, which will be held on 13.12.2019. from 11:00 in Sofia-1756, 5 Lachezar Stanchev Str., Sopharma Event Center, with the following agenda: 1. Approval of the individual financial statements for the first half of 2019; 2. Taking a decision under Art. 30, para. 5-7 of the Company's Articles of Association for the distribution of profits and the payment of an interim dividend on the basis of the approved individual financial statements for the first half of 2019; 3. Approval of a Substantiated Report of the Board of Directors for transactions within the scope of Art. 114, para 1 of POSA; 4. Empowerment within the meaning of Art. 114, para 1 of POSA regarding a transaction between “SOPHARMA” AD and “Sopharma Trading” AD; 5. Miscellaneous.
- On 12.11.2019 with the participation of His Excellency Evgueni Stoytchev, the Ambassador of the Republic of Bulgaria in Moldova, “Sopharma” AD celebrated the opening of a new warehouse and administrative building in Kishinev with a total area of 5000 sq. m. The warehouse will provide 75 new working places and will support the distribution activities of pharmaceutical and other health related products of “Sopharma” AD in Moldova,

further the centralization will lead to improved efficiency and optimization of the processes.

- On 13.11.2019, “Sopharma” AD completed the transaction of the purchase of 29% of the capital of RAP Pharma International, whereby the parent company's share reached 80%.
- On 13.11.2019, the public offering of shares of the capital increase of “Sopharma Trading” AD was successfully completed. 1 371 041 ordinary, registered, dematerialized voting shares with value 6.85 BGN per share have been subscribed and paid. As a result, the capital of the company increased from BGN 32 905 009 to BGN 34 276 050.
- On 29.11.2019 the capital increase of “Sopharma Trading” AD was entered in the Commercial Register of the Registry Agency.
- On 12.12.2019 “Sopharma” AD announces the sale of 32 500 shares of the capital of “Momina Krepost” AD, whereby the share of “Sopharma” AD in the capital of “Momina Krepost” AD goes below the 65% threshold to 63.12% (1,067,398 shares).
- On December 13, 2019 - In accordance with the requirements of Art. 115c, para. 4, from the Public Offering of Securities “Sopharma” AD (3JR: BSE - Sofia, SPH: Warsaw Stock Exchange) notifies the decision of the Extraordinary General Meeting of Shareholders of “Sopharma” AD, held on 13.12.2019 regarding the type and size of dividend and terms and conditions for its payment: The General Meeting of Shareholders adopted the proposal of the Board of Directors to distribute a 6-month dividend to the shareholders in the amount of BGN 0.05 / five cents / share. The persons entered in the register of Central Depository AD as shareholders on the 14th day after the day of the General Meeting, on which the 6-month financial statement for the first half of 2019 was adopted and the decision on profit distribution, namely December 27, 2019 (record date) - ex-dividend date December 23, 2019 (ex-dividend date). In accordance with the Rules of the Central Depository AD, the dividend will be paid as follows: for shareholders holding open client accounts with investment intermediaries - through correspondingly January investment firm; for shareholders without accounts with investment intermediaries - through the branches of Eurobank EFG - Bulgaria AD / Postbank / in the country.
- On 22.01.2020, “Sopharma” AD began to pay the gross dividend of 5 cents per share voted at the General Meeting of Shareholders on December 13, 2019. The persons registered in the register of Central Depository AD as shareholders of the 14th day after the day of the General Assembly, namely December 27, 2019.

6. Transactions with related parties

The information concerning transactions with related parties is presented in details in the

Notes to the financial report.

III. Information about the shares of “Sopharma” AD

The total number of shares emitted by “Sopharma” AD, issued on 31.12.2019, is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder in proportion to the nominal value of the share.

The shares of the Company are traded on the Bulgarian “Stock Exchange – Sofia” AD, the Main Market (BSE), the PREMIUM Shares Market and on the official market of the Warsaw Stock Exchange. The shares participate in the formation of the SOFIX, BGBX40 and BGTR30 indices of BSE - Sofia AD. The company's shares are included in the Dow Jones STOXX EU Enlarged Total Market Index with a weight of 0.11%, with a weight of 5% in Erste Bank Bulgaria Basket, in the Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate as well as in the new Dow blue-chip index Jones STOXX Balkan 50 Equal Weighted Index. “Sopharma” AD is one of the three Bulgarian companies included in the Central and Eastern Europe (CEE) Index. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the country's country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

Key indicators of the shares of “Sopharma” AD

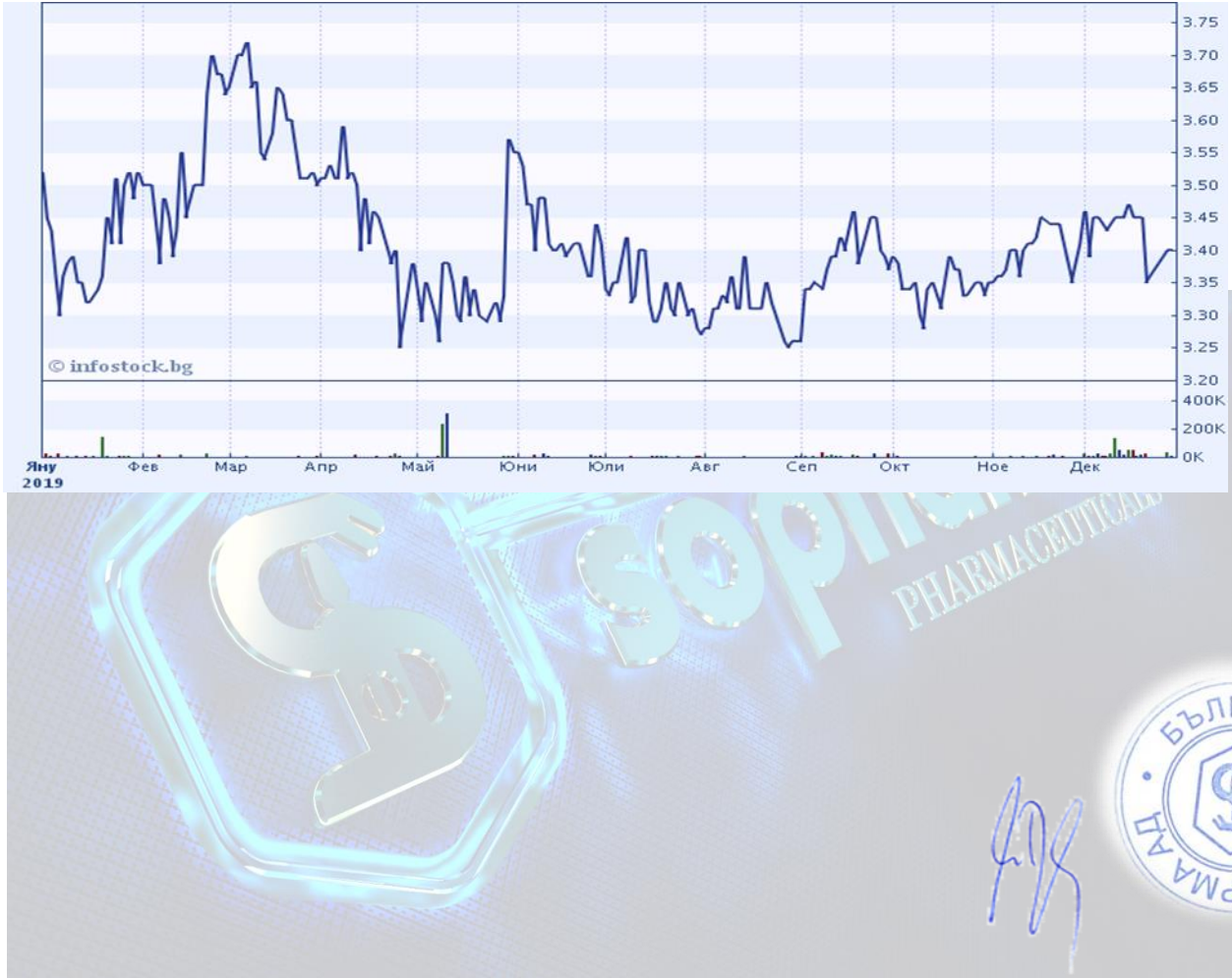
	31.12.2019	30.09.2019
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 896 515	125 923 829
Number of shares outstanding at the end of the period	125 684 432	125 916 067
Earnings per share in BGN ¹	0,726	0,279
Price per share at the end of the period in BGN	3,406	3,383
Price/Earnings ratio (P/E)	4,69	12,13
Book value per share in BGN ²	4,463	4,07
Price/Book value ratio (P/B)	0,76	0,83
Sales per share in BGN ³	10,196	9,87
Price per share / Sales per share(P/S)	0,33	0,34
Market capitalization in BGN	459 741 536	456 021 292

¹ 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

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

³ Sales revenue for the last four quarters / number of outstanding shares at the end of the period

“Sopharma” AD



Ognian Donev

/Executive Director/