

Sopharma Group

Consolidated financial results for 2019



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- Who are we?
- Our business
- Management, shares and dividends
- Key markets
- Key financial indicators of Sopharma Group
- Production activity: "Sopharma" AD
- Major subsidiaries
- New developments, significant events and risks



Consolidated financial results for 2019

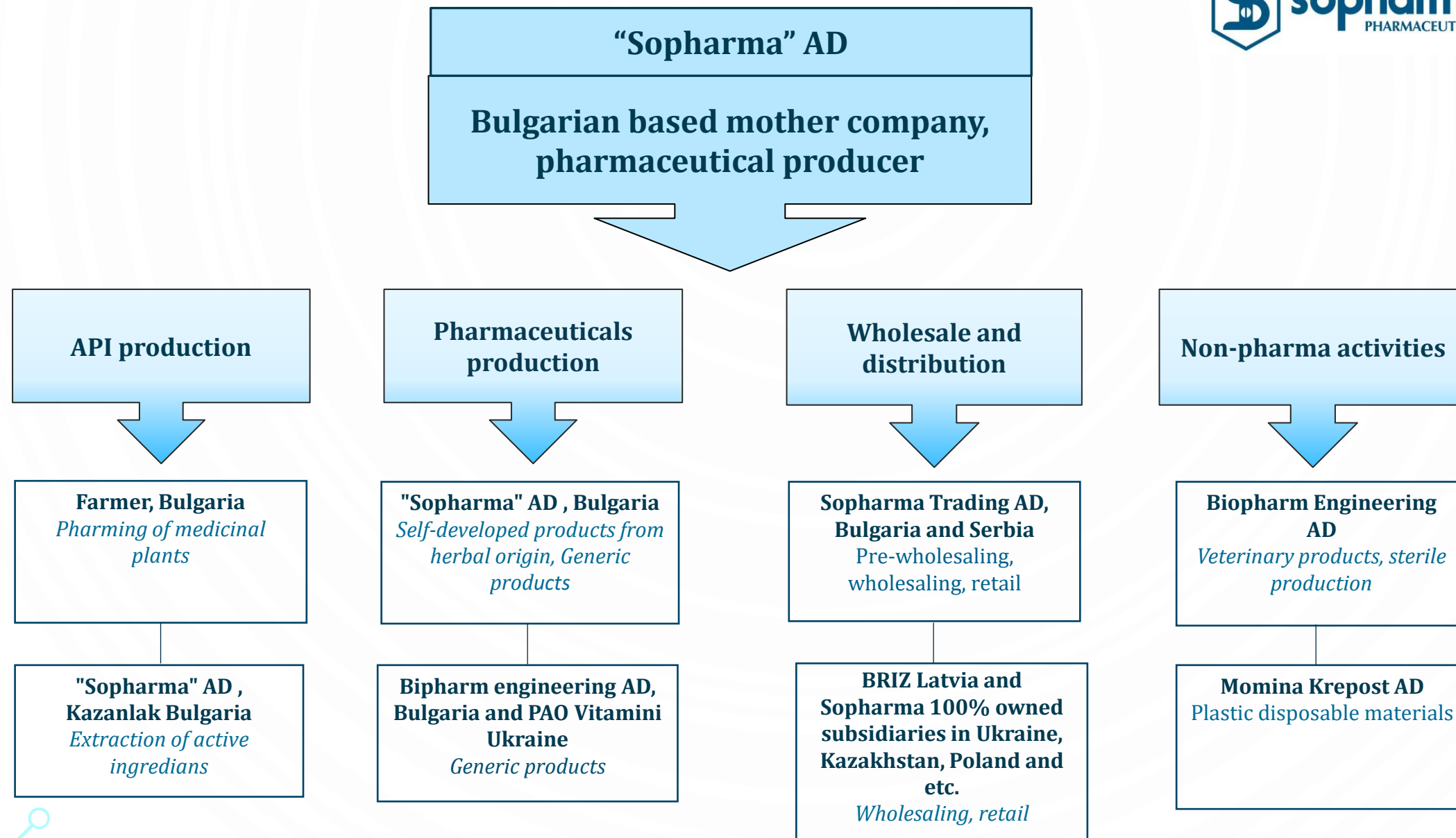
Who are we?

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

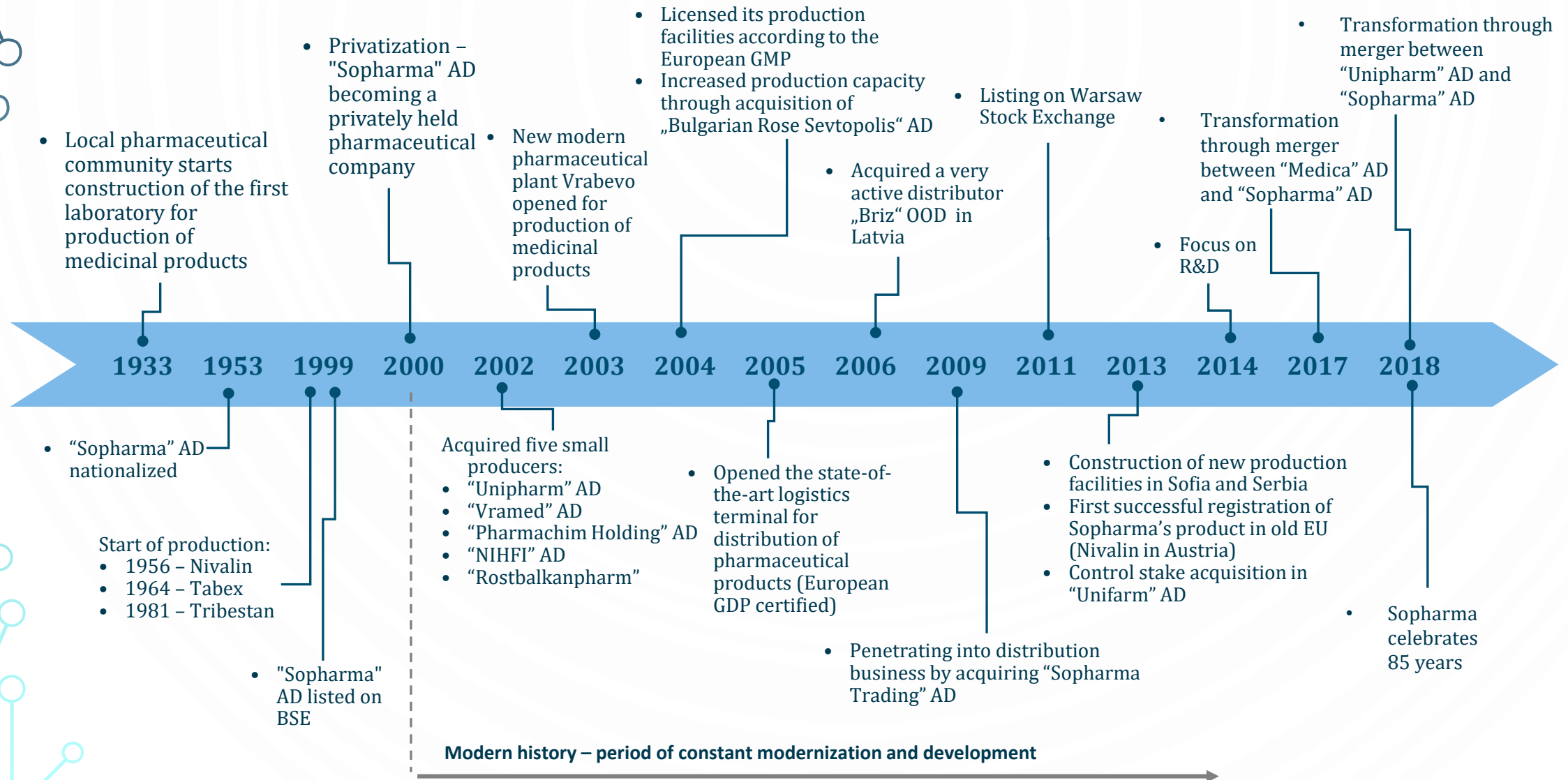
The Group works in the following areas:

- Production of active substances;
- Pharmaceutical production;
- Single trade and distribution;
- Non-pharmaceutical activities.





Brief history and key milestones:





Consolidated financial results for 2019

Our business

Sopharma Group



**49 subsidiaries and
1 associated company**



**№1 manufacturer of
ampules and
suppositories**



**More than 210
products**



**Company with established
traditions and experience**



**12
manufacturing plants**



5 163 employees



**Revenues
BGN 1 281 587**



**EBITDA
BGN 103 696**



**134 797 899
shares**

Key financial indicators



Sales from revenues **increase with 8.7%**



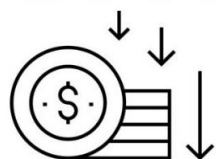
EBITDA **increase with 43.5%**



Operating profit **increase with 52.5%**



Net profit **increase with 175.4%**



Capex **increase with 52.7%**

Indicators	1-12/2019 BGN '000	1-12/2018 BGN '000
Sales revenues	1 281 587	1 179 143
EBITDA	103 696	72 278
Operating profit	59 692	39 143
Net profit	84 359	30 637
CAPEX**	62 280	40 775
	31.12.2019	31.12.2018
Non-current assets	626 172	480 688
Current assets	549 100	529 915
Owners' equity	575 772	508 529
Non-current liabilities	115 448	69 175
Current liabilities	484 052	432 899
Ratios	1-12/2019	1-12/2018
EBITDA / Sales revenues	8,1%	6,1%
Operating profit/ Sales revenues	4,7%	3,3%
Net profit/ Sales revenues	6,6%	2,6%
Borrowed capital/Owners' equity	1,04	0,99
Net debt**/ EBITDA	3,68x	4,15x

“Sopharma” AD as a contract manufacturer



Team work



MANUFACTURING

Experience



QUALITY

Partner in success

Our company offers a large variety of CM services:

- EU-GMP compliant pharmaceutical contract manufacturing;
- EU primary and secondary packaging services for international markets;
- Development of various dosage forms;
- Technological transfer of customer-developed products;
- Cleaning validation, Process validation;
- EU batch release and batch control.

Sopharma offers manufacturing of different dosage forms:

- Solid dosage forms (both sugar and film-coating tablets, hard gelatin capsules);
- Semi-solid dosage forms (creams, gels, ointments, suppositories);
- Sterile dosage forms (terminal sterilization and aseptic preparation, BFS technology);
- Non sterile solutions (syrups, oral suspensions, ear drops, liquids for external use).

Personnel



5 163

workers and
employees.

- 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.
- Employees are entitled to the higher additional remuneration required by applicable law for overtime, night shifts and work on Saturdays, Sundays and holidays.

Ecology and environmental protection

The Group applies measures to:

- separate collection of waste, minimization, recovery and recycling of production and household waste;
- providing appropriate personnel training on environmental and pollution prevention issues;
- responsibly fulfills the imperative requirements of the Council of Ministers Decree 137 and the Packaging and Waste Ordinance;
- annual emissions of waste gases into the ambient air from the Solid Form Factory are measured;
- Monthly Sofiyska Voda measures the emissions in waste water on production sites A and B.

In 2019 the separately collected waste was increased by 4 % compared to the previous year.





Consolidated financial results for 2019

Management, shares and dividends

Sopharma Board of Directors



Ognian Donev, PhD

Chairman of the Board of Directors 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

Completes her higher education in the Economic University in Sofia with "Finance and credit". She is at "Sopharma" AD since 2000 as an economic advisor to the CEO and Deputy-chairman of the Board of directors. Mrs. Stoeva is also Deputy-chairman of the Board of Directors of Elpharma AD.



Ivan Badinski

Member of the Board of Directors

Mr. Badinski owns an "Organization and Economics of Distribution and Pharmacy Practice" and professional qualification as a "Health manager". In 2000 Mr. Badinski worked in the company as a director of co-operation and licenses. From September 2015, he is a procurator of "Sopharma" AD.



Ognian Palaveev

Independent Member

Mr. Palaveev completed his economic education in Germany and has over 37 years of experience in the fields of economics and trade.

In the last 15 years he has been an executive director of Unipharm AD and for more than 8 years he is member of the Board of Directors of "Sopharma" AD.



Alexandar Tchaoushev

Independent Member

He graduated from the English Language School in Sofia and later completed his higher education at the Moscow State Institute of International Relations.

Mr. Chaushev is a member of the Board of Directors of "Sopharma" AD since 2011.

Shareholder structure at December 31, 2019

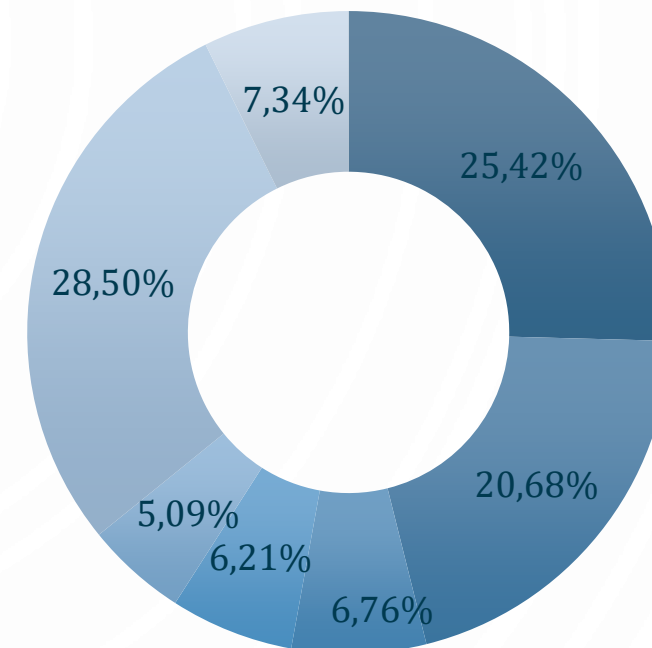


134 797 899 shares with nominal BGN 1



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – **1 653 000** shares, **1.23%** of capital and indirectly **34 267 577** shares through Donev Investments Holding AD
- Ognian Palaveev – **187 520** shares, **0.14%** of capital
- Alexander Tchaushev – **111 142** shares, **0.08%** of capital
- Vessela Stoeva – **150** shares
- Ivan Badinski – **350** shares



- "Donev Investments Holding" AD
- "Telecomplex invest" AD
- "Sopharma" AD (treasury shares)
- "Rompharm company" OOD
- CUPF "Alianz Bulgaria"
- Other companies
- Physical persons

Information about the shares



134 797 899 shares with nominal BGN 1 per share.



- The shares of the Company are traded on the Bulgarian Stock Exchange - Sofia AD, the Main Market (BSE), the PREMIUM segment and on the official market of the Warsaw Stock Exchange.



	31.12.2019	31.12.2018
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	125 798 842
Number of shares outstanding at the end of the period	125 684 432	125 916 563
Earnings per share in BGN ¹	0,691	0,225
Price per share at the end of the period in BGN	3,406	3,57
Price/Earnings ratio (P/E)	4,93	15,63
Book value per share in BGN ²	4,427	3,78
Price/Book value ratio (P/B)	0,77	0,93
Sales per share in BGN ³	10,197	9,36
Price per share / Sales per share(P/S)	0,33	0,37
Market capitalization in BGN	459 741 536	474 724 305

Information about the treasury shares of “Sopharma” AD



- In the current year 232 131 treasury shares were purchased.
- The treasury shares purchased during the year amount to 0.17% of the Company's share capital and the average acquisition price is BGN 3,45 per share.
- “Sopharma” AD holds 9 113 467 treasury shares, representing 6.76% of the company's capital.

	Shares Number	Equity, net of treasury shares BGN '000
Balance at 1 January 2019	125,916,563	101,461
Treasury shares bought back	(232,131)	(801)
Balance at 31 December 2019	125,684,432	100,656

Dividend policy

- "Sopharma" AD is among the first companies to pay a dividend for the first 6 months of 2019.
- Sopharma Trading AD has a solid dividend policy, the payment is still over 50% from the achieved positive financial result.
- From August 6, 2019 Sopharma Trading started paying the annual dividend as a decided by the General Meeting of Shareholders. Dividend amount per share Gross – BGN 0.30

Dividend per share in BGN

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
"Sopharma" AD	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.05
Sopharma Trading AD	0.15	0.17	0.20	0.23	0.27	0.30	0.30	0.30	0.30	0.30

Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
"Sopharma" AD	28%	23%	23%	27%	няма	37%	36%	30%	28%	16%
Sopharma Trading AD	75%	85%	91%	91%	82%	82%	74%	70%	55%	51%



Consolidated financial results for 2019

Key markets

Key markets

Demography and key economic indicators

GDP (BGN million)



GDP per capita
BGN 17.008 (€ 8.678)

GDP growth 2018 and 2017
3.4% growth

Currency

BGN fixed to the euro from 1998
(€ 1 = BGN 1,96)

Health budget 2019:
BGN 5 billion

For the period 2008-2018, the revenue share
in healthcare has increased by 50%.

Pharmaceutical industry:
99% PRIVATE



Area
111.000 km²

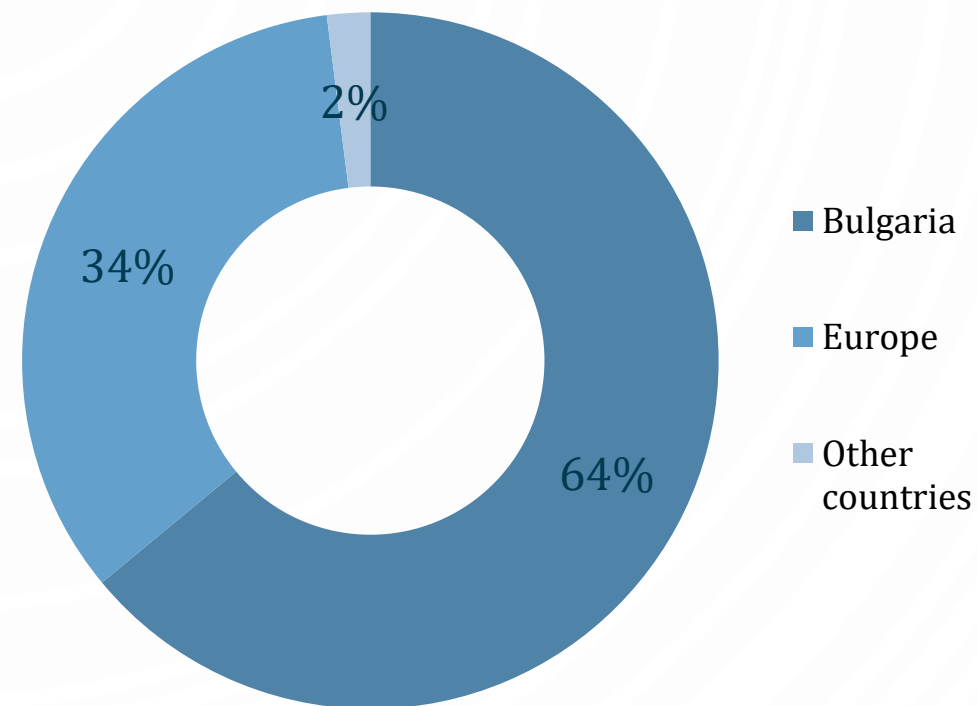
Population
6.951million

Member of EU
since 2007

Source: NSI 2019

Sales revenues from products

- **Sales revenues of the Group** increased by BGN 102,4 million or 9%, reaching BGN 1 281,5 million in 2019 compared to BGN 1 179,1 million in 2018.
- **Sales revenues from products** - The contribution of sales in Bulgaria to the consolidated sales revenue in 2019 amounted to 64%, increasing by 8% compared to 2018.
- **Europe** - Revenues from sales of the Group in Europe amount to 34% of total consolidated sales revenues for 2019 and increase with 10% compared to 2018.
- **Bulgaria** - "Sopharma" AD has a 3% share of the total Bulgarian pharmaceutical market in value and 10% of sales in volume.

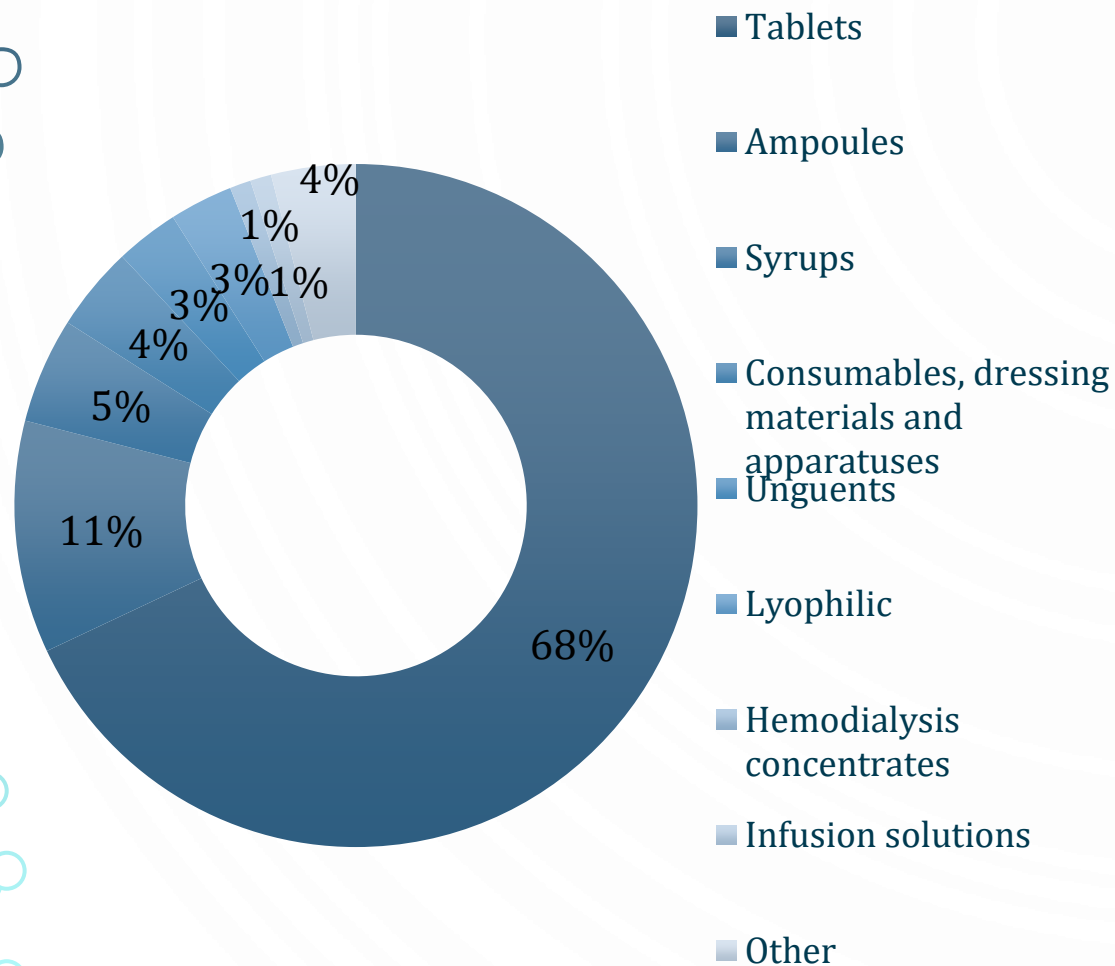




Consolidated financial results for 2019

Key financial indicators of Sopharma Group

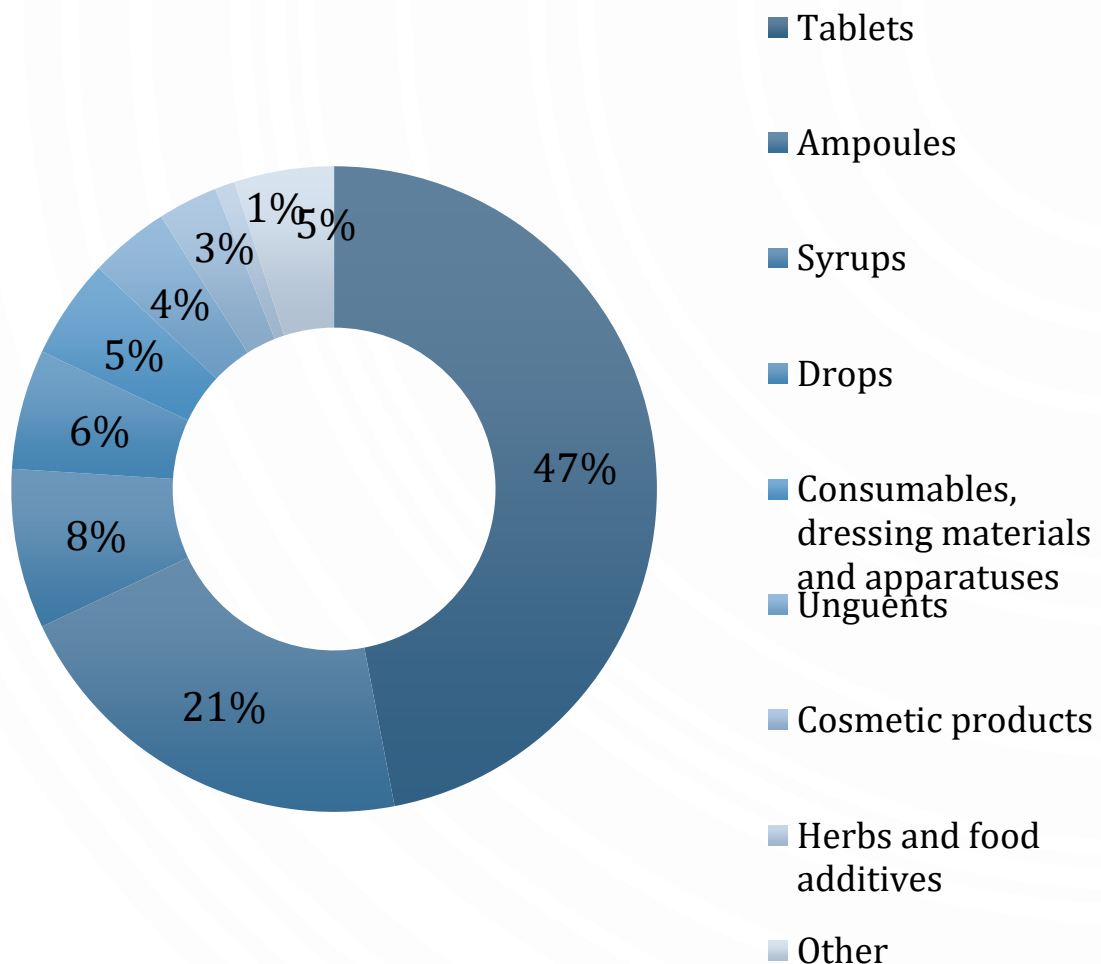
Sales by type of formulation



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

Revenues from products	2019 BGN '000	2018 BGN '000	Change %
Tablets	195 603	166 405	18%
Ampoules	32 986	33 880	-3%
Syrups	13 235	8 689	52%
Consumables, dressing materials and apparatuses	13 151	11 546	14%
Unguents	9 961	8 294	20%
Lyophilic	8 261	6 736	23%
Hemodialysis concentrates	1 571	1 945	-19%
Infusion solutions	1 226	1 128	9%
Other	12 532	12 186	3%
Total	288 526	250 809	15.0%

Sales by therapeutic group



Revenues from sale of goods	2019	2018	Change %
	<i>BGN '000</i>	<i>BGN '000</i>	
Tablets	467 800	448 473	4%
Ampoules	202 030	196 366	3%
Syrups	82 132	77 354	6%
Drops	58 127	62 419	-7%
Consumables, dressing materials and apparatuses	51 126	31 240	64%
Ointments	36 699	24 305	51%
Cosmetics products	30 781	29 063	6%
Food supplements and herbs	12 807	16 851	-24%
Others	51 559	42 263	22%
Total	993 061	928 334	7%

Other operating revenues

- Other operating income increases by BGN 0,6 million, reaching BGN 12,4 million in 2019, compared to BGN 11,8 million in 2018 due to increase of exchange rate differences gains from trade receivables and payables and current accounts with BGN 2,7 million, other income by BGN 0,6 million and rents by BGN 0,2 million.



Other operating revenues	2019	2018	Change	Rel.
	BGN '000	BGN '000	%	share
Services rendered	5 648	7 675	-26%	45%
Rents	1 059	822	29%	9%
Net loss from exchange rate differences under trade receivables and payables and current accounts	1 052	(1 688)	-162%	8%
Services related to social activities and events	918	910	1%	7%
Derecognition of liabilities	847	1 400	-40%	7%
Government grants	842	889	-5%	7%
Profit from change in the fair value of investment property	407	613	-34%	3%
Profit from sale of long-term assets	272	446	-39%	2%
Interests on current accounts	87	-	100%	1%
Profit from sale of materials	39	133	-71%	0%
Others	1 250	637	96%	10%
Total other operating income	12 421	11 837	5%	100%

Expenses for:

- **operating** increase by BGN 82,5 million or 7% in 2019;
- **materials** increase by BGN 1,9 million or 2% to BGN 93,2 million in 2019;
- **services** expenses account decrease by BGN 0,7 million or 1% to BGN 75,2 million in 2019;
- **personnel** increase by BGN 7,7 million or by 6% to BGN 127,1 million in 2019;
- **other operating expenses** decrease by BGN 2,5 million in 2019.
- **amortization** increase of BGN 10,9 million or by 32% to BGN 44 million in 2019.

Operating expenses	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Changes in inventories of finished goods and work in progress	3 479	(8 773)	140%	0%
Materials	93 234	91 303	2%	8%
Hired services	75 239	75 897	-1%	6%
Personnel	127 087	119 441	6%	10%
Depreciation and amortization	44 004	33 135	33%	4%
Carrying amount of goods sold	878 504	825 571	6%	71%
Other operating expenses	12 769	15 263	-16%	1%
Total	1 234 316	1 151 837	7%	100%

Financial income:

- Financial revenues:**

- increased by BGN 6,9 million to BGN 10,9 million in 2019 compared to BGN 4 million in 2018, mainly due to an increase in net profit from transactions with securities by BGN 4 million and income interest on overdue trade receivables by BGN 1,6 million.

Financial income	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Net income from operations with investments in securities	3 955	-	100%	36%
Interest income on overdue trade receivables	2 876	2 616	10%	26%
Interest income on loans extended	2 803	1 167	140%	26%
Foreign exchange gains and losses on foreign currency loans and leases	506	-	100%	5%
Net change in the allowance for impairment of credit for trade receivables	481	-	100%	4%
Income from dividends	188	96	96%	2%
Interest on receivables under special contracts	69	-	100%	1%
Net gain from exchange differences on the sale of a subsidiary	47	152	-69%	0%
Interest on bank deposits	1	3	-67%	0%
Others	27	-	100%	0%
Total	10 953	4 034	172%	100%

Financial expenses:

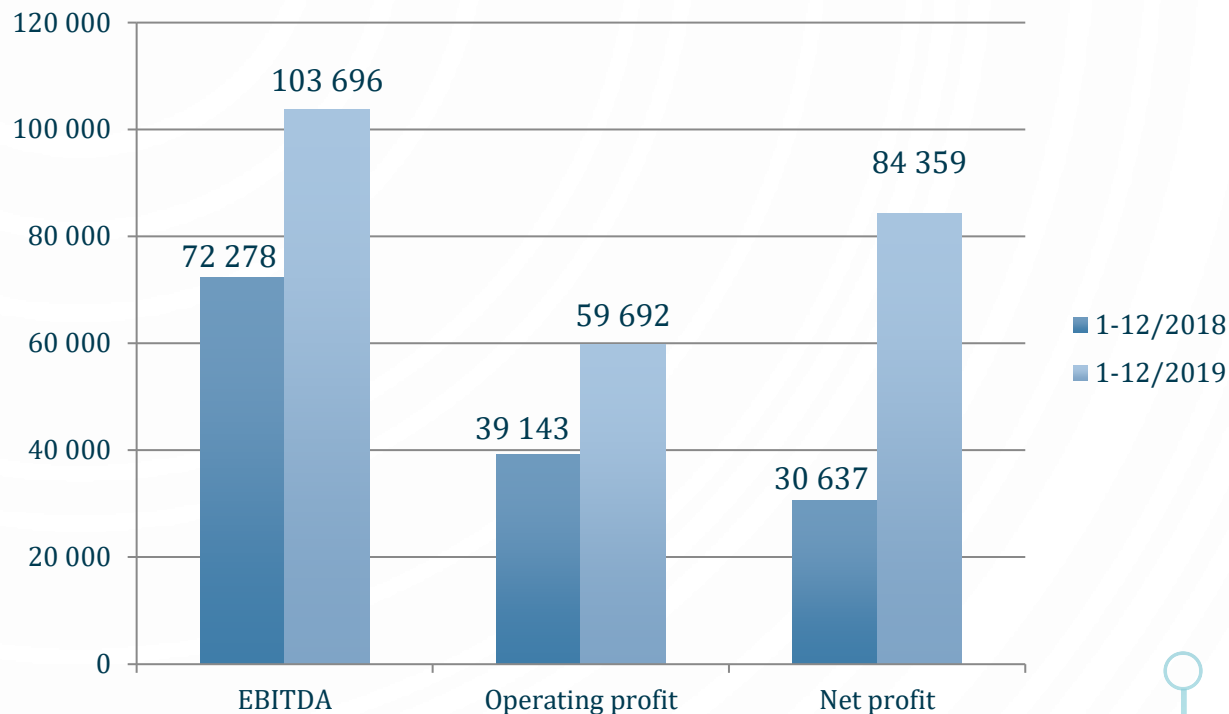
- **Financial expenses** increased by BGN 2,7 million from BGN 9,6 million in 2018 to BGN 12,4 million in 2019. The most significant increase is reported in interest expenses on borrowings with BGN 2 million and interest expenses on leasing with BGN 1,6 million.
- **Net financial revenues (expenses)** decreased by BGN 4,3 million to BGN (1,4) million as at 31 December 2019 compared to BGN (5,7) million at 31 December 2018.

Financial costs	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Interest expenses on loans	9 264	7 233	28%	75%
Expenses on interest on leasing	1 736	84	1967%	14%
Bank fees on loans and guarantees	935	753	24%	8%
Factoring interest costs	449	374	20%	4%
Expenses for other interest	7	-	100%	0%
Net change in the allowance for impairment of credit for trade receivables	-	133	-100%	0%
Net loss from investments in securities	-	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%
Derivatives effects	-	47	-100%	0%
Total	12 391	9 728	27%	100%

Financial result of the activity



- Profit before interest, taxes and depreciation (**EBITDA**) increased by BGN 31,4 million or 43%, reaching BGN 103,7 million in 2019, compared to BGN 72,3 million in 2018. Its increase over the period is partly due to the introduction of IFRS 16 Leasing, with the effect of reducing the rental expenses by BGN 10,6 million.
- **Operating profit** increased by BGN 20,5 million or 52% to BGN 59,7 million in 2019 compared to BGN 39,1 million in 2018.
- **Net profit** increased by BGN 53,7 million or by 175% to BGN 84,4 million in 2019 compared to BGN 30,6 million in 2018



Assets

- **Total assets** increase to BGN 1 175,3 million.
- **Non-current assets** increase by BGN 145,5 million or with 30%.
- **Property, plant and equipment** increase with BGN 54,1 million.
- **Current assets** increase with BGN 19,2 million or 4 to BGN 549,1 million.
- **Trade receivables increase** with BGN 19,7 million.
- **Receivables from related companies** decrease by BGN 2,8 million.
- **Other short-term receivables and assets increase** by BGN 4,8 million.
- **Inventories** decrease with BGN 5,9 million.
- **Cash and cash equivalents** increase by BGN 1,9 million.

Assets	31.12.2019	31.12.2018	Change %	Rel. share
	BGN '000	BGN '000		
Non-current assets				
Property, plant and equipment	378 625	324 525	17%	60%
Intangible assets	42 829	62 195	-31%	7%
Goodwill	15 909	23 516	-32%	3%
Investment property	10 856	10 427	4%	2%
Investments in associated companies and joint ventures	62 985	20 383	209%	10%
Other long-term capital investments	10 079	8 598	17%	2%
Long-term receivables from related parties	91 794	23 055	298%	15%
Other long-term receivables	10 674	6 399	67%	2%
Deferred taxes	2 421	1 590	52%	0%
	626 172	480 688	30.3%	53%
Current assets				
Inventories	229 873	235 763	-2%	42%
Trade receivables	255 660	235 911	8%	47%
Receivables from related parties	7 112	9 942	-28%	1%
Other receivables and prepayments	1 462	-	100%	0%
Cash and cash equivalents	27 480	22 717	21%	5%
	27 513	25 582	8%	5%
TOTAL ASSETS	549 100	529 915	3.6%	47%
	1 175 272	1 010 603	16.3%	100%

Owner's equity and liabilities – non-current liabilities



- **The equity of Sopharma Group** increased by BGN 67,2 million compared to 31 December 2018, mainly due to an increase in retained earnings and reserves. The non-controlling interest is decreased by BGN 13,6 million.
- The equity related to the equity holders of the Company is 47% of the total equity and liabilities, and there is improvement in the financial autonomy of the Group.
- **Non-current liabilities** increase by BGN 46,3 million, or 67%, from BGN 69,2 million at the end of 2018 to BGN 115,5 million at the end of 2019.

OWNERS' EQUITY	31.12.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Share capital	134 798	134 798	0%	23%
Reserves	60 977	55 661	10%	11%
Retained earnings	360 656	285 101	27%	63%
	556 431	475 560	17%	97%
NON-CONTROLLING INTEREST	19 341	32 969	-41%	3%
TOTAL OWNERS' EQUITY	575 772	508 529	13%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	56 832	41 124	38%	9%
Deferred tax liabilities	8 196	11 781	-30%	1%
Long-term liabilities to related parties	2 972	-	100%	0%
Long-term liabilities to personnel	6 626	6 015	10%	1%
Finance lease liabilities	25 840	2 486	939%	4%
Government grants	10 940	7 470	46%	2%
Other non-current liabilities	4 042	299	1252%	1%
	115 448	69 175	67%	19%

Current liabilities

- **Increase:**
 - short-term bank loans increased by BGN 32 million;
 - short-term part of long-term bank loans by BGN 1,8 million;
 - liabilities to related parties by BGN 7,2 million;
 - payables on contract for factoring by BGN 3 million;
 - liabilities to personnel and for social security by BGN 1,2 million;
 - short-term part of finance lease obligations by BGN 8,8 million.
- Trade liabilities **decrease** with BGN 8,1 million.
- Total liabilities on bank loans, leasing and factoring of the Group increase by BGN 84,7 million compared to the end of 2018, with the net debt after deduction of cash and cash equivalents increase by BGN 82,8 million.

Current liabilities	31.12.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Short-term bank loans	274 829	242 859	13%	46%
Current portion of long-term bank loans	16 730	14 874	12%	3%
Trade payables	116 407	124 476	-6%	19%
Payables to related parties	7 668	467	1542%	1%
Payables on contract for factoring	24 772	21 791	14%	4%
Payables to the personnel and for social security	10 012	1 196	737%	2%
Payables to personnel and social security	15 418	14 176	9%	3%
Tax payables	7 217	6 675	8%	1%
Other current liabilities	10 999	6 385	72%	2%
	484 052	432 899	12%	81%
TOTAL LIABILITIES	599 500	502 074	19%	100%
TOTAL EQUITY AND LIABILITIES	1 175 272	1 010 603	16.3%	

Cash flow and ratios

- Net cash flows in 2019 generated:
 - by operating activities – BGN 128,4 million outflow;
 - from investment activity – BGN 104,2 million outflow;
 - from financial activity - BGN 235,9 million inflow.
- As a result of these activities, cash and cash equivalents decreased net by BGN 3,2 million and amounted to BGN 27,4 million as at 31 December 2019, compared to BGN 24,1 million as of 1 January 2019.

	31.12.2019	31.12.2018
ROE ¹	15.63%	6.0%
ROA ²	7.4%	2.9%
Asset turnover ³	1,15	1,19
Current liquidity ⁴	1,09	1,22
Quick liquidity ⁵	0,58	0,68
Monetary liquidity ⁶	0,05	0,06
Financial autonomy ⁷	0,96	1,01
	31.12.2019	31.12.2018
Net cash flow from/ (used in) operations	(128 444)	(123 784)
Net cash flow used in investment activities	(104 202)	(41 178)
Net cash flow (used in)/from financial operations	235 879	166 477
Net increase/(decrease) of cash and cash equivalents	3 233	1 515
Cash and cash equivalents on 1 January	24 129	22 614
Cash and cash equivalents on 31 December	27 362	24 129

1 Net profit per annum / average equity for the last five quarters

2 Net profit on an annual basis / average value of total assets for the last five quarters

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

4 Current assets / current liabilities

5 Receivables + Cash / Current liabilities

6 Cash / Current liabilities

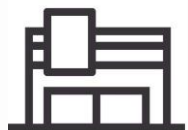
7 Equity / Liabilities



Consolidated financial results for 2019

Production activity: "Sopharma" AD

Production activity and major products – "Sopharma" AD



10 manufacturing plants in line.



More than **200** products: incl. nearly **190** medicinal products and **11** groups of medical devices.

15 traditional products, **12** of the products are plant-based.



Tabex, Carsil and Tempagine make a major contribution to its export market income



Domestic sales are of major importance to the company's generic products is **Analgine**.

Product	Description
Carsil	Traditional product used for the treatment of gastrointestinal diseases (liver diseases).
Tempalgin	Traditional analgesic drug used as a painkiller
Tabex	Traditional product and is used for the treatment of nicotine dependence
Tribestan	Traditional plant-based product that stimulates the functions of the sexual system
Broncholitin	Traditional product used for treatment of diseases affecting respiratory system and causing coughing and catarrhal changes
Analgin	Generic painkiller
Nivalin	Traditional plant-based product used for diseases of the peripheral nervous system
Methyl-prednisolon	Generic lyophilized sterile hospital product used for handling cases of severe allergies and certain life threatening conditions
Vitamin C	Widely used nutritional supplement
Valeriana	Generic non-prescriptional herbal medicine used to reduce stress



Consolidated financial results for 2019

Major subsidiaries

Distribution – Sopharma Trading AD

- The company was established and registered in 1993 as "Sanita Trading" Ltd.
- In 1998 it was transformed into a joint-stock company.
- In 2005 the name of the company became "Sopharma Trading" AD.
- The subject of activity is wholesale and retail trade of medicines and sanitary materials; transport and forwarding activities; purchase, construction and furnishing of real estate for sale; all other commercial transactions not prohibited by law.
- The company strives to diversify its operations so that from a purely distribution company to become a fully integrated provider of comprehensive, innovative and quality healthcare services on the market.

2006 PHARMA DISTRIBUTOR



2018 HEALTHCARE PROVIDER



“Sopharma Trading” AD offers:



15 000 pharmaceuticals products



Complete turnkey solutions for the construction of hospitals.



100% coverage on the territory of Bulgaria and access to any point of the country within 4 hours.

Distribution service through our own fleet of more than **130** vehicles.

Complete logistics solutions for import, storage and distribution of goods to end customers.



More than **3000** clients.

Key highlights:

- **100%** national distribution coverage in Bulgaria and Serbia with four regional distribution centers.
- Daily deliveries to **3,500 pharmacies and 350 medical establishments**.
- The company also offers a **pre-distribution service** - warehousing and logistics services for pharmaceutical products.
- The national logistics coverage in Bulgaria is implemented through **three** bases in Sofia, Varna and Veliko Tarnovo.
- The warehouse of “Sopharma Trading” AD in Sofia is the **most modern** pharmaceutical logistics terminal in Bulgaria.



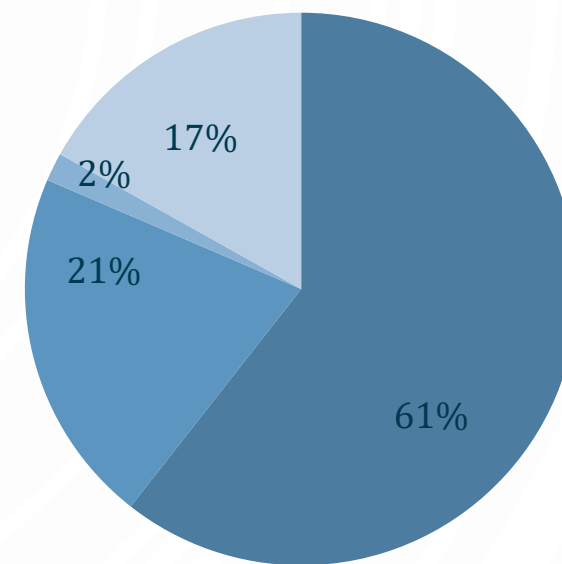
Indicators	1-12/2019 <i>BGN '000</i>	1-12/2018 <i>BGN '000</i>
Revenues from sales	945 806	887 793
Net profit	8 800	8 546
Net profit per share	0.26	0.26
Assets	482 312	418 064
Owners' equity	75 804	62 829
Shares	34 276	32 095

Development

- “Sopharma Trading” AD is actively working to expand its market positions in the various segments in which it operates - hospital and pharmacy.
- In 2015, the Company started the development of its retail chain of pharmacies under the SOpharmacy brand.
- The annual average market growth rate in Europe will be 2-5%.
- The market for medicinal products in developed countries in the EU will grow at a very slow pace (an average of 0.8% annually).
- Major trends in the wholesale drug industry:
 1. Consolidation of participants in this market;
 2. Expanding our own portfolio of products focused on cosmetics and OTC;
 3. Cost minimization in supply chain management;
 4. Digitalization the sector and analyzing Big Data based processes.



Revenues by market



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler

Production activity – “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.



Production activity – 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;
 - tincture production;
 - production of powdered products.



Distribution – SIA Briz, Latviq

- Directions:
 - Distribution of medicines and food supplements;
 - Distribution of cosmetics and perfumery;
 - Registration of medicines in Latvia, Lithuania, Estonia, Belarus, Bulgaria;
 - Presentation of medicines manufactured in third countries in the European Union;
 - Marketing support for products on the mentioned markets;
- The company is developing, successfully and possesses the necessary certificates.
- The mission of the company is to meet the needs of customers in natural, effective and modern medicines and cosmetics, nutritional supplements that improve health and quality of life.
- The main objective of the company is to increase the sales of the portfolio of products of "Sopharma" AD in the markets of Latvia, Lithuania, Estonia and Belarus.





Consolidated financial results for 2019

New products, significant events and risks

New developments and products

- Authorization to use the medicinal product **Norepinephrine 1 mg/ml** concentrate for solution/infusion (Bulgaria, Latvia, Lithuania and Estonia);
- By the end of 2020, it is expected that 3 to 5 new products will be introduced.;
- During the reporting period four food supplement for Bulgaria, Azerbaijan and Lithuania was notified;
- Received **67** Authorizations for the use of medicinal products for new destinations;
- **14** cosmetic products were notified in Georgia (two), Moldova (two), Poland (two), Kazakhstan (two) Ukraine (two), Armenia (two) and Kyrgyzstan (two);
- **16** medical devices are registered in Bulgaria;
- Agency submissions for re-registrations/changes to **81** medicinal products;
- Agreements approved by the agencies **1 219** for medicinal products;
- Submissions to agencies **1 370** changes for medicinal products;
- There is a pharmaceutical development of **17** new medicinal products;
- Translated and validated / optimized are **64** production processes and technologies.



Significant events after the date of preparation of the annual financial statements



- On 10 January 2020, an increase of the capital of the subsidiary “SOpharmacy” EOOD with BGN 18,072 thousand was register.
- On 21 January 2020, the merger of S000 “Brizfarm”, Belarus into 000 “Bellerophon”, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company S000 “Brizfarm” is terminated and all its rights and obligations at the time of the merger are assumed by 000 “Bellerophon”, Belarus.
- On 11 of March 2020, the World Health Organization declared a Corona Virus pandemic, subsequently, each of the governments in the countries where the companies of the Group operate, announced various restrictive measures.
- On 19 March 2020, “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the pharmacy Group "SCS Franchise".
- At the date of preparation of consolidated financial statements, loans granted to an associate and an entity controlled by it have been repaid at the amount of BGN 30,000 thousand.



Future development of “Sopharma” AD



- On the local market, the Group aims to provide patients with more affordable treatment by registering new generic products in shorter terms.
- On the foreign markets, efforts are focused on preserving and increasing the share of the Company in the main markets (Russia, Ukraine and Poland), as well as establishing and expanding market positions in other countries (Middle and Eastern Europe and Caucasus region).
- The Group continues the policy of active partnership with established international pharmaceutical companies, with new companies, as well as expanding the product range of already established collaborations.
- Optimization of product portfolio.



Review the main risks:

1. Declared a Corona Virus pandemic.
2. Significant competition.
3. The Company is dependent on regulatory approvals.
4. The Company's ability to pay dividends depends on a number of factors and there can be no assurance that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.
4. Operational risk, which is inherent to its business activities.
5. The macroeconomic environment has a significant effect on the Group's operations and position.
6. Currency risk - The Company supplies part of its raw and other materials in USD. The currency risk is related to the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.



Thank you for your time and attention!

Investor Relations Department
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