

Sopharma Group

Annual consolidated financial statements for 2018





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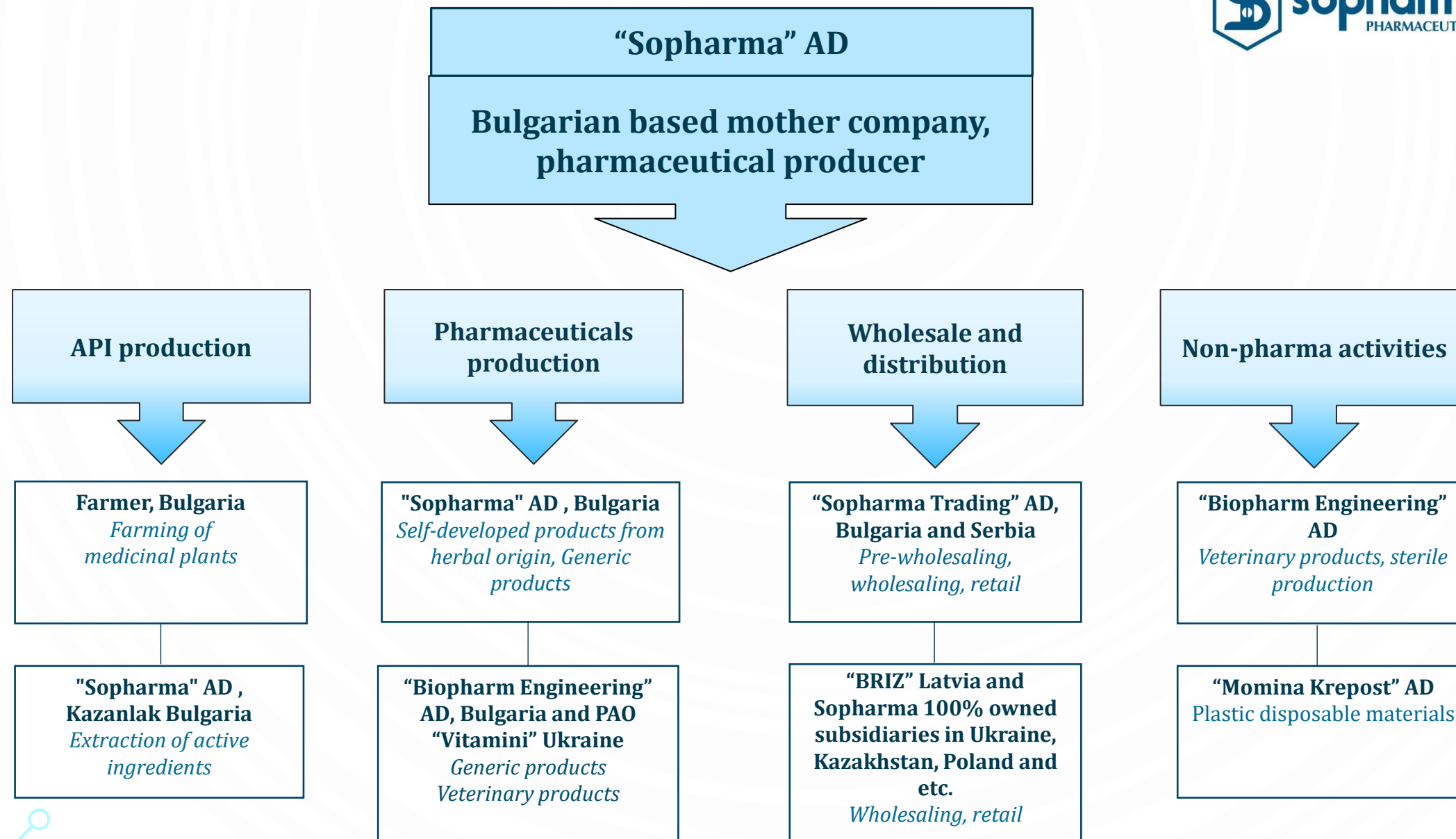
Who are we?

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.

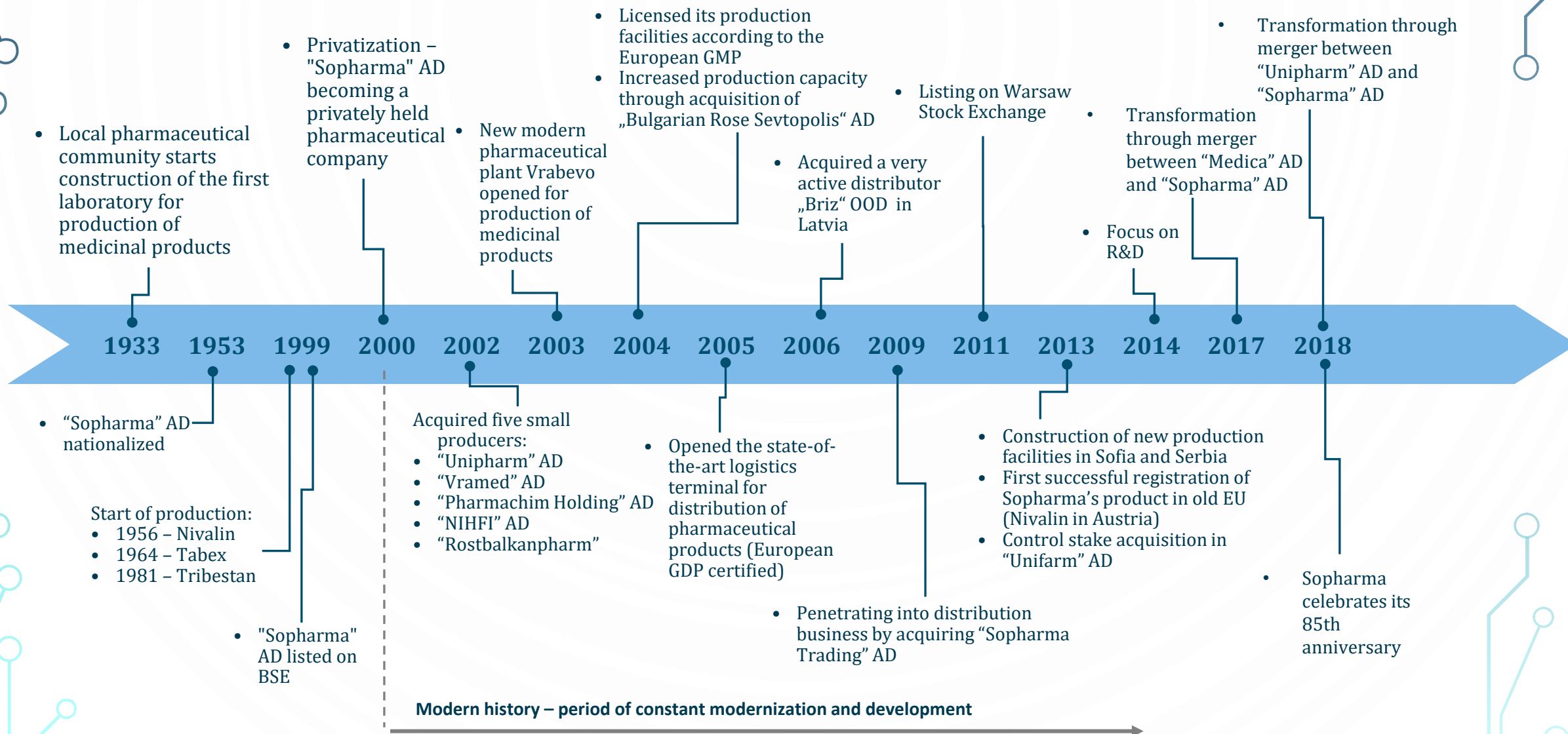
The Group works in the following areas:

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





Brief history and key milestones:





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Our business

Sopharma Group



**№1 manufacturer of
ampules and suppositories**



**More than 210
products**



**12
manufacturing plants**



**52 subsidiaries and
1 associated company, 1
joint venture**



**Company with established
traditions and experience**



**employees
5 075**



**Revenues
BGN 1 179 143
thousand**



**EBITDA
BGN 72 278
thousand**



**134 797 899
shares**

Key financial indicators



Sales revenues increase with 15.9%



EBITDA decreases with 15.9%



Operating profit decreases with 29.9%



Net profit decreases with 33.1%



Capex increases with 30%

Indicators	1-12/2018	1-12/2017
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenues	1 179 143	1 017 105
EBITDA	72 278	85 944
Operating profit	39 143	55 836
Net profit	30 637	45 772
CAPEX**	36 414	28 015
	31.12.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	480 688	468 369
Current assets	529 915	512 364
Owners' equity	508 529	503 110
Non-current liabilities	69 175	80 061
Current liabilities	432 899	397 562

“Sopharma” AD as a partner



Team work



Experience



Partner in success

Our company offers a large variety of CM services:

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

Sopharma offers manufacturing of different dosage forms:

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

Personnel



5 075
workers and
employees

- As at December 31, 2018, the average number of employees of Sopharma Group is 5 075 (compared to 4 895 in 2017). The average number of employees of “Sopharma” AD as at December 31, 2018 is 2 085 (compared to 2 182 in 2017) and of “Sopharma Trading” AD is 820 (compared to 749 in 2017).



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Management, shares and dividends

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 of the Board of directors

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 of the BoD

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 Of the BoD

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

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

Shareholder structure at December 31, 2018

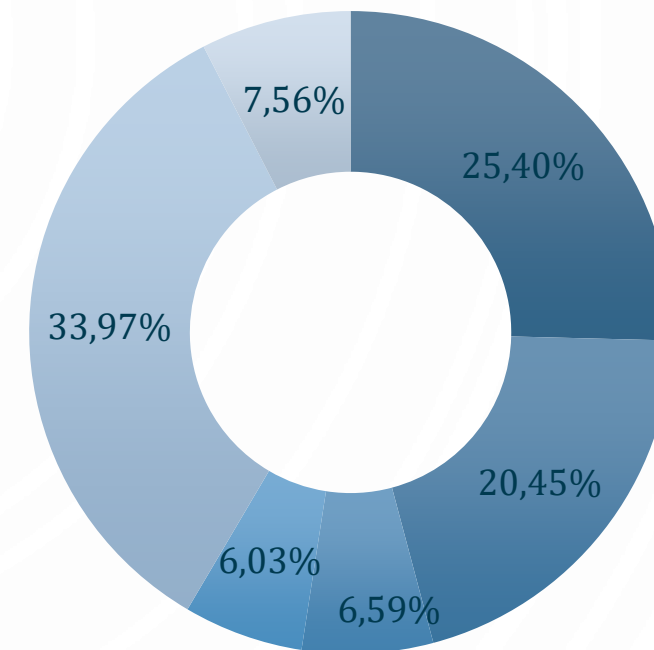


134 797 899 shares with nominal value
BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – directly **1 391 129** shares, **1.03%** of capital and indirectly **34 240 629** shares, **25.40%** through “Donev Investments Holding” AD
- Ognian Palaveev – **187 520** shares, **0.14%** of capital
- Alexander Tchaoushev – **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
- Physical persons

Information about the shares



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



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



Key indicators of the shares of “Sopharma” AD

	31.12.2018	31.12.2017
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 798 842	128 901 614
Number of shares outstanding at the end of the period	125 916 563	125 764 919
Net earnings per share in BGN 1	0,225	0,310
Price per share at the end of the period in BGN	3,517	4,282
Price/Earnings ratio (P/E)	15,63	13,81
Book value per share in BGN 2	3,78	3,74
Price/Book value ratio (P/B)	0,93	1,14
Sales per share in BGN 3	9,36	8,09
Price per share / Sales per share(P/S)	0,37	0,53
Market capitalization in BGN	474 724 305	577 204 604

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 Revenue from sales for the last four quarters / number of outstanding shares at the end of the period

Dividend policy

- “Sopharma” AD introduces the payment of a 6-month dividend in 2018 for the first time.
- “Sopharma Trading” AD has a solid dividend policy, the payment is still over 50% from the achieved positive financial result.

Dividend per share in BGN

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

Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018
"Sopharma" AD	28%	23%	23%	27%	none	37%	36%	30%	28%
"Sopharma Trading" AD	75%	85%	91%	91%	82%	82%	74%	70%	55%



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Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



2015 2016 2017 2018

GDP per capita

BGN 15,660 (€ 7,990)

GDP growth 2018 and 2017

3.4% growth

Currency

BGN fixed to the euro from 1998

(€ 1 = BGN 1,96)

Health budget 2018:

BGN 5 billion

Pharmaceutical industry:

99% private



Area

111.000 km²

Population

7.000 million

Member of EU

since 2007

Source: NSI 2018

Sales revenues from products



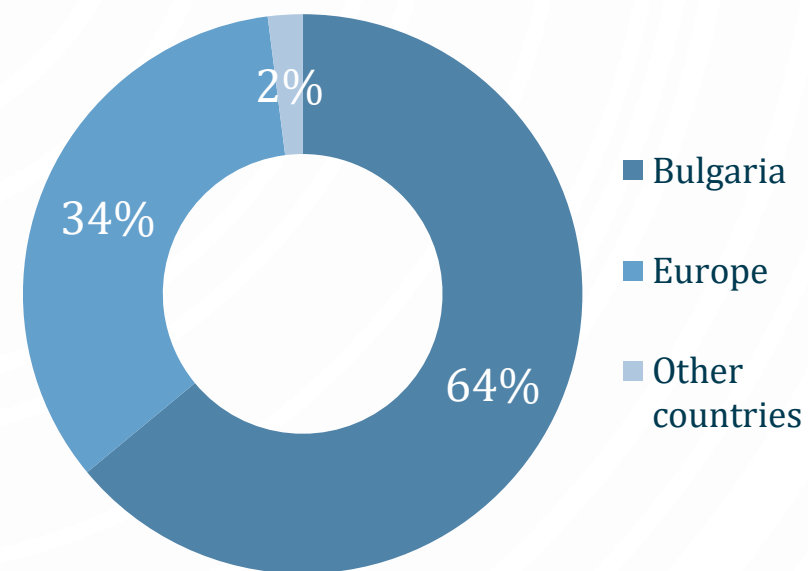
- **Sales revenues of the Group** increase with BGN 162 million or 16%, reaching BGN 1,179 million in 2018 compared to BGN 1,017 million in 2017.

- **Europe**

Revenues from sales of the Group in Europe amount to 34% of total consolidated sales revenues for 2018 and increase with 33% compared to 2017.

- **Bulgaria**

The contribution of sales in Bulgaria to the consolidated sales revenue in 2018 amounted to 64%, increasing by 9% compared to 2017. Sopharma has a 3.4% share on the Bulgarian pharmaceutical market in terms of value and a 11.3% share in terms of solid quantity -units.

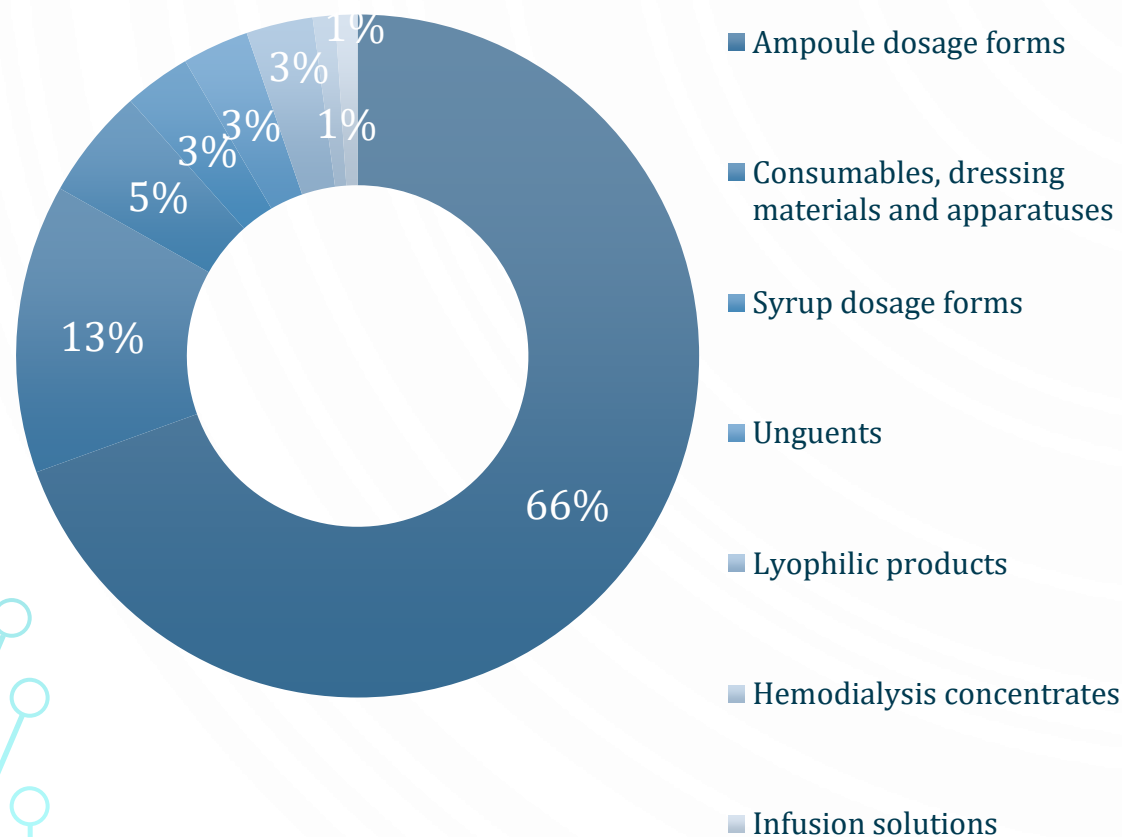




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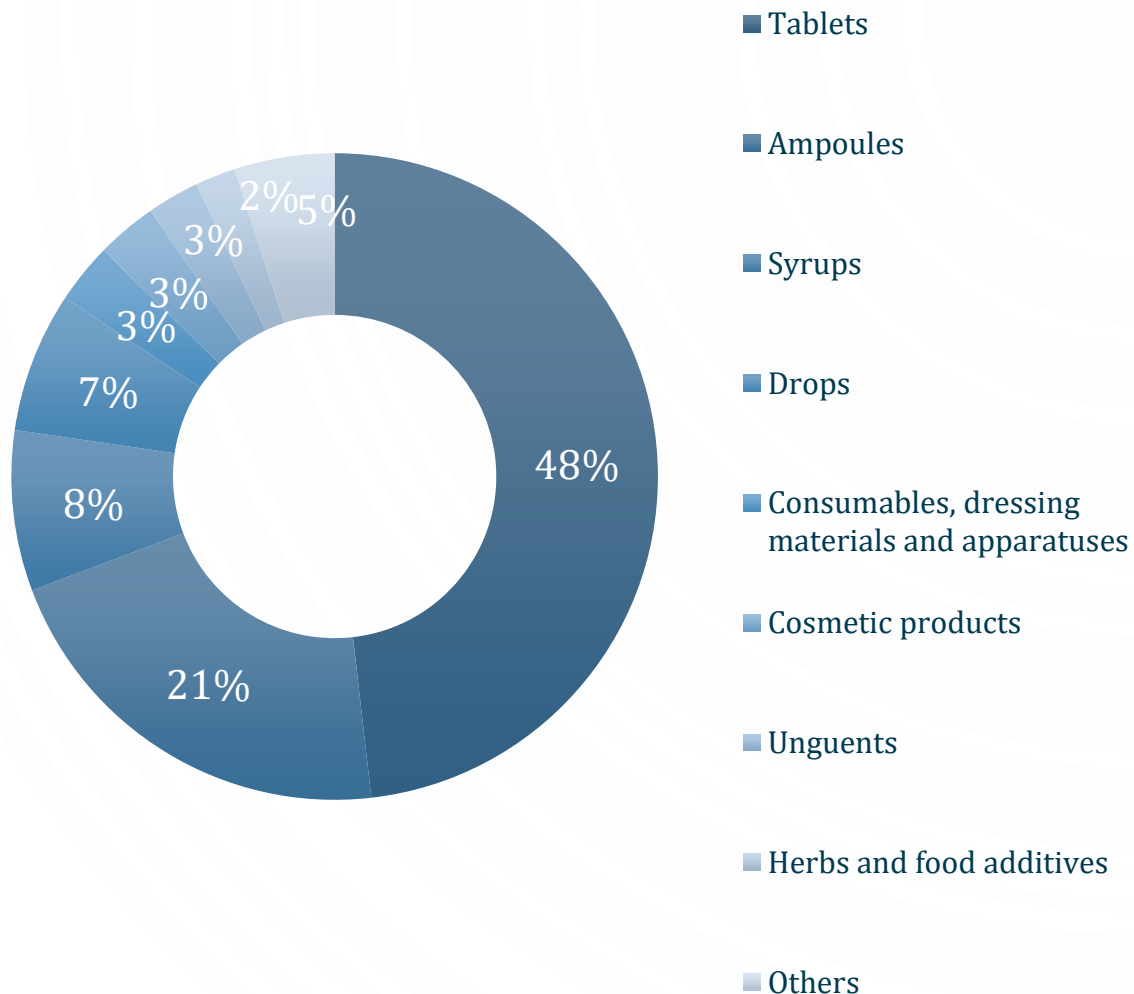
Key financial indicators of Sopharma Group

Revenue from sales of finished products



Revenue from sales of finished products	2018 BGN '000	2017 BGN '000	Change %
Tablets	166 405	165 907	0%
Ampoules	33 880	33 723	0%
Consumables, dressings materials and apparatus	11 546	9 896	17%
Syrups	8 689	10 381	-16%
Unguents	8 294	8 792	-6%
Lyophilic	6 736	6 807	-1%
Hemodialysis concentrates	1 945	1 824	7%
Infusion solutions	1 569	1 704	-8%
Other	11 745	10 496	12%
Total	250 809	249 530	0.5%

Revenue earned from sale of goods



Revenue earned from sale of goods	2018 BGN '000	2017 BGN '000	Change %
Tablets	448 473	371 712	21%
Ampoules	196 366	182 017	8%
Syrups	77 354	51 514	50%
Drops	62 419	33 637	86%
Consumables, dressing materials and apparatuses	31 240	26 743	17%
Cosmetic products	29 063	14 372	102%
Unguents	24 305	23 881	2%
Herbs and food additives	16 851	13 228	27%
Others	42 263	50 471	-16%
Total	928 334	767 575	21%

Other operating income

- **Other operating income** increase by BGN 5,1 million, reaching BGN 11,8 million in 2018 compared to BGN 6,7 million in 2017 due to a increase in services rendered with BGN 2,4 thousand, written-off liabilities with BGN 1,3 thousand and decrease of net losses from exchange rate differences under trade receivables and payables and current accounts with BGN 1,2 million.



Other operating income	2018 BGN '000	2017 BGN '000	Change %
Services rendered	7 675	5 246	46%
Written-off liabilities	1 400	129	985%
Services related to social activities and events	910	874	4%
Government grants	889	1 156	-23%
Rents	822	909	-10%
Loss from change in the fair value of investment property	613	309	98%
Income from sales of LTA	446	346	29%
Income from sales of inventories	133	94	41%
Net loss from exchange rate differences under trade receivables and payables and current accounts	(1 688)	(2 924)	-42%
Other	637	545	17%
Total other operating income	11 837	6 684	77%

Operating expenses



- Operating expenses in 2018 increase by BGN 183,9 million or by 19% from BGN 967,9 million in the 2017 to BGN 1 151,8 million in 2018.
- The cost of materials increase by BGN 1,2 million or 1% to BGN 91,3 million in 2018 compared to BGN 90,1 million in 2017.
- External services expenses increase by BGN 12,4 million or by 19% to BGN 75,9 million for 2018.
- Personnel costs increase by BGN 18 million or by 18% to BGN 119,4 million in 2018.
- Depreciation costs increase by BGN 3 million or 10% from BGN 30,1 million in 2017 to BGN 33,1 million in 2018.
- Other operating expenses increase by BGN 3,8 million or 33% from BGN 11,5 million in 2017 to BGN 15,3 million.

Operating expenses	2018	2017	Change	Rel. share of expenses 2018
	<i>BGN '000</i>	<i>BGN '000</i>	%	%
Changes in inventories of finished goods and work in progress	(8 773)	(8 741)	0%	
Materials	91 303	90 153	1%	9%
Hired services	75 897	63 546	19%	7%
Personnel	119 441	101 424	18%	10%
Depreciation and amortization	33 135	30 108	10%	3%
Carrying amount of goods sold	825 571	679 951	21%	70%
Other operating expenses	15 263	11 512	33%	1%
Total	1 151 837	967 953	19%	100%

Financial income

Financial incomes decrease by BGN 4,3 million to BGN 4 million in 2018 compared to BGN 8,3 million in 2017, mainly due to an decrease in net profit from investment securities transactions by BGN 3 million and decrease of interest income interest on overdue trade receivables by BGN 1,4 million.

Finance income	2018	2017	Change	Rel. share of expenses in 2018
	BGN '000	BGN '000	%	%
Income from interest on overdue trade receivables	2 616	4 026	-35%	65%
Income from interest on loans granted	1 167	1 213	-4%	29%
Net gain from exchange rate differences on receivables resulting from sales of a subsidiary	152	-	100%	4%
Income from dividends	96	155	-38%	2%
Interest income on bank deposits in securities	3	10	-70%	0%
Net gain on investment securities transactions receivables	-	2 965	-100%	0%
Total	4 034	8 369	-52%	100%

Financial expenses

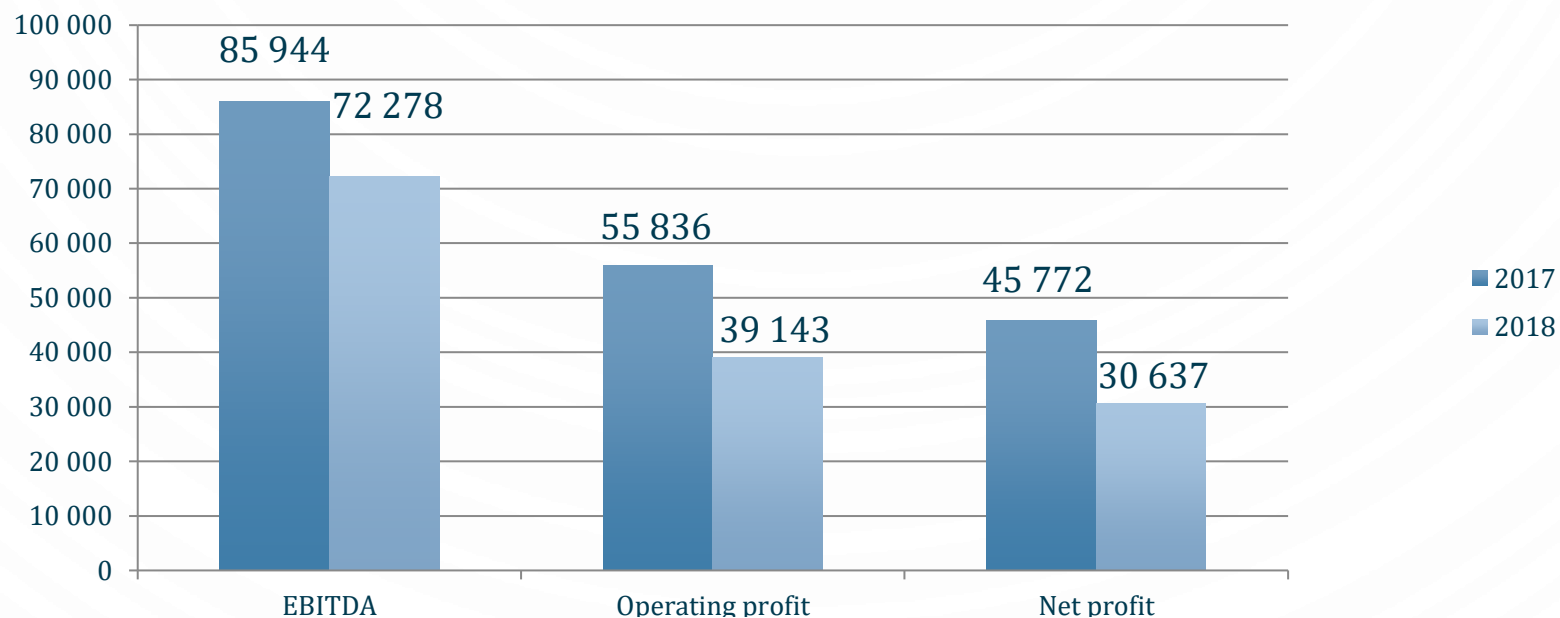
Financial expenses decreased by BGN 1,9 million from BGN 11,6 million in 2017 to BGN 9,7 million in 2018. The most significant decrease is reported in interest expense on loans received by BGN 2,3 million.

Financial expenses	2018	2017	Change	Rel. share
	BGN '000	BGN '000	%	2018
Interest expenses on loans	7 233	7 084	2%	74%
Bank fees on loans and guarantees	753	814	-7%	8%
Net loss on exchange rate differences on loans in foreign currencies	565	2 904	-81%	6%
Impairment of cash in banks under special supervision	528			5%
Factoring interest costs	374	348	7%	4%
Impairment on commercial loans granted	133	125	6%	1%
Interest expense on finance lease	84	272	-69%	1%
Derivatives effects	47	74	-36%	0%
Investment intermediation fees	-	6	-100%	0%
Impairment of available-for-sale investments	-	4	-100%	0%
Net loss from investments in securities	11	-	100%	0%
Total	9 728	11 631	-16%	100%

Financial result of the activity



- **Profit before interest, taxes and depreciation EBITDA** decreases by BGN 13,6 million or by 16%, reaching BGN 72,3 million in 2018, compared to BGN 85,9 million in 2017.
- **Profit from operating activities** decreases by BGN 16,7 million or 30% to BGN 39,1 million in 2018 compared to BGN 55,8 million in 2017.
- **Net profit** decreases by BGN 15,1 million or by 33% to BGN 30,6 million in 2018 compared to BGN 45,8 million in 2017.



Assets

- **Total assets** increase by BGN 39,9 million or by 3%, from BGN 1 010,6 million as at 31 December 2018 to BGN 980,7 million as at 31 December 2017 mainly due to an increase in non-current and current assets.
- **Non-current assets** increase by BGN 12,3 million or 3%, mainly due to an increase in property, plant and equipment, long-term receivables from related companies and other long-term receivables.
- **Current assets** increase by BGN 17,6 million or 3%, to BGN 530 million as at 31 December 2018 compared to BGN 512,4 million as at 31 December 2017.

Assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change %	Rel. share 2018 %
Non-current assets				
Property, plant and equipment	324 525	317 620	2%	68%
Intangible assets	62 195	63 449	-2%	13%
Goodwill	23 516	23 147	2%	5%
Investment property	10 427	9 811	6%	2%
Investments in associated companies and joint ventures	20 383	19 536	4%	4%
Other long - term equity investments	8 598	7 982	8%	2%
Long-term receivables from related parties	23 055	20 599	12%	5%
Other long-term receivables	6 399	4 883	31%	1%
Deferred tax assets	1 590	1 342	18%	0%
	480 688	468 369	2.6%	48%
Current assets				
Inventories	235 763	218 109	8%	44%
Trade receivables	235 911	235 193	0%	45%
Receivables from related parties	9 942	4 694	112%	2%
Other receivables and prepayments	22 717	21 040	8%	4%
Cash and cash equivalents	25 582	33 328	-23%	5%
	529 915	512 364	3.4%	52%
TOTAL ASSETS	1 010 603	980 733	3.0%	100%

Owner`s equity and liabilities – non-current liabilities



- **The equity of Sopharma Group** increases by BGN 5,4 million compared to 31 December 2017, mainly due to an increase in retained earnings and reserves.
- **Non-current liabilities** decreases by BGN 10,9 million or 14%, from BGN 80,1 million at the end of 2017 to BGN 69,2 million at the end of 2018, mainly from an decrease in long-term bank loans with BGN 9,4 million, deferred tax liability with BGN 1,9 million and government grants by BGN 0,8 million.

EQUITY	31.12.2018	31.12.2017	Change	Rel. share
	BGN '000	BGN '000	%	from owners equity 2018
Equity attributable to owners of the parent company				
Share capital	134 798	134 798	0%	27%
Reserves	55 661	53 576	4%	11%
Retained earnings	285 101	281 509	1%	56%
	475 560	469 883	1%	94%
NON-CONTROLLING INTEREST	32 969	33 227	-1%	6%
TOTAL EQUITY	508 529	503 110	1%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	41 124	50 526	-19%	8%
Deferred tax liabilities	11 781	13 704	-14%	2%
Long-term liabilities to personnel	6 015	5 458	10%	1%
Finance lease liabilities	2 486	1 950	27%	0%
Government grants	7 470	8 250	-9%	1%
Other non-current liabilities	299	173	73%	0%
	69 175	80 061	-14%	14%

Current liabilities

- **Increase:**

- short-term loans by banks with BGN 48,7 million;
- long-term bank loans by BGN 0,4 million;
- personnel and social security liabilities increased by BGN 1,3 million;
- factoring liabilities by BGN 2,4 million.

- **Decrease:**

- commercial liabilities by BGN 10,7 million;
- tax liabilities by BGN 0,7 million;
- other current liabilities by 5,7 million.

Total liabilities on bank loans, leasing and factoring of the Group increases by BGN 42,6 million compared to the end of 2017, with the net debt after deduction net of cash and cash equivalents increases by BGN 50,4 million.

Current liabilities	31.12.2018 BGN '000	31.12.2017 BGN '000	Change %	Rel. share 2018
Short-term bank loans	242 859	194 165	25%	48%
Current portion of long-term bank loans	14 874	14 478	3%	3%
Trade payables	124 476	135 168	-8%	25%
Payables to related parties	467	757	-38%	0%
Payables on contract for factoring	21 791	19 403	12%	4%
Payables to the personnel and for social security	14 176	12 895	10%	3%
Tax payables	6 675	7 375	-9%	1%
Other current liabilities	7 581	13 321	-43%	2%
	432 899	397 562	9%	86%
	502 074	477 623	5%	100%
TOTAL EQUITY AND LIABILITIES	1 010 603	980 733	3.0%	

Cash flow and ratios

- Net cash flows in 2018 generated by operating activities amounted to BGN 123,8 million outflow, from investment activity amounted to BGN 41,2 million outflow and from financial activity amounted of BGN 166,5 million inward flow. As a result of these activities, the cash and cash equivalents net increased by BGN 1,5 million and as at 31 December 2018 amounted to BGN 24,1 million compared to BGN 22,6 million at 1 January 2018.

	31.12.2018	31.12.2017
ROE ¹	6.0%	8.5%
ROA ²	2.9%	4.4%
Asset turnover ³	1,19	1,12
Current liquidity ⁴	1,22	1,29
Quick ratio ⁵	0,68	0,71
Cash/current liabilities ⁶	0,06	0,06
Owners' equity/liabilities ⁷	1,01	1,05
	31.12.2018	31.12.2017
	BGN '000	BGN '000
Net cash flows from operating activities	(123 784)	(58 344)
Net cash flow used in investment activities	(41 178)	(76 807)
Net cash flow (used in)/from financial operations	166 477	135 426
Net increase/(decrease) of cash and cash equivalents	1 515	275
Cash and cash equivalents on 1 January	22 614	22 339
Cash and cash equivalents on 31 December	24 129	22 614

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



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Production activity: "Sopharma" AD

Production activity and major products – "Sopharma" AD



12 manufacturing facilities.



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

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



Tabex, **Carsil** and **Tempalgin** make a major contribution to the company's export revenues.



The generic product **Analgin** is of major importance to the company's domestic sales.

Product	Description
Carsil	Traditional phyto-product used for the treatment of gastrointestinal diseases (liver diseases).
Tempalgin	Traditional drug used as a painkiller.
Tabex	Traditional phyto-product used for the treatment of nicotine dependence.
Tribestan	Traditional phyto-product that stimulates the sexual functions.
Broncholitin	Traditional product used for treatment of diseases affecting the respiratory system and causing coughing and catarrhal changes.
Analgin	Generic painkiller.
Nivalin	Traditional phyto-based product used for the treatment of 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-prescription herbal medicine used to reduce stress.



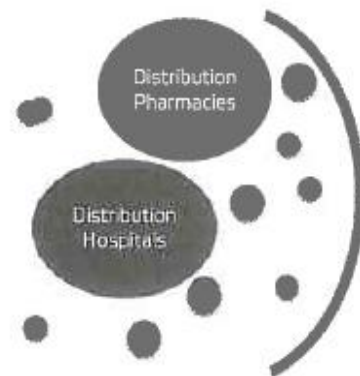
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Major subsidiaries

Distribution – „Sopharma Trading“ AD

- The company was established and registered in 1993 as "Sanita Trading" OOD.
- 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.



Turnkey solutions for 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	2018 <i>BGN '000</i>	2017 <i>BGN '000</i>
Revenues from sales	887 793	721 387
Net profit	8 546	9 740
Net profit per share	0,26	0,28
Assets	418 064	401 690
Owners' equity	62 829	65 371
Shares	32 905	32 905

Management and shares



BGN **34 276 050** share capital



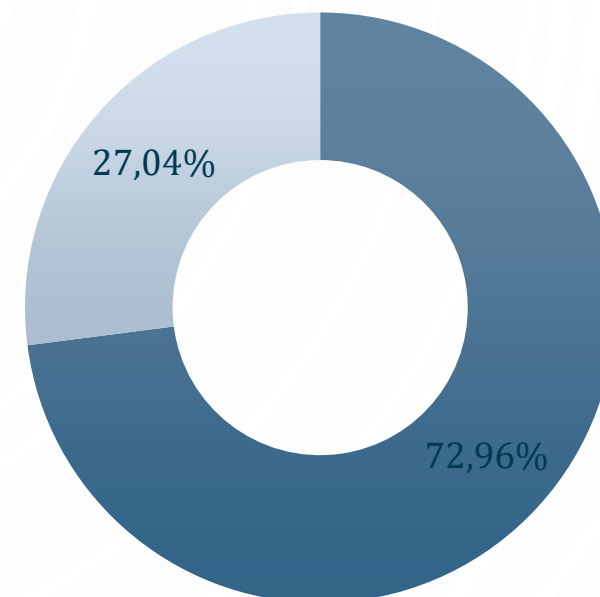
Ordinary registered shares with value of BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – Chairman – 955 521 shares, 2.90% of capital.
- Dimitar Dimitrov – member and Executive Director – 224 102 shares, 0.68% of capital.

Shareholder structure as at 31.12.2018



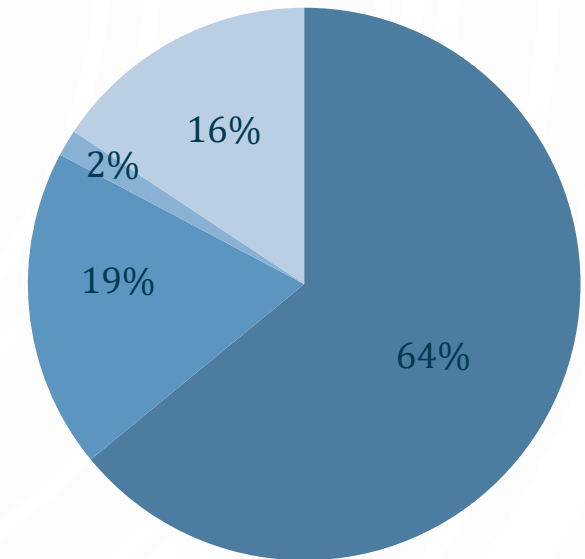
- "Sopharma" AD
- Physical persons, under 5%

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.



Sales by clients group



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler

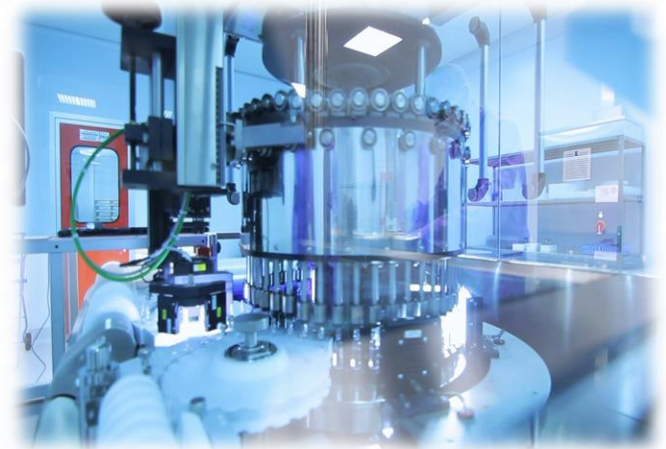


Annual consolidated financial statements for 2018

New products, significant events and risks

New developments and products

- Marketing Authorization was obtained for a new medicinal product - Tuspan syrup in Poland.
- For the period January – December there are no new medicinal products introduced into production.
- By the end of 2018, 3 to 6 new medicinal products are expected to be implemented.
- 10 new cosmetic products have been notified in Bulgaria. 2 cosmetic products are registered in Ukraine.
- 8 food supplements have been notified in Bulgaria, 9 food supplements are registered in Ukraine, Poland, Armenia and Georgia.
- 401 medical supplies were registered in Bulgaria and Moldova.
- Submission of documentation for the renewal of the Marketing Authorizations for 76 medicinal products to agencies.
- 861 changes for medicinal products approved by agencies.
- 1107 changes made for medicinal products to the agencies.
- There is a pharmaceutical development of 15 new medicinal products.
- 19 medicinal products have been transferred / undergoing transfer and 19 manufacturing processes / technologies have been validated / optimized.



Significant events during the reported period



- On 2 January 2019, the merger of OO Meddend, Belarus with B000 SpecApharmacia, Belarus was registered.
- On 15 January 2019, an agreement was signed for the acquisition of a 30% non-controlling stake of the subsidiary Sopharma Trading AD in the capital of Lekovit O.O.
- As at 30 January 2019 the share participation of ZUPF Allianz Bulgaria in the capital of Sopharma AD reached 5.09%.
- On 31 January 2019, the company received a valid production / import authorization for medicinal products № BG / MIA - 0081 from the Bulgarian Drug Agency, which includes the merged subsidiary Unipharm AD.
- On 15 February 2019, Sopharma AD sold 253,000 shares of the capital of Momina Krepost AD and after the transaction was completed the share of Sopharma AD in the capital of Momina Krepost AD dropped from 93.56% to 78.60%.
- On 27 February 2019 and 18 March 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 February 2019 in the Commercial Register is registered "Sopharmacy 18" EOOD with sole owner of the capital "Sopharmacy" EOOD.
- On 7 March 2019, through its subsidiary S000 Britetrade, Belarus, the Group acquired a 25% stake in OSB Bellerofon, Belarus, as a result of which the parent acquires control and the company is classified as a subsidiary.
- As of 29 March 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 dropped below 75% - from 78.60% (1 329 212 shares) to 71.11% (1 202 590 shares).
- As of 2 April 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).



Review the main risks

1. Significant competition.
2. Part of Sopharma Trading's revenues in Bulgaria is generated by sales to state hospitals, which predetermines a high degree of business risk;
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.
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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