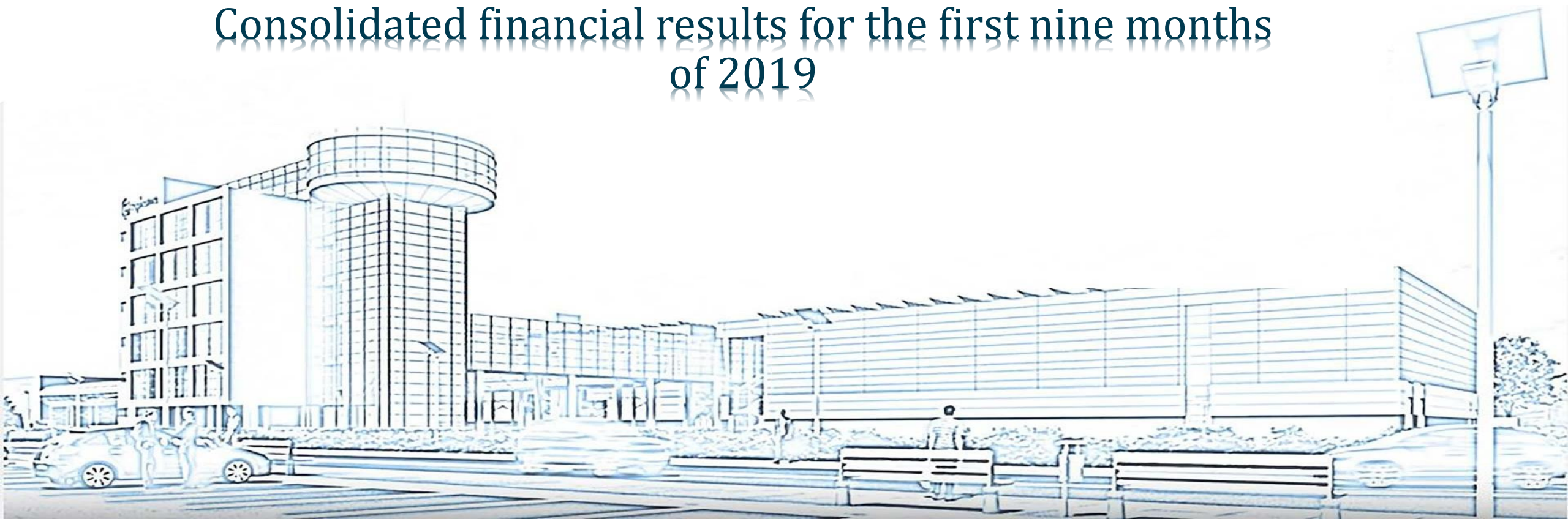


Sopharma Group

Consolidated financial results for the first nine months
of 2019



Content:

- 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 the first nine months of 2019

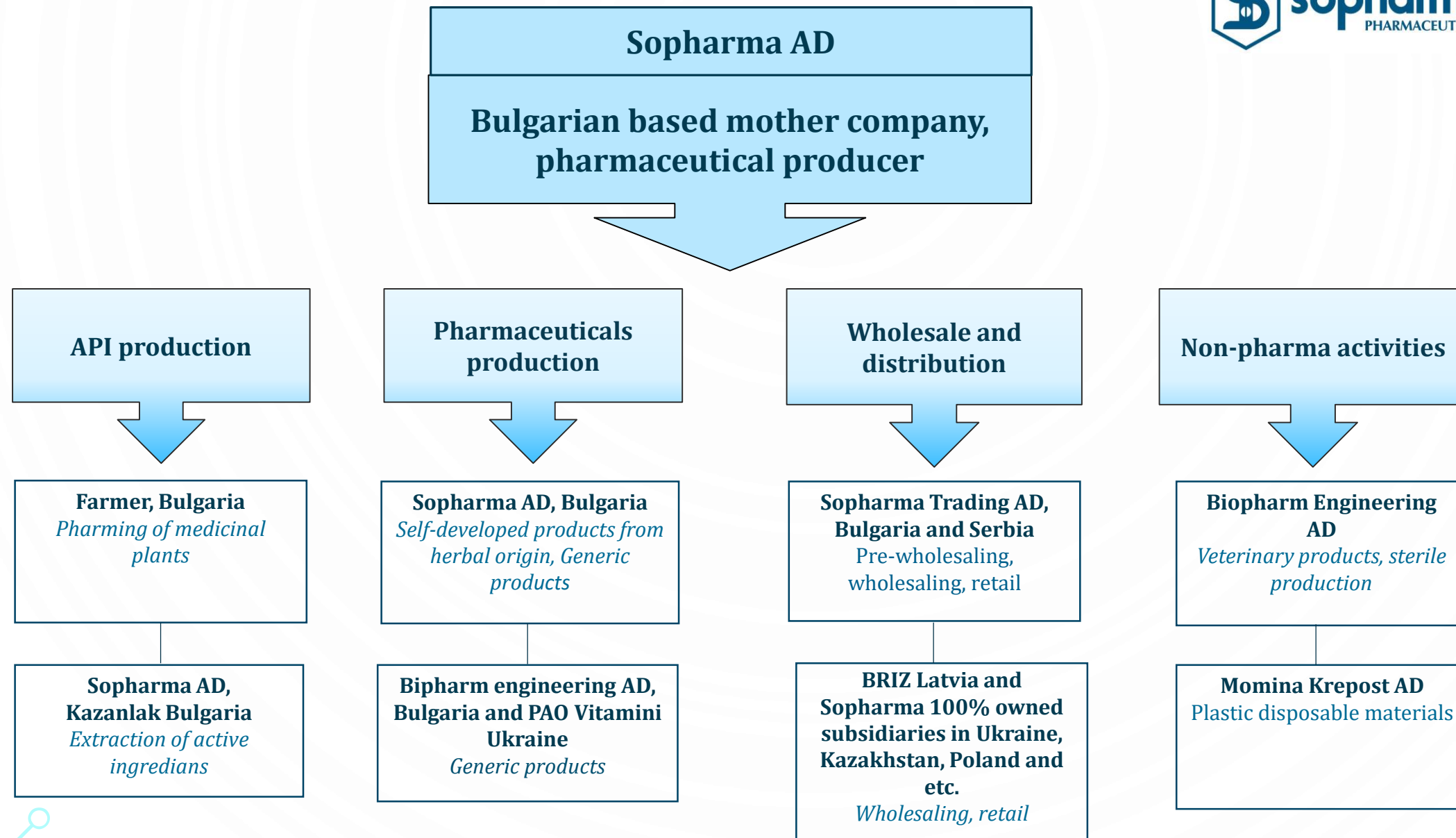
Who are we?

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.

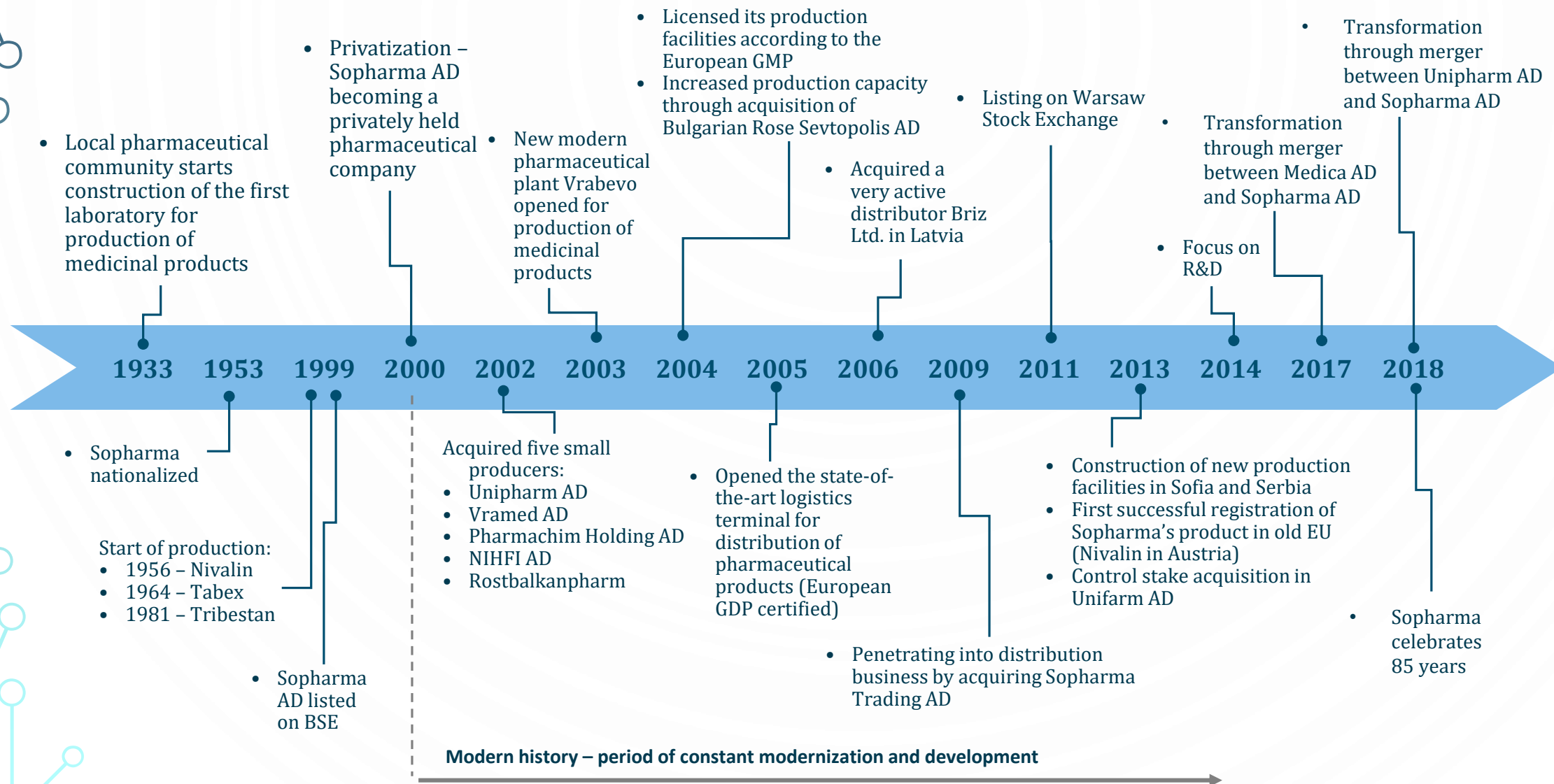
The Group works in the following areas:

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





Brief history and key milestones:





Consolidated financial results for the first nine months of 2019

Our business

Sopharma Group



**50 subsidiaries and
1 associated company**



**№1 manufacturer of
ampules and
suppositories**



**More than 210
products**



**Company with established
traditions and experience**



**12
manufacturing plants**



5 099 employees



**Revenues
BGN 924 776**



**EBITDA
BGN 73 603**



**134 797 899
shares**

Key financial indicators



Sales from revenues **increase with 7.4%**



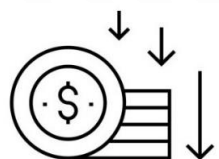
EBITDA **increase with 24.9%**



Operating profit **increase with 20%**



Net profit **increase with 30%**



Capex **increase with 135.7%**

Indicators	1-9/2019 BGN '000	1-9/2018* BGN '000
Sales revenues	924 776	860 863
EBITDA	73 603	58 939
Operating profit	40 989	34 169
Net profit	36 867	28 370
CAPEX**	43 297	18 367
	30.09.2019	31.12.2018
Non-current assets	597 463	480 688
Current assets	553 998	529 915
Owners' equity	536 043	508 529
Non-current liabilities	110 472	69 175
Current liabilities	504 946	432 899
Ratios	1-9/2019	1-9/2018*
EBITDA / Sales revenues	8,0%	6,8%
Operating profit/ Sales revenues	4,4%	4,0%
Net profit/ Sales revenues	4,0%	3,3%
	30.09.2019	31.12.2018
Borrowed capital/Owners' equity	1,15	1,16
Net debt**/ EBITDA	4,73x	5,22x

Sopharma 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



5 099

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 professional competences and information concerning the requirements for health and safety at work.
- Employees are entitled to higher additional remuneration required by applicable law for overtime, night shifts and work on Saturdays, Sundays and holidays.



Consolidated financial results for the first nine months of 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 September 30, 2019

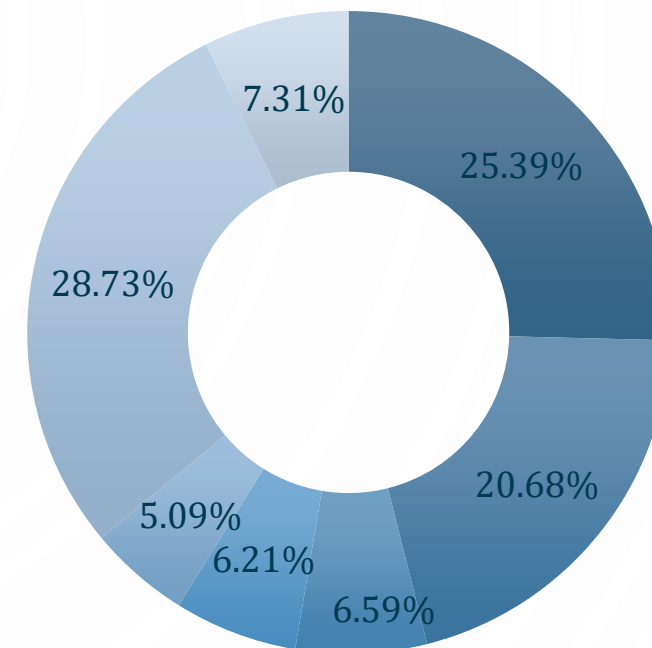


134 797 899 shares with nominal BGN 1



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – **1 446 438** shares, **1.07%** of capital and indirectly 34 222 102 shares through Donev Investments Holding AD
- Ognian Palaveev – **187 520** shares, **0.14%** of capital
- Alexander Tchaouchev – **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 Allianz 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 Shares Market and on the official market of the Warsaw Stock Exchange.



	30.09.2019	30.06.2019
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 923 829	125 883 137
Number of shares outstanding at the end of the period	125 916 067	125 916 249
Earnings per share in BGN ¹	0,279	0,240
Price per share at the end of the period in BGN	3,383	3,410
Price/Earnings ratio (P/E)	12,13	14,21
Book value per share in BGN ²	4,07	3,97
Price/Book value ratio (P/B)	0,83	0,86
Sales per share in BGN ³	9,87	9,70
Price per share / Sales per share(P/S)	0,34	0,35
Market capitalization in BGN	456 021 292	459 660 836

Dividend policy

- Sopharma AD is among the first companies to pay a dividend for the first 6 months of 2018.
- Sopharma Trading AD has a solid dividend policy, the payment is still over 70% 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
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%	няма	37%	36%	30%	28%
Sopharma Trading AD	75%	85%	91%	91%	82%	82%	74%	70%	55%



Consolidated financial results for the first nine months of 2019

Key markets

Key markets

Demography and key economic indicators

GDP (BGN million)



GDP per capita
BGN 15.344 (€ 7.829)

GDP growth 2018 and 2017
3.1% 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 53%.

In 2018 for medicines were paid:
BGN 2.5 billion

Growth in the pharmacy market 2018 and 2017:
4.8%

BGN 685 billion from sales for the leader in the wholesale trade of Sopharma Trading AD.

Pharmaceutical industry:
99% PRIVATE



Area
111.000 km²

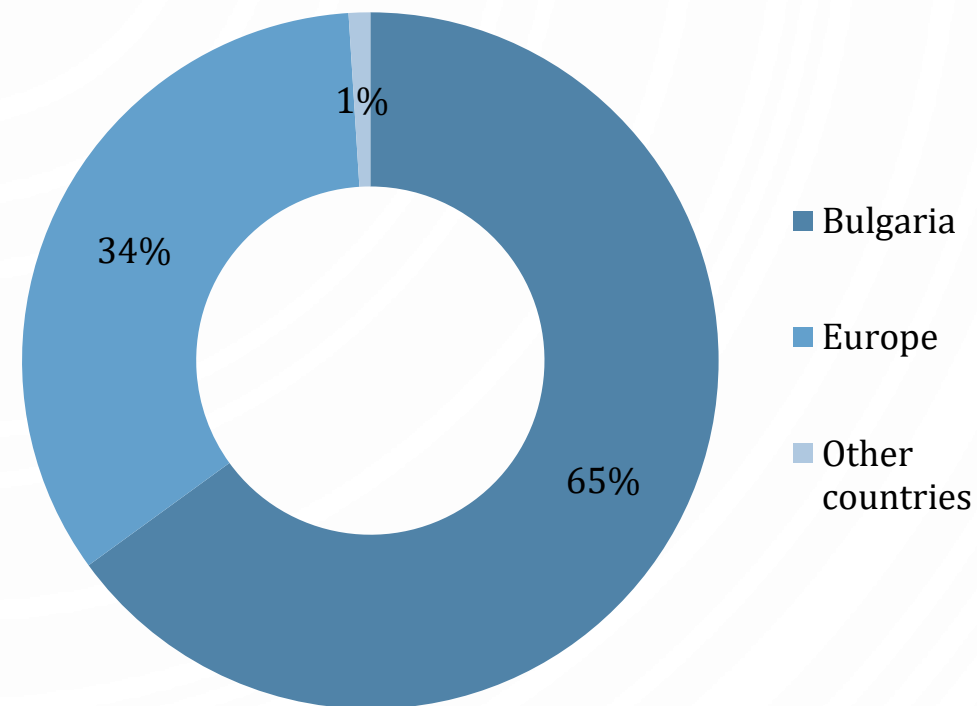
Population
7.102 million

Member of EU
since 2007

Source: NSI 2017

Sales revenues from products

- **Sales revenues from products** -increase by BGN 63,9 million or 7%, to BGN 924,8 million for the third quarter of 2019.
- **Europe** - increase by 9% for the third quarter of 2019.
- **Bulgaria** - the sales on the domestic market increase with 8%. Sopharma AD has a 3% share of the total Bulgarian pharmaceutical market in value and 10.7% of sales in volume.





Consolidated financial results for the first nine months of 2019

Key financial indicators of Sopharma Group

Key financial indicators



Sales from revenues **increase with 7.4%**



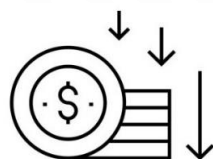
EBITDA **increase with 24.9%**



Operating profit **increase with 20%**



Net profit **increase with 30%**

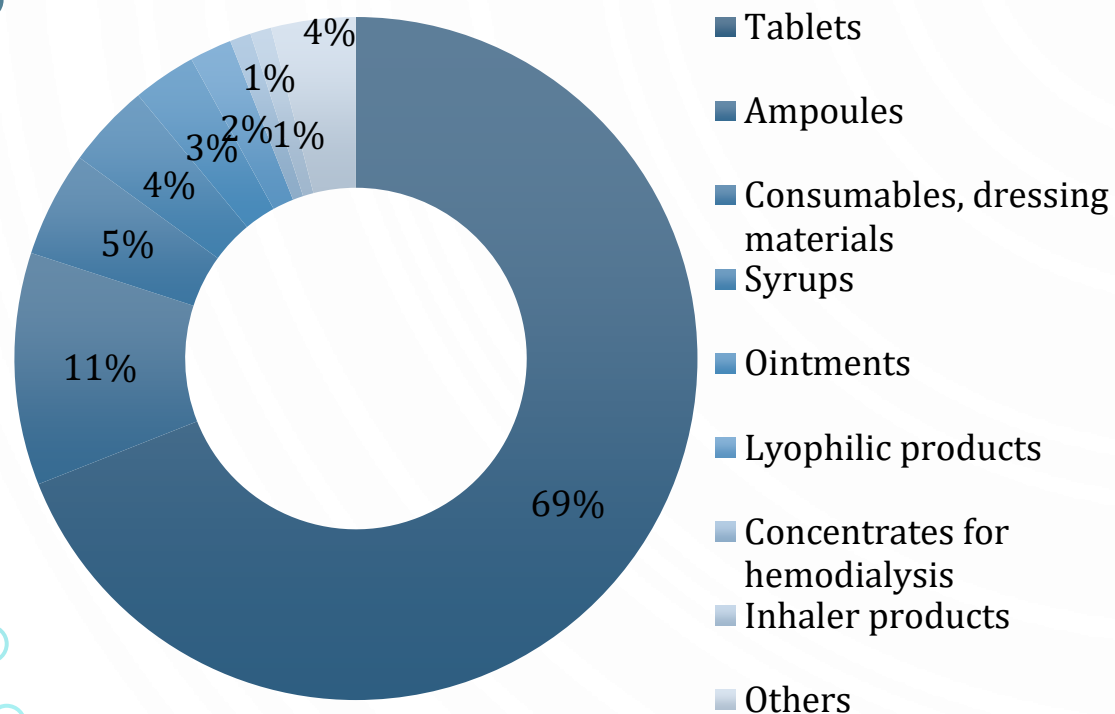


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Net debt**/ EBITDA	4,73x	5,22x

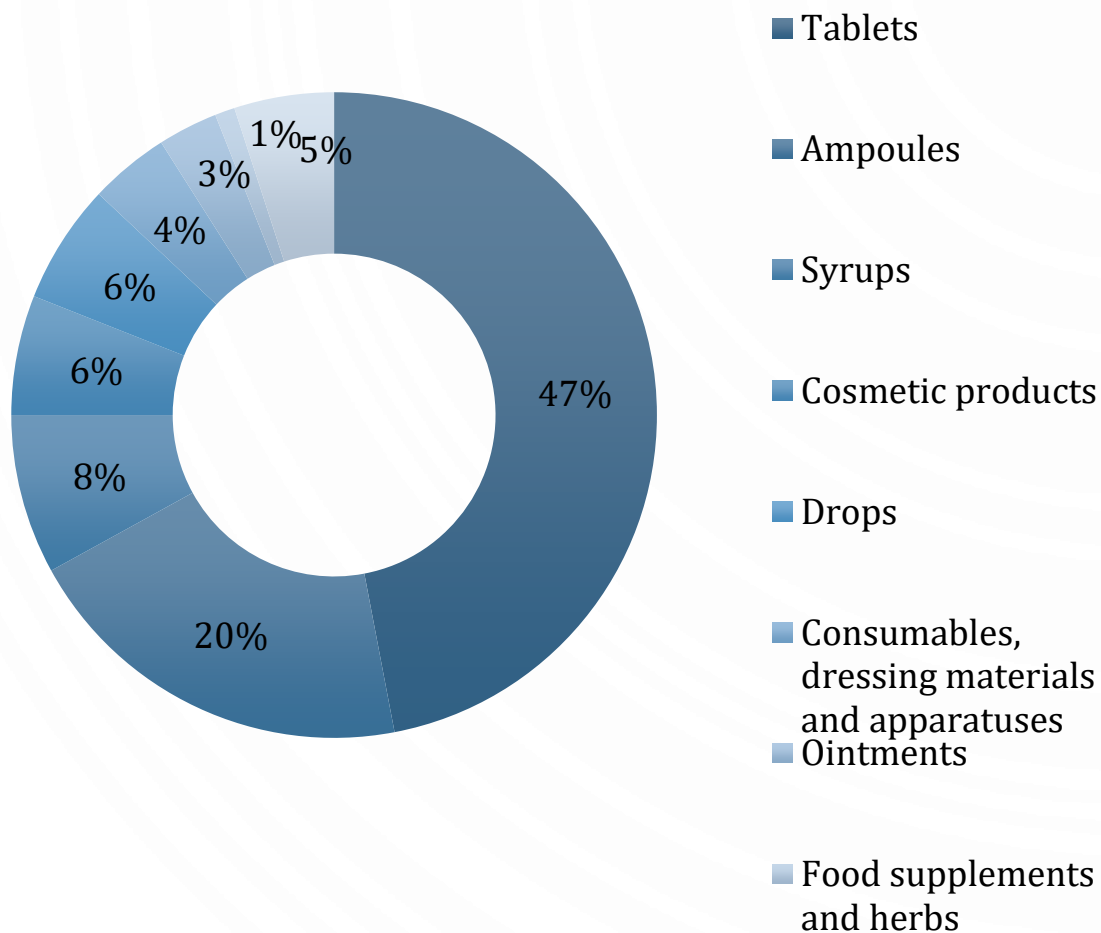
Sales by type of formulation

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



Revenues by type of formulation	1-9/2019 BGN '000	1-9/2018 BGN '000	Change %
Tablets	135 241	125 202	8%
Ampoules	22 263	25 474	-13%
Consumables, dressing materials and apparatuses	9 158	7 478	22%
Syrups	7 069	6 128	15%
Ointments	6 443	6 585	-2%
Lyophilic products	4 688	4 446	5%
Concentrates for hemodialysis	1 205	1 449	-17%
Inhaler products	764	917	-17%
Other	8 530	9 811	-13%
Total	195 361	187 490	4.2%

Sales by therapeutic group



Revenues by therapeutic group	1-9/2019 BGN '000	1-9/2018 BGN '000	Change %
Tablets	345 034	330 485	4%
Ampoules	145 082	148 345	-2%
Syrups	62 261	47 791	30%
Drops	43 820	42 409	3%
Consumables, dressing materials and apparatuses	42 395	18 782	126%
Ointments	26 743	17 890	49%
Cosmetics products	19 984	20 251	-1%
Food supplements and herbs	9 458	11 606	-19%
Others	34 638	35 814	-3%
Total	729 415	673 373	8%

Other operating revenues

- Other operating income increased by BGN 3,9 million for the third quarter of 2019 compared to the third quarter of 2018 due to a decrease in the net losses on exchange rate differences on trade receivables and current liabilities accounts with BGN 3.3 million.



Other operating revenues	1-9/2019 BGN '000	1-9/2018 BGN '000	Change %	Rel. share
Services rendered	5 622	5 372	5%	49%
Net exchange losses on trade receivables and current payment accounts current payment	1 805	(1 491)	-221%	16%
Other	1 155	314	268%	10%
Services related to social activities and events	772	756	2%	7%
Derecognition of liabilities	761	1 326	-43%	7%
Government grants	594	658	-10%	5%
Rents	541	546	-1%	5%
Profit from sale of long-term assets	227	106	114%	2%
Interests on current accounts	67	18	272%	1%
Profit / (loss) from sale of materials	40	81	-51%	0%
Total other operating income	11 584	7 686	51%	100%

Expenses for:



- **operating** increase by BGN 61 million to BGN 895,4 million in the third quarter of 2019;
- **materials** decrease by BGN 1,8 million or 3% to BGN 66,8 million in the third quarter of 2019;
- **services** expenses account decrease by BGN 0,5 million or 1% to BGN 54,3 million in the third quarter of 2019;
- **personnel** increase by BGN 6 million or by 7% to BGN 94,7 million in the third quarter of 2019;
- **other operating expenses** decrease by BGN 0,1 million in the third quarter of 2019.
- **amortization** increase of BGN 7,8 million or by 32% to BGN 32,6 million in the third quarter of 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.

Operating expenses	1-9/2019 BGN '000	1-9/2018 BGN '000	Change %	Rel. share
Changes in inventories of finished goods and work in progress	1 207	(4 435)	-127%	0%
Materials	66 766	65 012	3%	7%
Hired services	54 290	53 841	1%	6%
Personnel	94 691	88 697	7%	11%
Depreciation and amortization	32 614	24 770	32%	4%
Carrying amount of goods sold	639 664	600 237	7%	71%
Other operating expenses	6 139	6 258	-2%	1%
Total	895 371	834 380	7%	100%

Financial income:

- Financial revenue:**

- increased by BGN 2,2 million to BGN 5,6 million in the third quarter of 2019.

- Increased:

- interest revenues on loans granted by BGN 1,1 million;

- net change in the allowance for impairment losses on receivables from trade loans granted by BGN 0,9 million.

Financial income	1-9/2019 BGN '000	1-9/2018 BGN '000	Change %	Rel. share
Interest income on past due trade receivables	1 964	1 804	9%	35%
Interest income on loans granted	1 962	843	133%	35%
Net gains from exchange differences from loans in foreign currency	871	-	-	16%
Net gain on transactions with investments in securities	269	542	-50%	5%
Interest income (dividends)	192	107	79%	3%
Net profit from exchange differences on the sale of a subsidiary	171	115	49%	3%
Net change in impairment allowance for credit losses on receivables from commercial loans granted	85	-	-	2%
Interest on receivables under special contracts	58	1	5700%	1%
Interest income on bank deposits	1	3	-67%	0%
Total	5 573	3 415	63%	100%

Financial expenses:

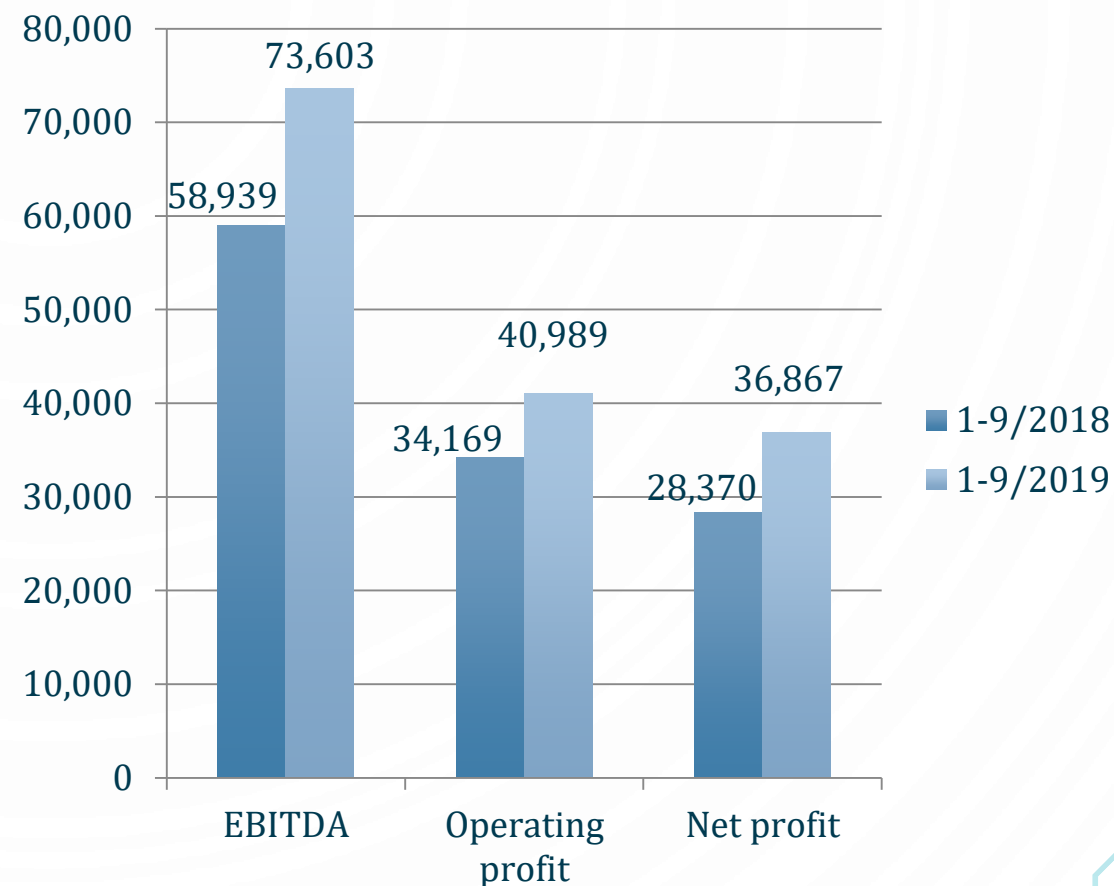
- **Financial expenses** increase by BGN 3,1 million from BGN 6,5 million in the third quarter of 2018 to BGN 9,6 million in the third quarter of 2019.
- Increased:
 - interest expense on loans received by BGN 1,7 million;
 - expenses interest on financial and operating leases by BGN 1,4 million.

Financial costs	1-9/2019 BGN '000	1-9/2018 BGN '000	Change %	Rel. share
Interest expense on loans received	6 811	5 071	34%	71%
Interest expense on lease	1 456	58	2410%	15%
Bank fees and charges on loans and guarantees	739	576	28%	8%
Interest expense under factoring agreement	342	261	31%	4%
Financial guarantee provision	231	-	-	2%
Interest expense in an enforcement case against a subsidiary	6	-	-	0%
Net loss on exchange differences from receivables on subsidiary sale	-	445	-100%	0%
Net change in the allowance for impairment losses on trade receivables	-	70		
Effects from derivatives	-	45	-100%	0%
Total	9 585	6 526	47%	100%

Financial result of the activity



- Profit before interest, taxes and depreciation (**EBITDA**) increase in the third quarter of 2019 by BGN 14,7 million or by 25% to BGN 73,6 million compared to BGN 58,9 million in the third quarter of 2018.
- **Operating profit** increase by BGN 6,8 million or 20% to BGN 41 million in the third quarter of 2019 compared to BGN 34,2 million in the third quarter 2018.
- **Net profit** increases by BGN 8,5 million or by 30%, to BGN 36,9 million in the third quarter of 2019 compared to BGN 28,4 million in the third quarter of 2018.



Assets

- **Total assets** increase to BGN 1 151,5 million.
- **Non-current assets** increase by BGN 116,8 million.
- **Property, plant and equipment** increase with BGN 48 million.
- **Current assets** increase to BGN 554 million.
- **Trade receivables increase** with BGN 33,2 million.
- **Other receivables and prepaid expenses** decrease by BGN 2,8 million.
- **Inventories decrease** with BGN 0,6 million.
- **Cash and cash equivalents** decrease by BGN 7,7 million.

Non-current assets	30.09.2019	31.12.2018	Change %	Rel. share
	BGN '000	BGN '000		
Non-current assets				
Property, plant and equipment	372 564	324 525	15%	62%
Intangible assets	59 209	62 195	-5%	10%
Goodwill	19 548	23 516	-17%	3%
Investment property	10 442	10 427	0%	2%
Investments in associated companies and joint ventures	21 877	20 383	7%	4%
Other long - term equity investments	9 758	8 598	13%	2%
Long-term receivables from related parties	93 070	23 055	304%	16%
Other long-term receivables	9 211	6 399	44%	2%
Deferred tax assets	1 784	1 590	12%	0%
	597 463	480 688	24.3%	52%
Current assets				
Inventories	235 195	235 763	0%	42%
Trade receivables	269 078	235 911	14%	49%
Receivables from related parties	6 299	9 942	-37%	1%
Other short-term receivables and assets	25 510	22 717	12%	5%
Cash and cash equivalents	17 916	25 582	-30%	3%
	553 998	529 915	4.5%	48%
TOTAL ASSETS	1 151 461	1 010 603	13.9%	100%

Owner`s equity and liabilities – non-current liabilities



- **Owners equity of Sopharma Group** increases by BGN 27,5 million, mainly due to an increase in retained earnings and reserves.
- The equity related to the equity holders of the Company is 45% of the total equity and liabilities, and there is improvement in the financial autonomy of the Group.
- **Non-current liabilities** increase by 60% to BGN 110,5 million mainly due to:
 - increase in financial leasing liabilities by BGN 24,4 million, which is a consequence of the effects of the introduction of IFRS 16 Leasing, effective as of 01.01.2019.

OWNERS' EQUITY	30.09.2019	31.12.2018	Change %	Rel. share
	BGN '000	BGN '000		
Share capital	134 798	134 798	0%	25%
Reserves	61 492	55 661	10%	11%
Retained earnings	316 132	285 101	11%	59%
	512 422	475 560	8%	96%
NON-CONTROLLING INTEREST	23 621	32 969	-28%	4%
TOTAL OWNERS' EQUITY	536 043	508 529	5%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	54 731	41 124	33%	9%
Deferred tax liabilities	10 996	11 781	-7%	2%
Long-term liabilities to related parties	2 574			0%
Long-term liabilities to personnel	6 468	6 015	8%	1%
Finance lease liabilities	26 848	2 486	980%	4%
Government grants	8 717	7 470	17%	1%
Other non-current liabilities	138	299	-54%	0%
	110 472	69 175	60%	18%

Current liabilities

- **Increase:**
 - short-term bank loans increased by BGN 48,6 million;
 - liabilities to related parties by BGN 3,1 million
 - payables on contract for factoring by BGN 5 million;
 - liabilities to personnel and for social security by BGN 0,8 million;
 - short-term part of finance lease obligations by BGN 9,8 million.
- Trade liabilities decrease with BGN 3,4 million..
- Total liabilities on bank loans, leasing and factoring of the Group increase by BGN 105 million.

Current liabilities	30.09.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Short-term bank loans	291 495	242 859	20%	47%
Current portion of long-term bank loans	19 258	14 874	29%	3%
Trade payables	121 111	124 476	-3%	20%
Payables to related parties	3 524	467	655%	1%
Payables on contract for factoring	26 775	21 791	23%	4%
Current portion of finance lease liabilities	9 832			2%
Payables to the personnel and for social security	14 933	14 176	5%	2%
Tax payables	7 814	6 675	17%	1%
Other current liabilities	10 204	7 581	35%	2%
	504 946	432 899	17%	82%
TOTAL LIABILITIES	615 418	502 074	23%	100%
TOTAL EQUITY AND LIABILITIES	1 151 461	1 010 603	13.9%	

Cash flow and ratios



- Net cash flows in the third quarter of 2019 generated:
 - by operating activities – BGN 115 million outflow;
 - from investment activity – BGN 96,5 million outflow;
 - from financial activity - BGN 205 million inflow.
- As a result of these activities, cash and cash equivalents decreased net by BGN 6,4 million and by 30 September 2019 amounted to BGN 17,7 million compared to BGN 24,1 million as at 1 January 2019.

	30.09.2019	30.06.2019
ROE ¹	7,2%	6,3%
ROA ²	3,3%	2,9%
Asset turnover ³	1,15	1,17
Current liquidity ⁴	1,10	1,04
Quick liquidity ⁵	0,63	0,58
Monetary liquidity ⁶	0,04	0,03
Financial autonomy ⁷	0,87	0,86
	30.09.2019	30.09.2018
	BGN '000	BGN '000
Net cash flow from/ (used in) operations	(114 951)	(98 068)
Net cash flow used in investment activities	(96 490)	(30 164)
Net cash flow (used in)/from financial operations	205 024	127 246
Net increase/(decrease) of cash and cash equivalents	(6 417)	(986)
Cash and cash equivalents on 1 January	24 129	22 614
Cash and cash equivalents on 30 September	17 712	21 628

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

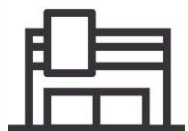
7 Equity / Liabilities



Consolidated financial results for the first nine months of 2019

Production activity: Sopharma AD

Production activity and major products – Sopharma AD



10 manufacturing plants in line.



More than **210** products: incl. nearly **190** medicinal products and **11** groups of medical devices.



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



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

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
Valerian	Generic non-prescriptional herbal medicine used to reduce stress



Consolidated financial results for the first nine months of 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.



1 602 employees.

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	1-9/2019 <i>BGN '000</i>	1-9/2018* <i>BGN '000</i>
Revenues from sales	689 757	648 193
EBITDA	7171	7761
Operation profit	8448	8659
Net profit	5939	6386
Non-current asset	116 325	80 593
Current assets	362 874	337 471
Owners' equity	63 864	62 829
Non-current liabilities	66 965	31 230
Current liabilities	348 370	317 124

Management and shares



BGN **32 905 009** share capital



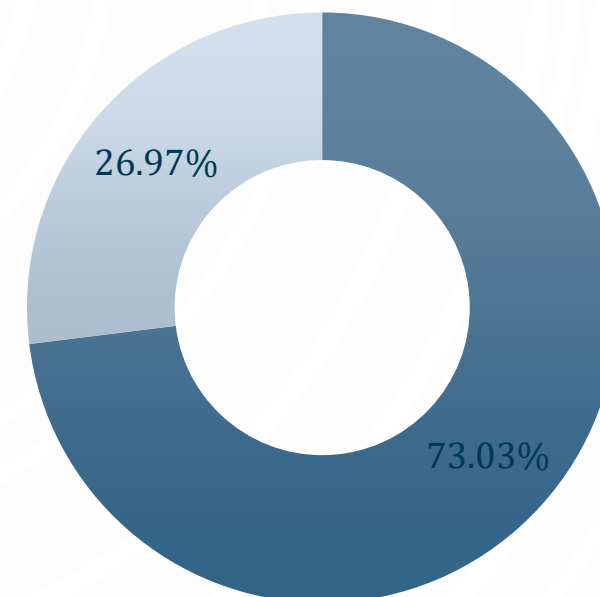
Ordinary registered shares with value of BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – Chairman - **958 813** shares, **2.90%** of capital.
- Dimitar Dimitrov – member and Executive Director – **224 102** shares, **0.68%** of capital.

Shareholder structure at 30.09.2019



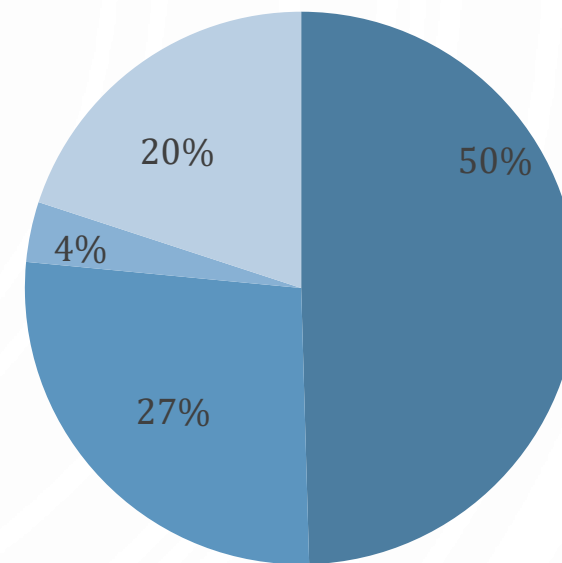
- Sopharma AD
- Physical person, under 5%

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 and already operates 54 pharmacies under the brand name SOpharmacy.
- 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

- 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.



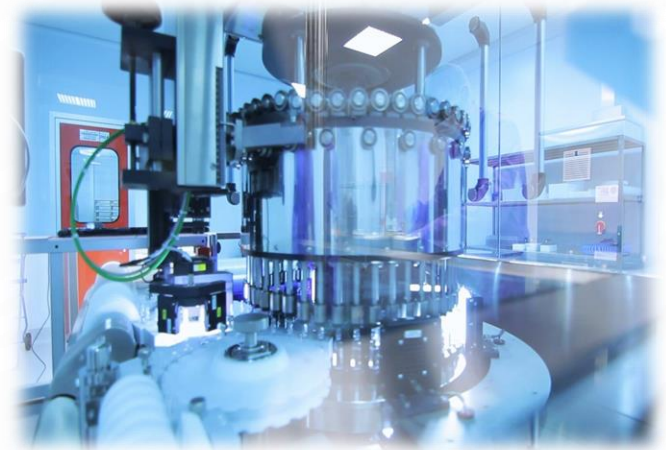


Consolidated financial results for the first nine months of 2019

New products, significant events and risks

New developments and products

- Authorization to use the medicinal product **Norepinephrine 1 mg/ml**;
- Implemented new products in the production cycle;
- During the reporting period, one food supplement for Azerbaijan was notified.
- Received **33** Authorizations for the use of medicinal products for new destinations;
- 10 cosmetic products were notified in Georgia (two), Moldova (two), Poland (two), Kazakhstan (two), Ukraine (two);
- **16** medical devices are registered in Bulgaria;
- Agency submissions for re-registrations/changes to **56** medicinal products;
- Agreements approved by the agencies **996** for medicinal products;
- Submissions to agencies **969** changes for medicinal products;
- There is a pharmaceutical development of **16** new medicinal products;
- Translated and validated / optimized are **42** production processes and technologies.



Significant events for the first half of 2019



- On 02.01.2019, the merger of OOO Med-dent, Belarus with B000 SpetsApharmatsiya., Belarus was registered by merging the assets and liabilities of the two companies.
- 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%.
- 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.



- On 07.03.2019, through its subsidiary S000 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% to 71.11%.
- 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 June 7, 2019, the General Meeting of Shareholders of Sopharma AD was held.
- On 11 June 2019 the General Meeting of Shareholders of Sopharma Buildings REIT was held .
- On June 7, 2019, the General Meeting of Shareholders of Sopharma Trading AD was held.
- On 14 June 2019 the General Meeting of Shareholders of Momina Krepost AD was held.
- On 15 July 2019 the Board of Directors of Sopharma Trading AD made a decision to increase the capital of the Company by public offering of shares.
- From 6 August 2019 Sopharma Trading AD starts the payment of the annual dividend by a decision of the General Meeting of Shareholders.



- 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
- On 26.09.2019 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 new ordinary, dematerialized shares, each with value of BGN 1 and an issue value of BGN 6.85 .
- 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.
- On 12.11.2019 Sopharma AD celebrated the opening of a new warehouse and administrative building in Kishinev with a total area of 5000 sq. m.
- 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. As a result, the capital of the company increased from BGN 32 905 009 to BGN 34 276 050.

Review the main risks:

1. Significant competition.
2. The Company is dependent on regulatory approvals.
3. 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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