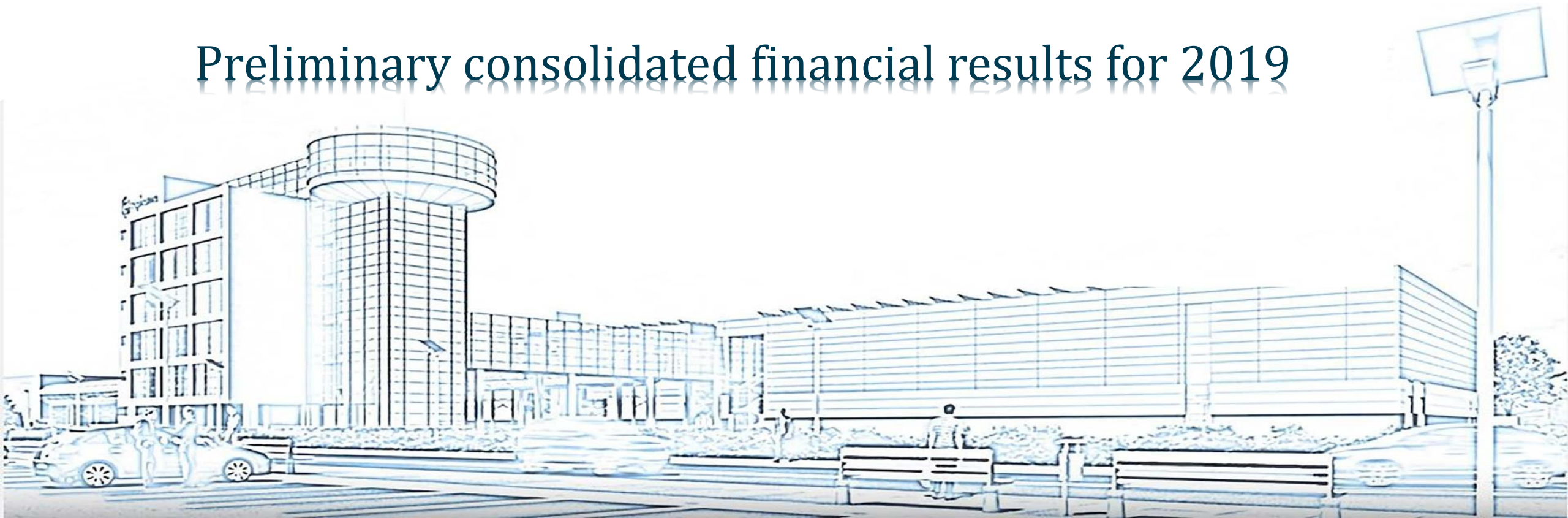


# Sopharma Group

Preliminary consolidated financial results for 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



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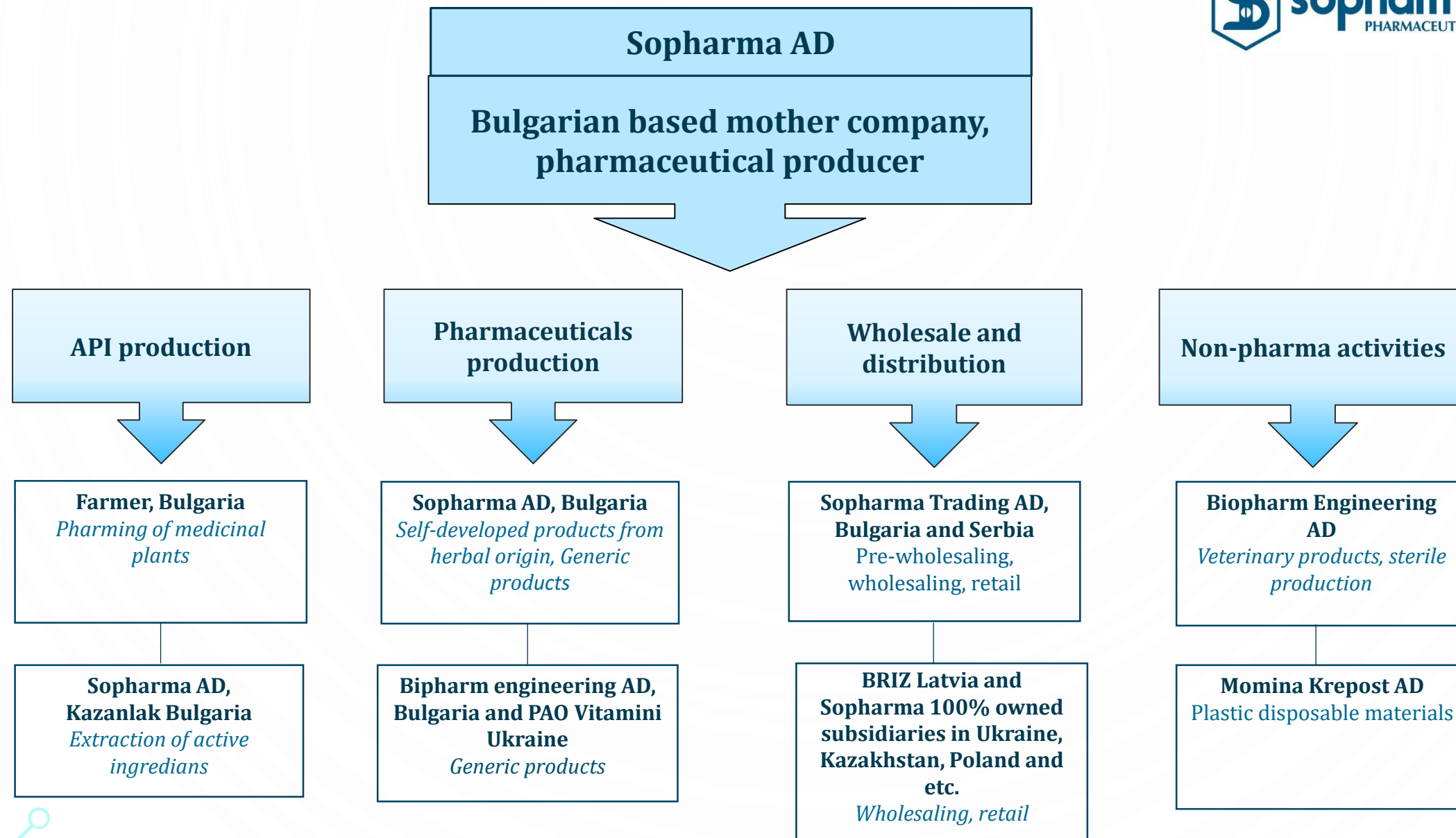
Who are we?

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:

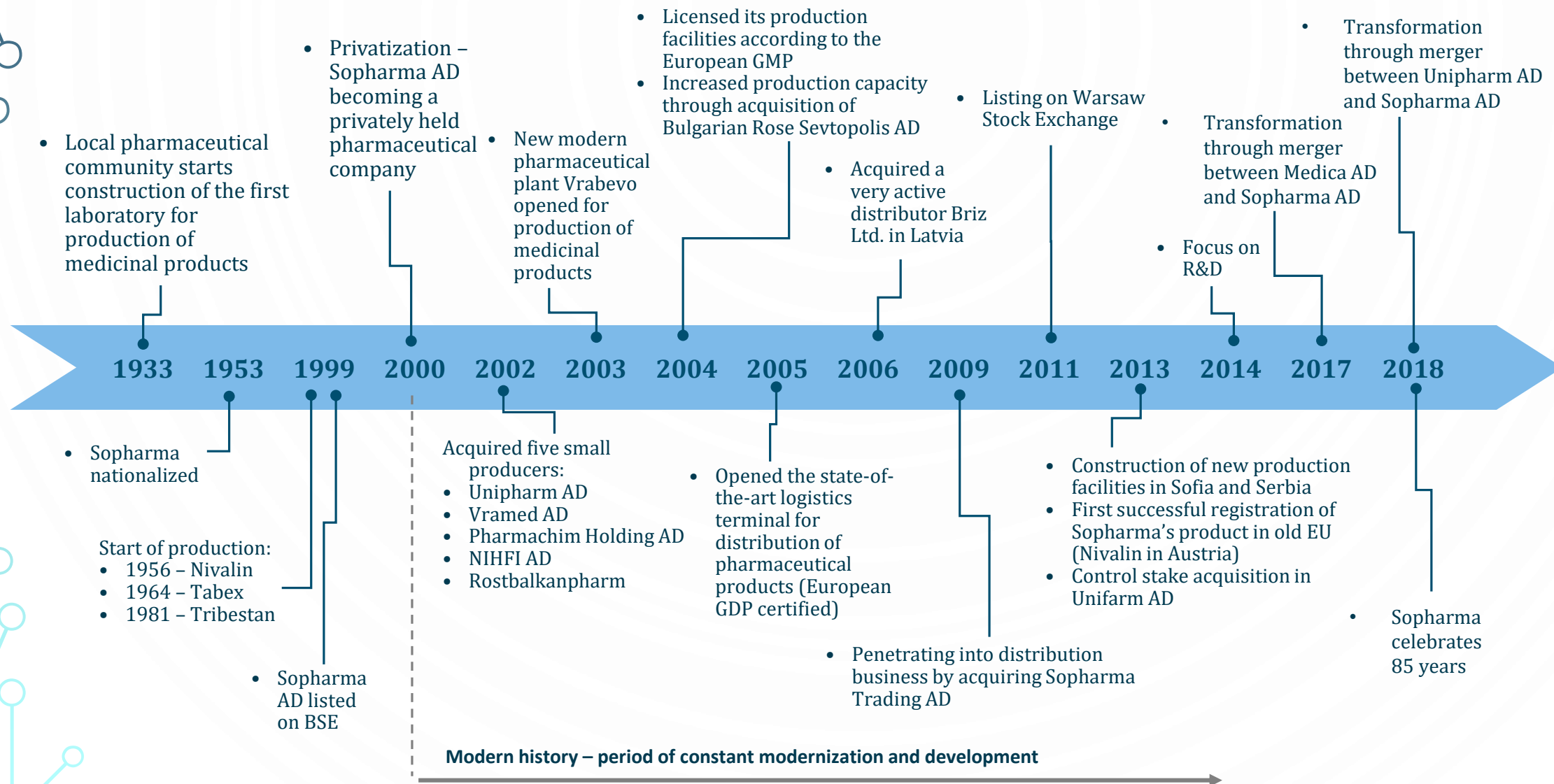
- Production of active substances;
- Pharmaceutical production;
- Single trade and distribution;
- Non-pharmaceutical activities.







# Brief history and key milestones:





Preliminary 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**



**5 166 employees**



**Revenues  
BGN 1 281 421**



**EBITDA  
BGN 105 887**



**134 797 899  
shares**



# Key financial indicators



Sales from revenues **increase with 8.7%**



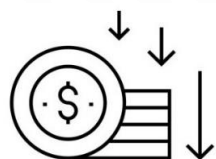
EBITDA **increase with 46.5%**



Operating profit **increase with 58.2%**



Net profit **increase with 192.5%**



Capex **increase with 56.7%**

Indicators	1-12/2019 BGN '000	1-12/2018* BGN '000
Sales revenues	1 281 421	1 179 143
EBITDA	105 887	72 278
Operating profit	61 925	39 143
Net profit	89 616	30 637
CAPEX**	63 883	40 775
	<b>31.12.2019</b>	<b>31.12.2018</b>
Non-current assets	631 561	480 688
Current assets	546 097	529 915
Owners' equity	581 066	508 529
Non-current liabilities	114 230	69 175
Current liabilities	482 362	432 899
<b>Ratios</b>	<b>1-12/2019</b>	<b>1-12/2018*</b>
EBITDA / Sales revenues	8,3%	6,1%
Operating profit/ Sales revenues	4,8%	3,3%
Net profit/ Sales revenues	7,0%	2,6%
	<b>31.12.2019</b>	<b>30.09.2019</b>
Borrowed capital/Owners' equity	1,03	1,15
Net debt**/ EBITDA	3,63x	4,73x

# 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



**5 166**  
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.



Preliminary consolidated financial results for 2019

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## 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

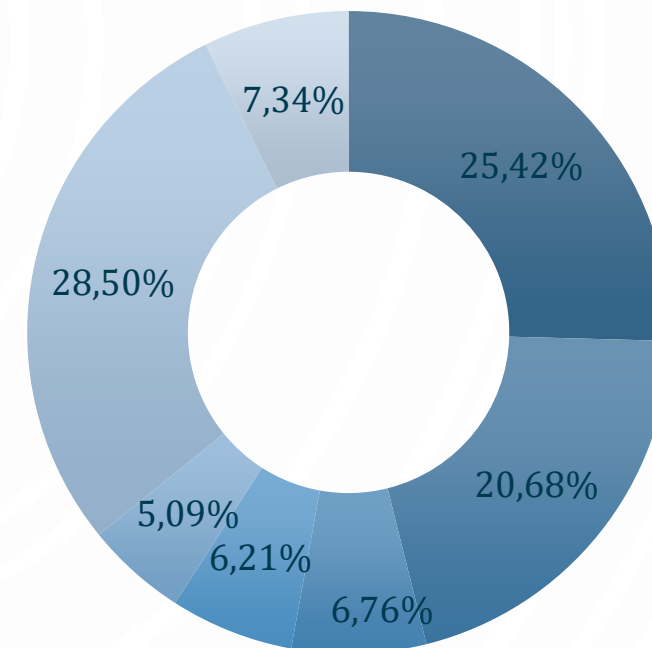


**134 797 899** shares with nominal BGN 1



## 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 Allianz Bulgaria
- Other companies
- Physical persons

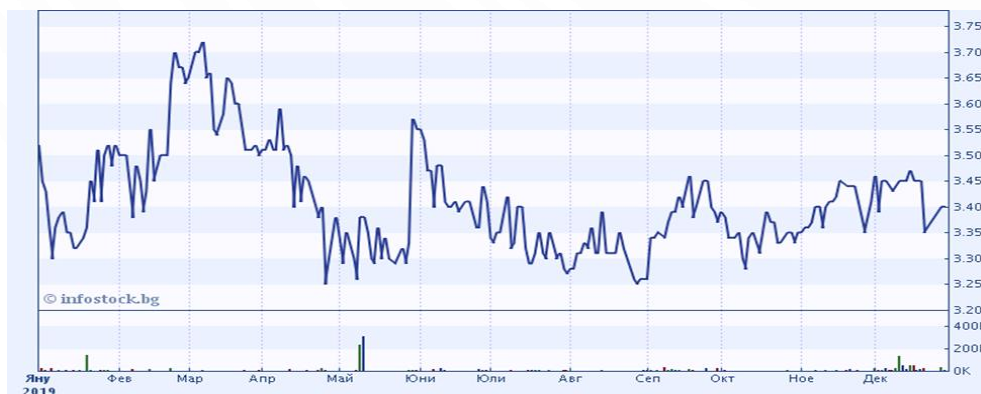
# Information about the shares



**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.



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

## 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 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
<b>Sopharma AD</b>	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.05
<b>Sopharma Trading AD</b>	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
<b>Sopharma AD</b>	28%	23%	23%	27%	няма	37%	36%	30%	28%	16%
<b>Sopharma Trading AD</b>	75%	85%	91%	91%	82%	82%	74%	70%	55%	51%



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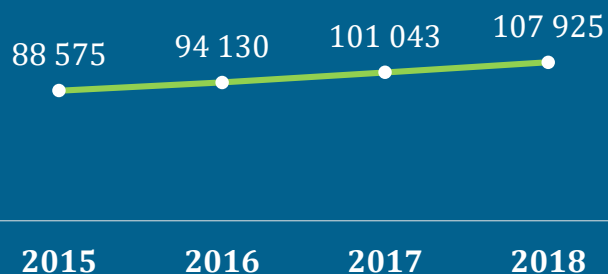
## Key markets



## 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 million from sales for the leader in the wholesale trade of Sopharma Trading AD.

Pharmaceutical industry:  
**99% PRIVATE**



Area  
111.000 km<sup>2</sup>

Population  
7.102 million

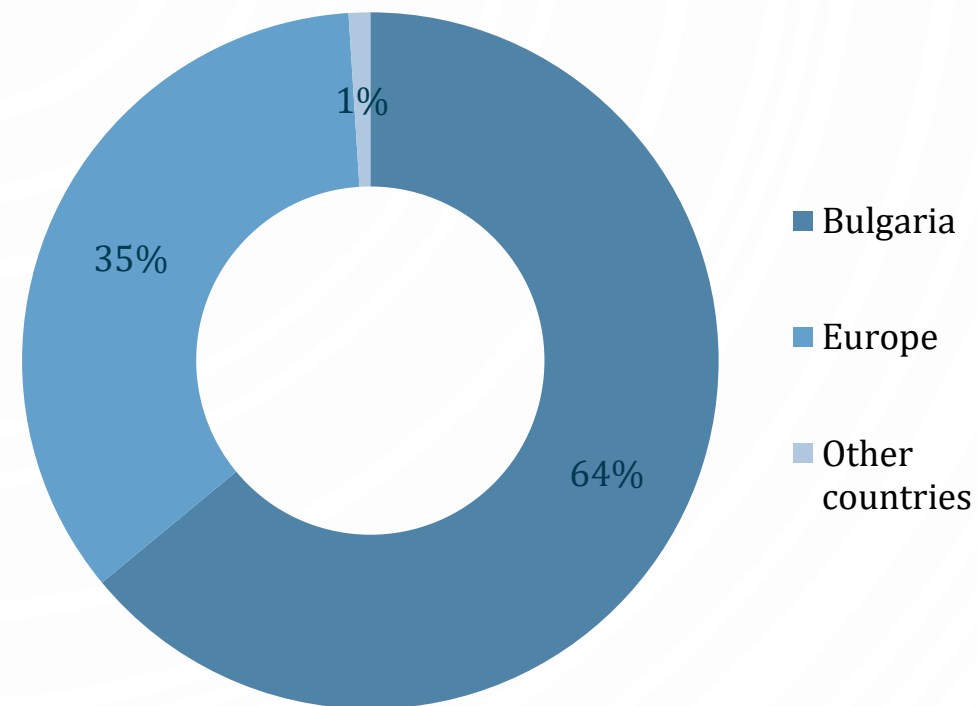
Member of EU  
since 2007

Source: NSI 2017



## Sales revenues from products

- **Sales revenues from products** -The contribution of sales in Bulgaria to the consolidated sales revenue in 2019 amounted to 64%, increasing by 9% compared to 2018
- **Europe** - Revenues from sales of the Group in Europe amount to 35% of total consolidated sales revenues for 2019 and increase with 10% compared to 2018.
- **Bulgaria** - the sales on the domestic market increase with 9%. Sopharma AD has a 3% share of the total Bulgarian pharmaceutical market in value and 10% of sales in volume.





Preliminary consolidated financial results for 2019

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## Key financial indicators of Sopharma Group

# Key financial indicators



Sales from revenues **increase with 8.7%**



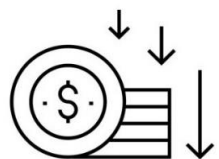
EBITDA **increase with 46.5%**



Operating profit **increase with 58.2%**



Net profit **increase with 192.5%**

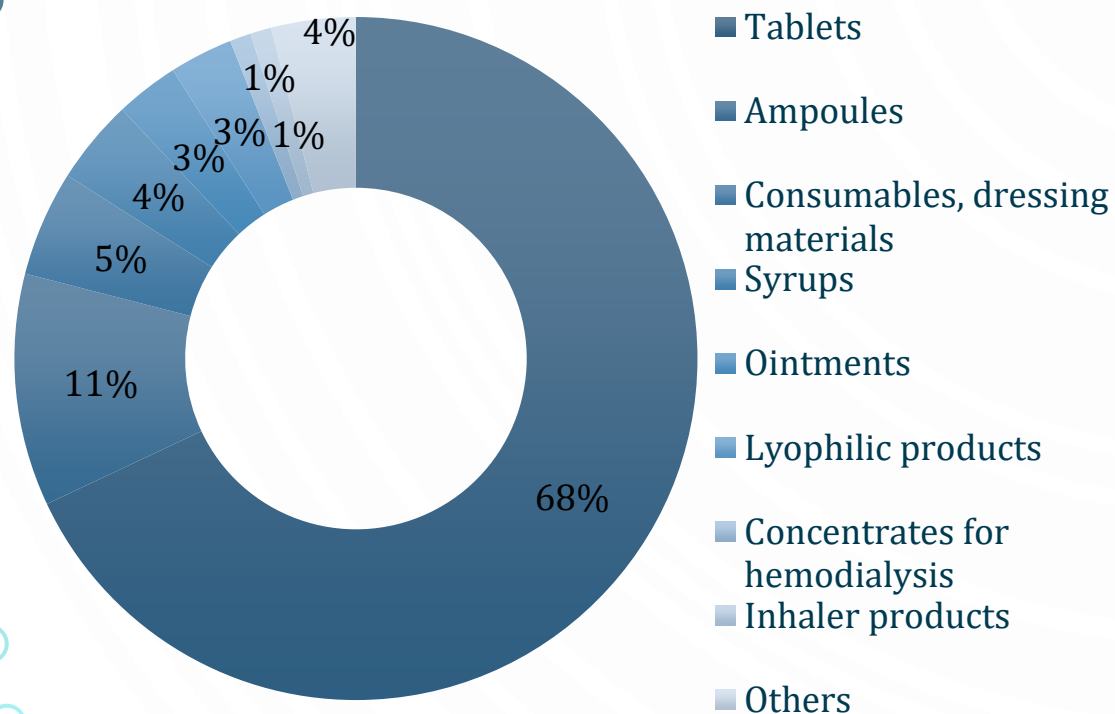


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	<b>31.12.2019</b>	<b>30.09.2019</b>
Borrowed capital/Owners' equity	1,03	1,15
Net debt**/ EBITDA	3,63x	4,73x

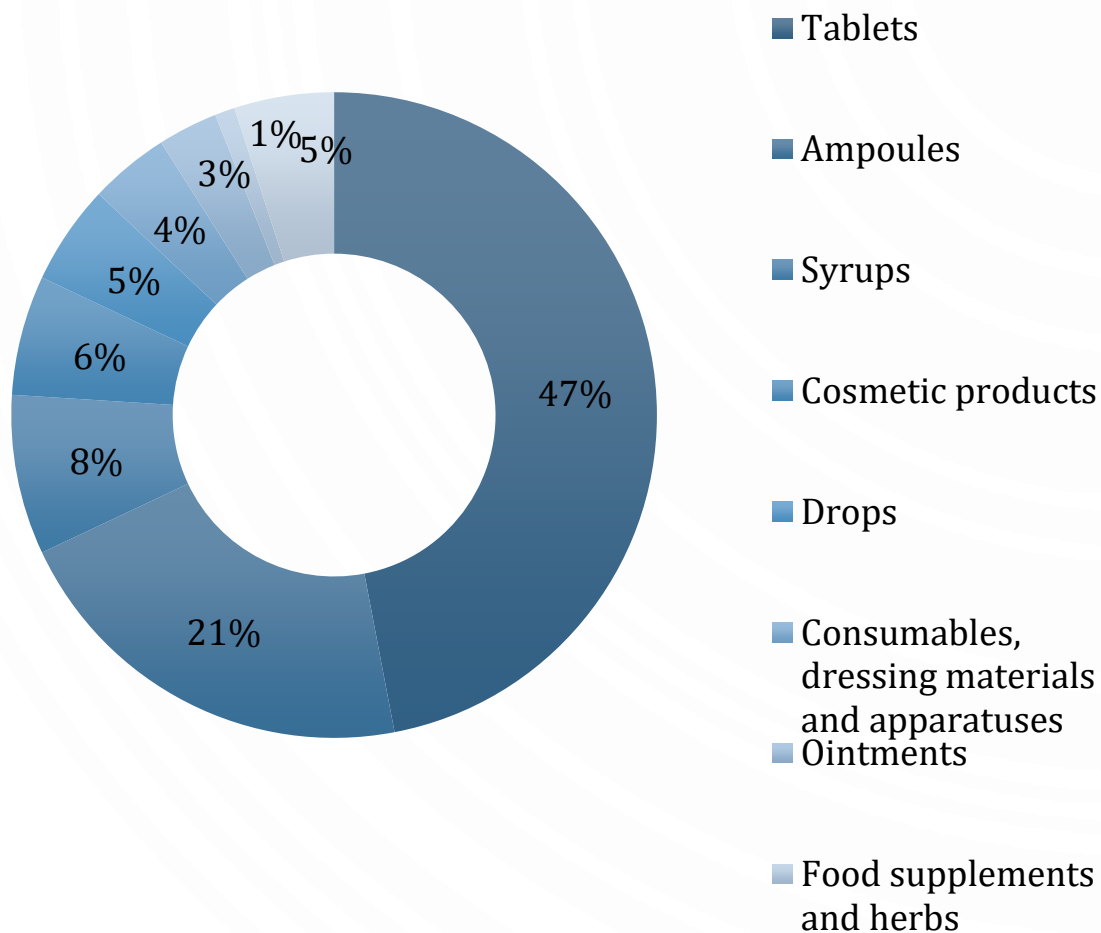
## Sales by type of formulation

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

# Sales by therapeutic group



Revenues by therapeutic group	2019	2018	Change %
	<i>BGN '000</i>	<i>BGN '000</i>	
Tablets	467 577	448 473	4%
Ampoules	202 125	196 366	-2%
Syrups	82 048	77 354	30%
Drops	58 107	62 419	3%
Consumables, dressing materials and apparatuses	51 228	31 240	126%
Ointments	36 633	24 305	49%
Cosmetics products	29 498	29 063	-1%
Food supplements and herbs	12 804	16 851	-19%
Others	52 809	42 263	-3%
<b>Total</b>	<b>992 829</b>	<b>928 334</b>	<b>7%</b>



# Other operating revenues



- Other operating income increase by BGN 0.8 million in 2019, due to a decrease in the net losses on exchange rate differences on trade receivables and current liabilities accounts with BGN 2.7 million.



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

## Expenses for:



- **operating** increase by BGN 81,3 million to BGN 1 231,1 million in 2019;
- **materials** increase by BGN 1,8 million or 2% to BGN 93,1 million in 2019;
- **services** expenses account decrease by BGN 1 million or 1% to BGN 74,9 million in 2019;
- **personnel** increase by BGN 7,5 million or by 6% to BGN 126,9 million in 2019;
- **other operating expenses** decrease by BGN 4,4 million in 2019.
- **amortization** increase of BGN 10,8 million or by 33% to BGN 43,9 million in 2019. The main reason for the increase during the period is the adoption of IFRS 16 Leasing, the effect is an accrual of depreciation on assets of "right of use" in the amount of BGN 8.7 million.

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

## Financial income:

- **Financial revenue:**

- increased by BGN 6,5 million to BGN 10,5 million in 2019.

- Increased:

- interest revenues on loans granted by BGN 1,6 million;

- net gain on operations and investments in securities with BGN 4 million.

Financial income	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Net profit from operations with investments in securities	4 048			38%
Interest income on overdue trade receivables	2 876	2 616	10%	27%
Interest income on loans extended	2 799	1 167	140%	27%
Foreign exchange gains and losses on foreign currency loans and leases	508			5%
Interest income (dividends)	188	96	96%	2%
Interest on receivables under special contracts	69			1%
Net profit from exchange differences on the sale of a subsidiary	47	152	-69%	0%
Interest income on bank deposits	1	3	-67%	0%
<b>Total</b>	<b>10 536</b>	<b>4 034</b>	<b>161%</b>	<b>100%</b>

## Financial expenses:

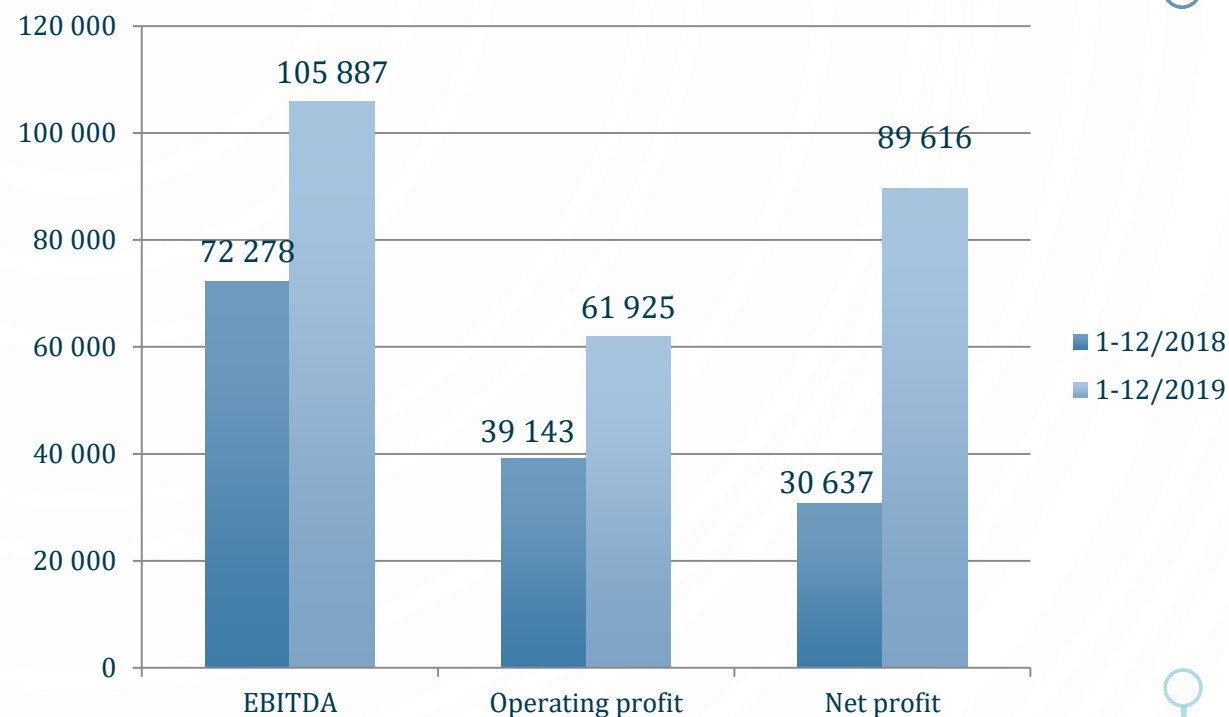
- **Financial expenses** increase by BGN 2,8 million from BGN 9,7 million in 2018 to BGN 12,5 million in 2019.
- Increased:
  - interest expense on loans received by BGN 1,8 million;
  - expenses interest on leases by BGN 1,8 million.

Financial costs	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Interest expense on loans received	9 011	7 233	25%	72%
Interest expense on lease	1 852	84	2105%	15%
Bank fees and charges on loans and guarantees	955	753	27%	8%
Interest expense under factoring agreement	449	374	20%	4%
Financial guarantee provision	231			2%
Net change in the allowance for impairment of credit for trade receivables	41	133	-69%	0%
Expenses for other interest	7			0%
Net loss on securities investments		11	-100%	0%
Impairment of cash in banks under special supervision		528	-100%	0%
Foreign exchange losses on foreign currency loans and leasing contracts		565	-100%	0%
Effects from derivatives		47	-100%	0%
<b>Total</b>	<b>12 546</b>	<b>9 728</b>	<b>29%</b>	<b>100%</b>

## Financial result of the activity



- Profit before interest, taxes and depreciation (**EBITDA**) increase in 2019 by BGN 33,6 million or by 46% to BGN 105,9 million compared to BGN 72,3 million in 2018.
- **Operating profit** increase by BGN 22,8 million or 58% to BGN 61,9 million in 2019 compared to BGN 39,1 million in 2018.
- **Net profit** increases by BGN 59 million or by 193%, to BGN 89,6 million in 2019 compared to BGN 30,6 million in 2018.





# Assets

- **Total assets** increase to BGN 1 177,7 million.
- **Non-current assets** increase by BGN 150,9 million.
- **Property, plant and equipment** increase with BGN 56,6 million.
- **Current assets** increase to BGN 546,1 million.
- **Trade receivables increase** with BGN 19,9 million.
- **Short-term receivables and assets increase** by BGN 4,02 million.
- **Inventories** decrease with BGN 6,8 million.
- **Cash and cash equivalents** increase by BGN 2 million.

Non-current assets	31.12.2019	31.12.2018	Change %	Rel. share
	BGN '000	BGN '000		
<b>Non-current assets</b>				
Property, plant and equipment	381 139	324 525	17%	60%
Intangible assets	43 112	62 195	-31%	7%
Goodwill	15 909	23 516	-32%	3%
Investment property	10 999	10 427	5%	2%
Investments in associated companies and joint ventures	66 012	20 383	224%	10%
Other long - term equity investments	10 102	8 598	17%	2%
Long-term receivables from related parties	91 767	23 055	298%	15%
Other long-term receivables	10 281	6 399	61%	2%
Deferred tax assets	2 240	1 590	41%	0%
	<b>631 561</b>	<b>480 688</b>	<b>31.4%</b>	<b>54%</b>
<b>Current assets</b>				
Inventories	228 950	235 763	-3%	42%
Trade receivables	255 780	235 911	8%	47%
Receivables from related parties	7 090	9 942	-29%	1%
Other short-term receivables and assets	26 737	22 717	18%	5%
Cash and cash equivalents	27 540	25 582	8%	5%
	<b>546 097</b>	<b>529 915</b>	<b>3.1%</b>	<b>46%</b>
<b>TOTAL ASSETS</b>	<b>1 177 658</b>	<b>1 010 603</b>	<b>16.5%</b>	<b>100%</b>

# Owner`s equity and liabilities – non-current liabilities



- **Owners equity of Sopharma Group** increases by BGN 72,5 million, mainly due to an increase in retained earnings and reserves.
- The equity related to the equity holders of the Company is 48% of the total equity and liabilities, and there is improvement in the financial autonomy of the Group.
- **Non-current liabilities** increase by 65% to BGN 114,2 million mainly due to:
  - increase in lease liabilities by BGN 25.6 million, which is a consequence of the effects of the introduction of IFRS 16 Leasing, effective as of 01.01.2019.

OWNERS' EQUITY	31.12.2019	31.12.2018	Change %	Rel. share
	BGN '000	BGN '000		
Share capital	134 798	134 798	0%	23%
Reserves	60 855	55 661	9%	10%
Retained earnings	365 222	285 101	28%	63%
	<b>560 875</b>	<b>475 560</b>	18%	97%
<b>NON-CONTROLLING INTEREST</b>	20 191	32 969	-39%	3%
<b>TOTAL OWNERS' EQUITY</b>	<b>581 066</b>	<b>508 529</b>	14%	100%
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term bank loans	56 847	41 124	38%	10%
Deferred tax liabilities	8 145	11 781	-31%	1%
Long-term liabilities to related parties	2 129			0%
Long-term liabilities to personnel	6 558	6 015	9%	1%
Finance lease liabilities	28 115	2 486	1031%	5%
Government grants	10 696	7 470	43%	2%
Other non-current liabilities	1 740	299	482%	0%
	<b>114 230</b>	<b>69 175</b>	65%	19%

# Current liabilities

- **Increase:**
  - short-term bank loans increased by BGN 32 million;
  - liabilities to related parties by BGN 6,9 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 10,3 million.
- Trade liabilities decrease with BGN 9,3 million.
- Total liabilities on bank loans, leasing and factoring of the Group increase by BGN 88.5 million compared to the end of 2018, with the net debt after deduction of cash and cash equivalents increase by BGN 86.5 million.

Current liabilities	31.12.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Short-term bank loans	274 836	242 859	13%	46%
Current portion of long-term bank loans	16 731	14 874	12%	3%
Trade payables	115 209	124 476	-7%	19%
Payables to related parties	7 392	467	1483%	1%
Payables on contract for factoring	24 772	21 791	14%	4%
Current portion of finance lease liabilities	10 307			2%
Payables to the personnel and for social security	15 396	14 176	9%	3%
Tax payables	6 749	6 675	1%	1%
Other current liabilities	10 970	7 581	45%	2%
	<b>482 362</b>	<b>432 899</b>	11%	81%
<b>TOTAL LIABILITIES</b>	<b>596 592</b>	<b>502 074</b>	19%	100%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 177 658</b>	<b>1 010 603</b>	16.5%	

# Cash flow and ratios

- Net cash flows in 2019 generated:
  - by operating activities – BGN 127,7 million outflow;
  - from investment activity – BGN 104,9 million outflow;
  - from financial activity - BGN 235,9 million inflow.
- As a result of these activities, cash and cash equivalents decreased net by BGN 3.3 million and amounted to BGN 27.4 million as at 31 December 2019, compared to BGN 24.1 million as of 1 January 2019.

	31.12.2019	30.09.2019
ROE <sup>1</sup>	18,0%	7,2%
ROA <sup>2</sup>	8,2%	3,3%
Asset turnover <sup>3</sup>	1,15	1,15
Current liquidity <sup>4</sup>	1,13	1,10
Quick liquidity <sup>5</sup>	0,66	0,63
Monetary liquidity <sup>6</sup>	0,06	0,04
Financial autonomy <sup>7</sup>	0,97	0,87
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Net cash flow from/ (used in) operations	(127 723)	(123 784)
Net cash flow used in investment activities	(104 890)	(41 178)
Net cash flow (used in)/from financial operations	235 872	166 477
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>3 259</b>	<b>1 515</b>
Cash and cash equivalents on 1 January	24 129	22 614
Cash and cash equivalents on 31 December	<b>27 388</b>	<b>24 129</b>

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

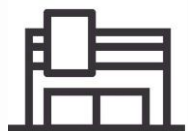


Preliminary consolidated financial results for 2019

## 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.

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



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



Preliminary 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.

<b>Indicators</b>	<b>1-12/2019 BGN '000</b>	<b>1-12/2018* BGN '000</b>
Revenues from sales	945 664	887 793
Net profit	8 597	8 546
Net profit per share	0.26	0.26
Assets	482 345	418 064
Owners' equity	75 855	62 829
Shares	34 276	32 095

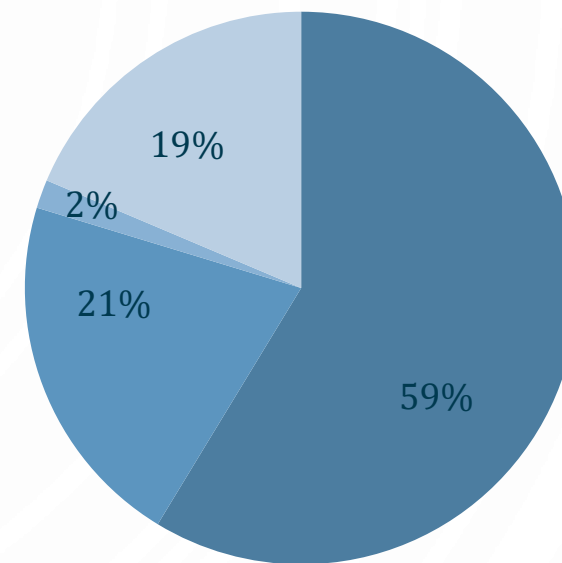


# Development

- 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

- 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, Latvija

- 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.







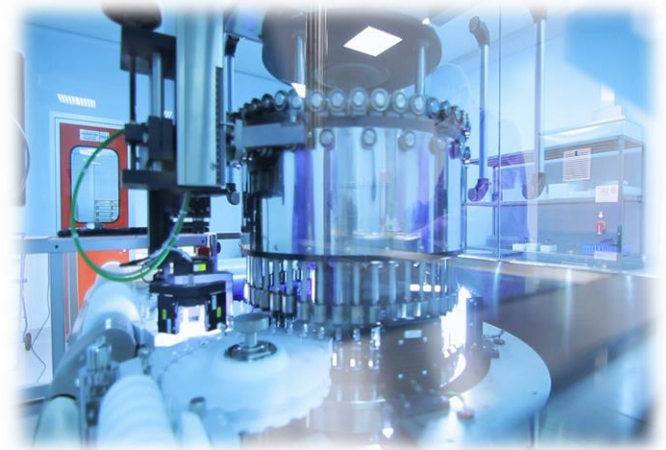
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# New products, significant events and risks



## New developments and products

- Authorization to use the medicinal product **Norepinephrine 1 mg/ml**;
- Implemented new products in the production cycle;
- Received **47** 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 **1 216** 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 **27** production processes and technologies.



# Significant events for 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 7 June 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 7 June 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.
- On 29.11.2019 the capital increase of “Sopharma Trading” AD was entered in the Commercial Register of the Registry Agency.
- On 12.12.2019 “Sopharma” AD announces the sale of 32 500 shares of the capital of “Momina Krepost” AD, whereby the share of “Sopharma” AD in the capital of “Momina Krepost” AD goes below the 65% threshold to 63.12% (1,067,398 shares).
- On 13.12.2019 - In accordance with the requirements of Art. 115c, para. 4, from the Public Offering of Securities “Sopharma” AD notifies the decision of the Extraordinary General Meeting of Shareholders of “Sopharma” AD, held on 13.12.2019 regarding the type and size of dividend and terms and conditions for its payment:
- On 22.01.2020, “Sopharma” AD began to pay the gross dividend of 5 cents per share voted at the General Meeting of Shareholders on 13 December 2019. The persons registered in the register of Central Depository AD as shareholders of the 14th day after the day of the General Assembly, namely December 27, 2019.

## 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  
Sopharma AD

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