

# „Sopharma“ AD

Individual financial results for 2019



## Content:



- Who are we?
- Production activity
- Our business
- Management, shares and dividends
- Key markets
- Key financial indicators of „Sopharma“ AD
- New developments, significant events and risks



Individual financial results for 2019

Who are we?

## "Sopharma" AD

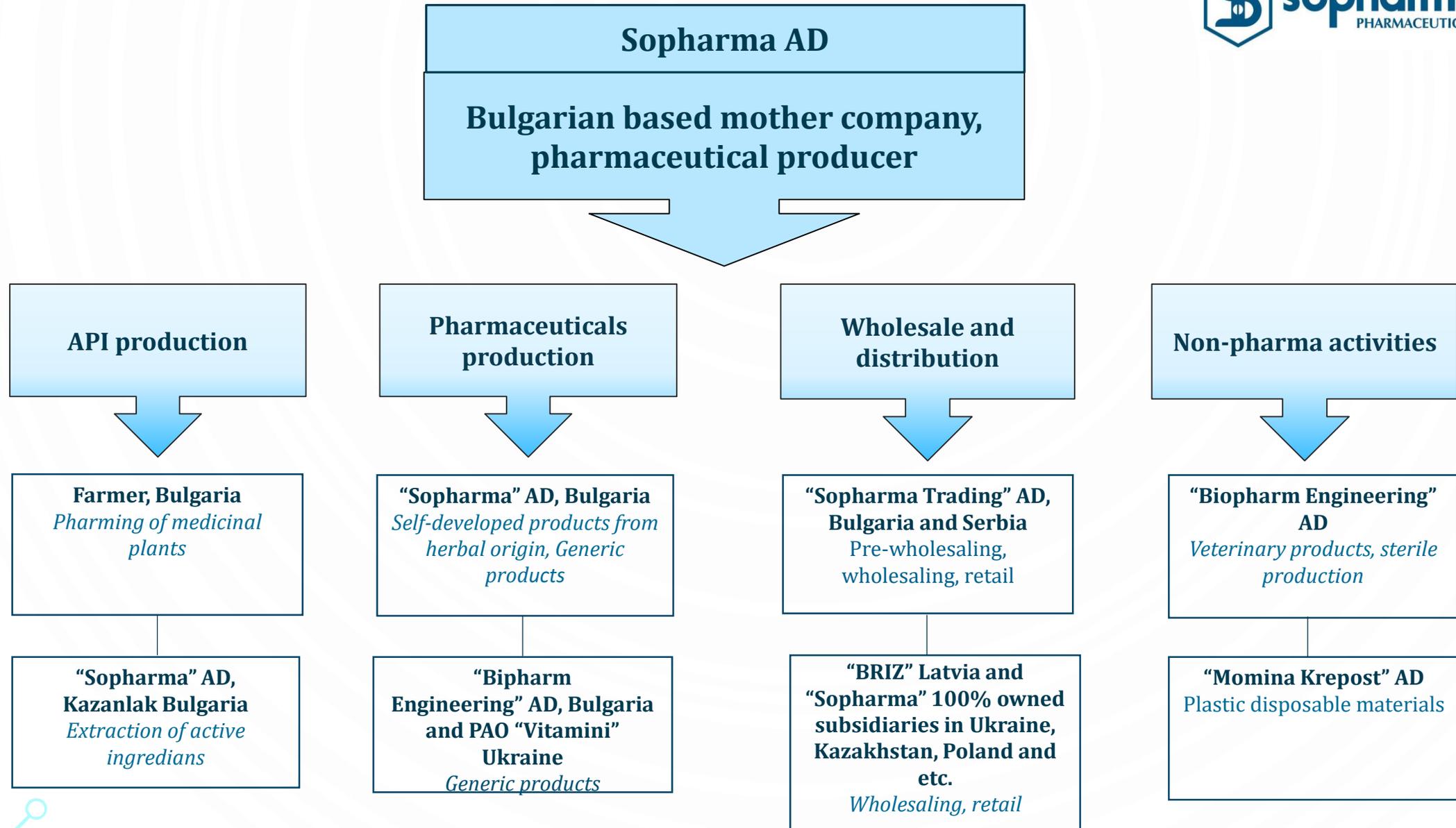


"Sopharma" AD is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other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

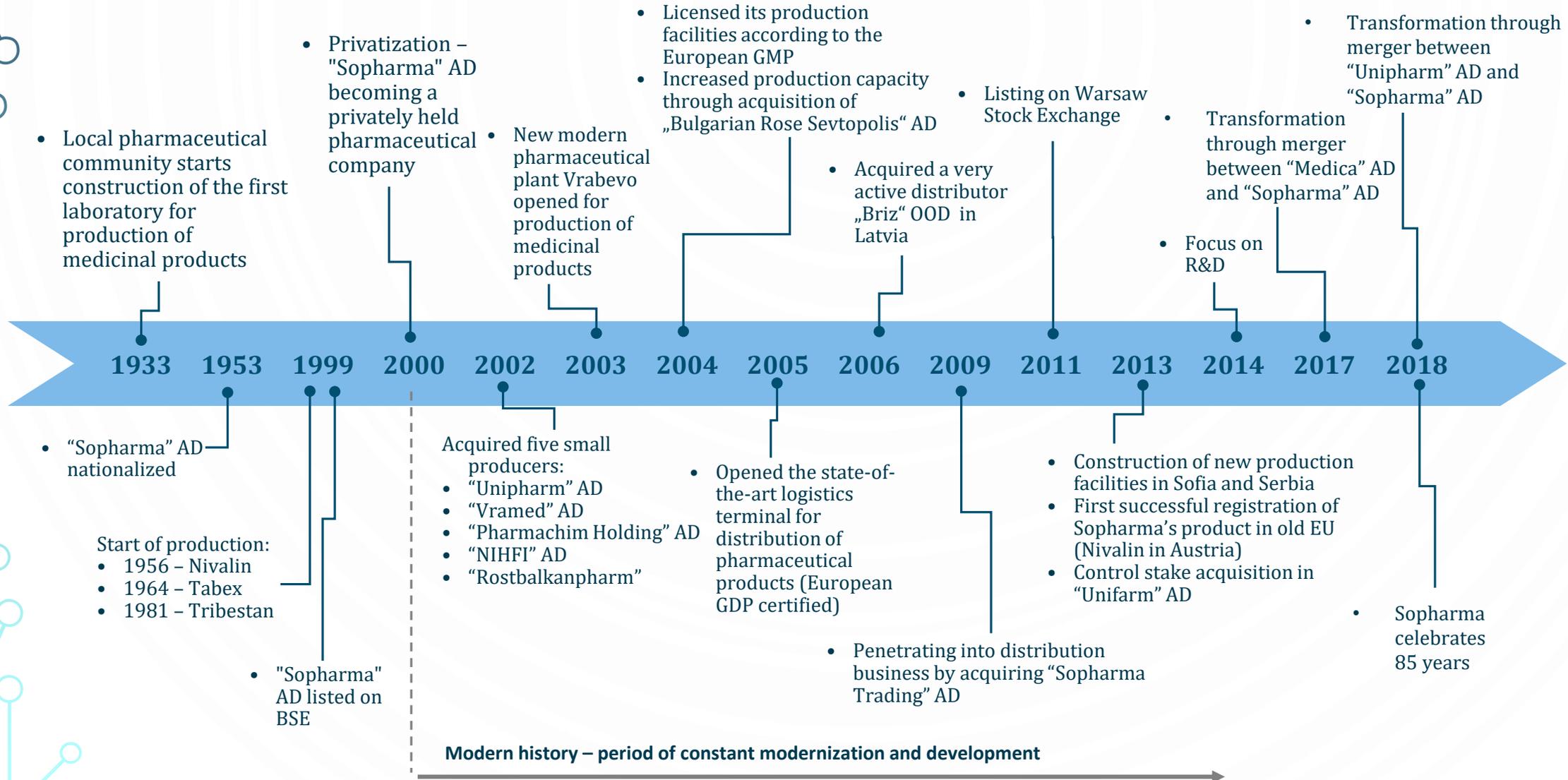
The Company works in the following areas:

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





# Brief history and key milestones:



# “Sopharma” AD



**Established in 1933**



**№1 manufacturer of  
ampules and  
suppositories**



**Revenues  
BGN 230 691  
thousand**



**EBITDA  
BGN 64 385  
thousand**



**More than 200  
products**



**Company with established  
traditions and experience**



**10  
manufacturing plants**



**2 275 employees**



**134 797 899  
shares**

# Personnel



**2 275**  
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.

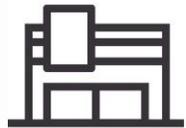
Number of employees as at 31 December 2019	31.12.2019	Rel. Share %
	2 246	100%
Higher education	952	42%
College education	47	2%
Secondary education	1212	54%
Primary education	35	2%
Employees under 30 years	219	10%
Employees 31 - 40 years	416	18%
Employees 41 - 50 years	651	29%
Employees 51 - 60 years	755	34%
Employees over 60 years	205	9%
Women	1408	63%
Men	838	37%



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# Production activity

# Production activity and major products – "Sopharma" AD



**10** manufacturing plants in line.



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

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



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



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

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

# Sopharma AD as a contract manufacturer



*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).

# Ecology and environmental protection

The company applies measures to:

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

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





Individual financial results for 2019

Our business

# Key financial indicators



Sales revenues increase with 8.6%



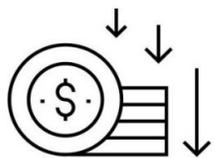
EBITDA increases with 42.4%



Operating profit increases with 65.6%



Net profit increases with 21.3%



Capex decreases with 29.2%

Indicators	1-12/2019	1-12/2018*
	BGN '000	BGN '000
Sales revenues	230 691	212 418
EBITDA	64 385	45 212
Operating profit	46 038	27 798
Net profit	40 382	33 298
CAPEX**	11 691	14 423
	31.12.2019	31.12.2018
Non-current assets	477 027	410 609
Current assets	201 738	197 617
Owners' equity	522 644	489 219
Non-current liabilities	20 667	25 606
Current liabilities	135 454	93 401
	1-12/2019	1-12/2018*
<b>Ratios</b>		
EBITDA / Sales revenues	27,9%	21,3%
Operating profit/ Sales revenues	20,0%	13,1%
Net profit/ Sales revenues	17,5%	15,7%
	31.12.2019	31.12.2018
Borrowed capital/Owners' equity	0,30	0,24
Net debt**/ EBITDA	1,7x	1,6x



Individual 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 Tchaushev**  
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

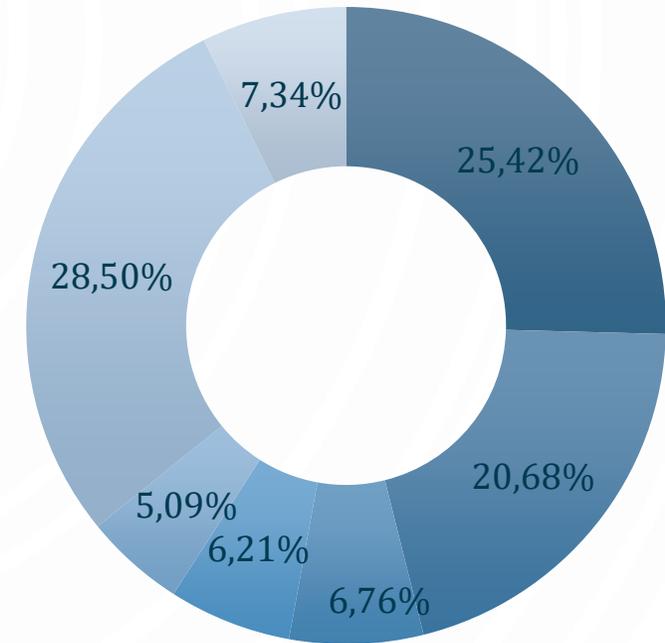


**134 797 899** shares with nominal value BGN 1 per share.



## 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 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
- CUPF "Alianz Bulgaria"
- Other companies
- Physical persons

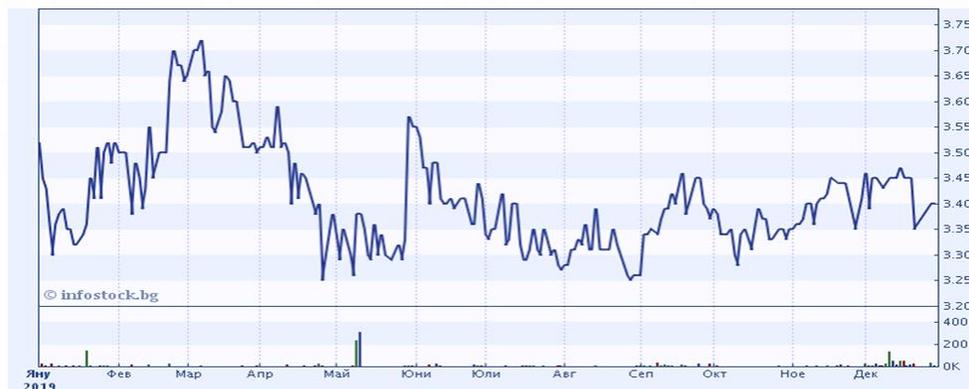
# Information about the shares



**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 Shares Market and on the official market of the Warsaw Stock Exchange.



	31.12.2019	31.12.2018
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 896 515	125 798 842
Number of shares outstanding at the end of the period	125 684 432	125 916 563
Net earnings per share in BGN <sup>1</sup>	0,321	0,265
Price per share at the end of the period in BGN	3,406	3,517
Price/Earnings ratio (P/E)	10,61	13,27
Book value per share in BGN <sup>2</sup>	4,158	3,885
Price/Book value ratio (P/B)	0,82	0,91
Sales per share in BGN <sup>3</sup>	1,835	1,687
Price per share / Sales per share(P/S)	1,86	2,08
Market capitalization in BGN	459 121 644	474 084 211

## Information on the acquisition of own shares required



- In the current year 210 462 shares were purchased and 3 000 shares were sold.
- The treasury shares purchased during the year amount to 0.16% of the Company's share capital and the average acquisition price is BGN 4.07 per share.
- “Sopharma” AD holds 9 113 467 own shares, representing 6.76% of the Company's capital.

	Shares	Equity, net of treasury shares
	Number	BGN '000
Balance at 1 January 2019	<b>125,916,563</b>	<b>101,461</b>
Treasury shares bought back	(232,131)	(801)
Expense on treasury shares	-	(4)
Balance at 31 December 2019	<b>125,684,432</b>	<b>100,656</b>

## Dividend policy

### Dividend per share in BGN

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
"Sopharma" AD	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.05

### Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
"Sopharma" AD	28%	23%	23%	27%	none	37%	36%	30%	28%	16%

"Sopharma" AD is among the first companies to pay a dividend for the first 6 months of 2018.



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## Key markets

# Republic of Bulgaria: Demography and key economic indicators

## GDP (BGN million)



2015 2016 2017 2018 2019

## 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%

## Pharmaceutical industry:

**99% PRIVATE**



## Area

111.000 km<sup>2</sup>

## Population

7.102 million

## Member of EU

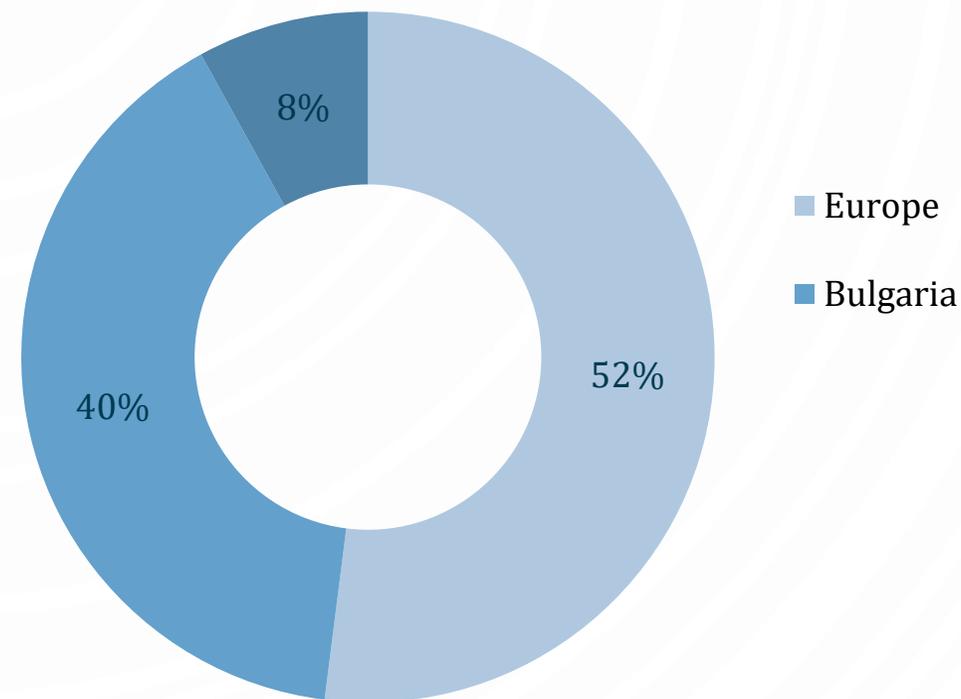
since 2007

Source: NSI 2017

# Sales revenues from products



- **Sales revenues from products** - increase by BGN 18,1 million or 9%, to BGN 228,9 million for 2019.
- **Europe** - increase by 21% compared to 2018 due to the increase of sales in Ukraine with 5% and Russia with 32%. Sales to Balkan countries, Poland, The Czech Republic, Moldova and others have increased.
- **Bulgaria** - the sales on the domestic market retain their value to BGN 92 million. "Sopharma" AD has a 3% share of the total Bulgarian pharmaceutical market in value and 10% of sales in volume.





Individual financial results for 2019

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## Key financial indicators of “Sopharma” AD

# Key financial indicators



Sales revenues increase with 8.6%



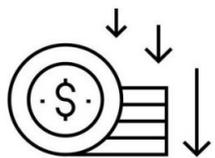
EBITDA increases with 42.4%



Operating profit increases with 65.6%



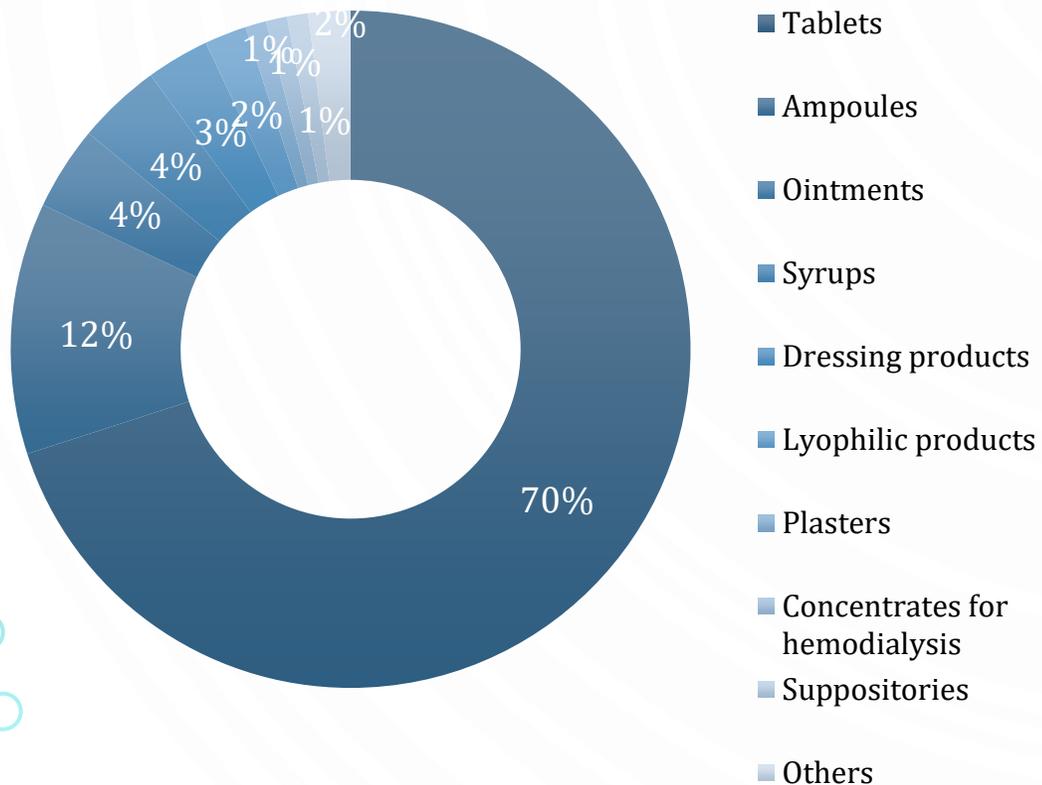
Net profit increases with 21.3%



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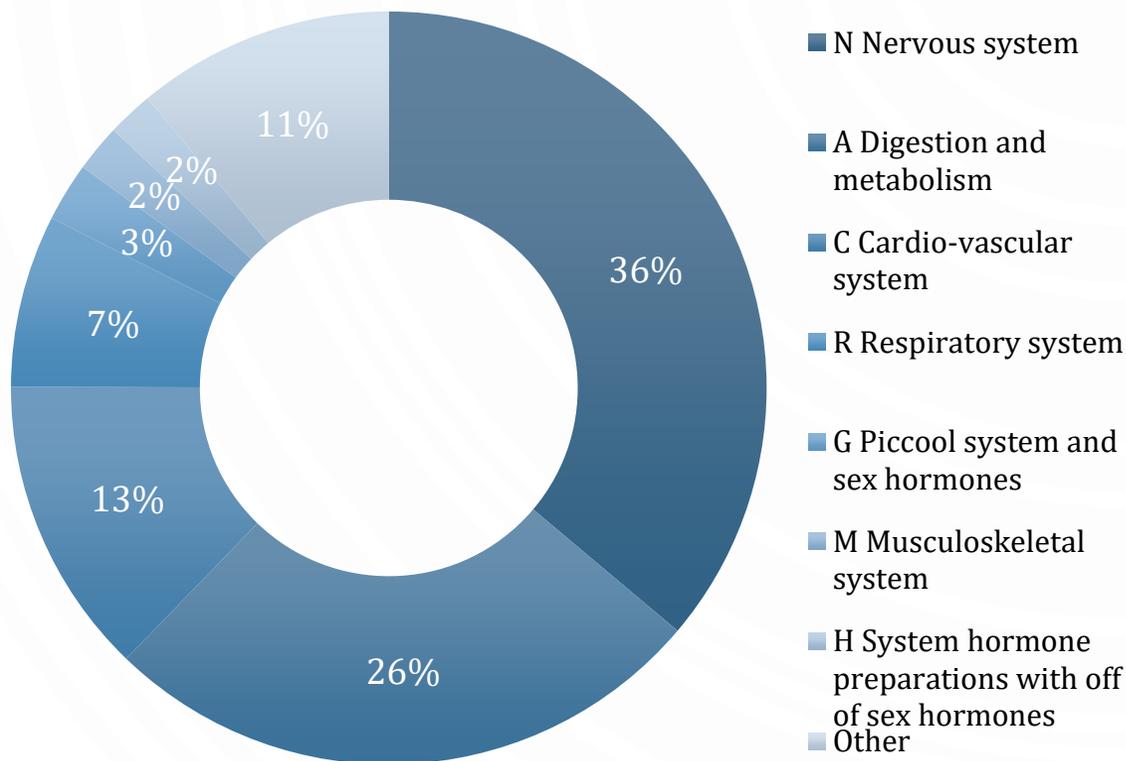
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Operating profit/ Sales revenues	20,0%	13,1%
Net profit/ Sales revenues	17,5%	15,7%
	31.12.2019	31.12.2018
Borrowed capital/Owners' equity	0,30	0,24
Net debt**/ EBITDA	1,7x	1,6x

# Sales by type of formulation



Revenues by type of formulation	2019 BGN '000	2018 BGN '000	Change %
<b>Tablets</b>	159 485	139 187	15%
<b>Ampoules</b>	28 670	32 995	-13%
<b>Ointments</b>	9 770	7 896	24%
<b>Syrups</b>	9 617	7 595	27%
<b>Dressing materials</b>	6 608	6 339	4%
<b>Lyophilic products</b>	4 673	6 281	-26%
<b>Plasters</b>	3 180	3 074	3%
<b>Concentrates for hemodialysis</b>	1 571	1 945	-19%
<b>Inhalers</b>	1 226	1 128	9%
<b>Other</b>	4 114	4 344	-5%
<b>Total</b>	<b>228 914</b>	<b>210 784</b>	<b>9%</b>

# Sales by therapeutic group

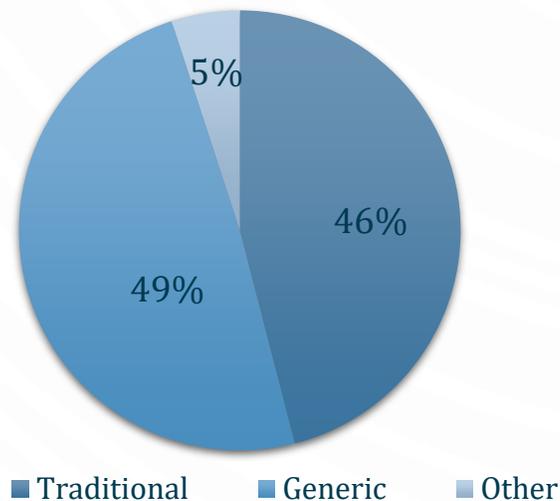


Revenues by therapeutic group	2019 BGN '000	2018 BGN '000	Change %
N Nervous System	82 599	74 023	12%
A Digestive System and Metabolism	59 562	50 521	18%
C Cardiovascular system	29 289	30 919	-5%
R Respiratory system	16 909	14 574	16%
G Piccool system and sex hormones	5 766	5 834	-1%
M Musculoskeletal system	4 652	3 703	26%
H Systemic hormonal preparations with excl. of sex hormones and insulins	4 487	5 977	-25%
<b>Other</b>	25 650	25 233	2%
<b>Total</b>	<b>228 914</b>	<b>210 784</b>	<b>9%</b>

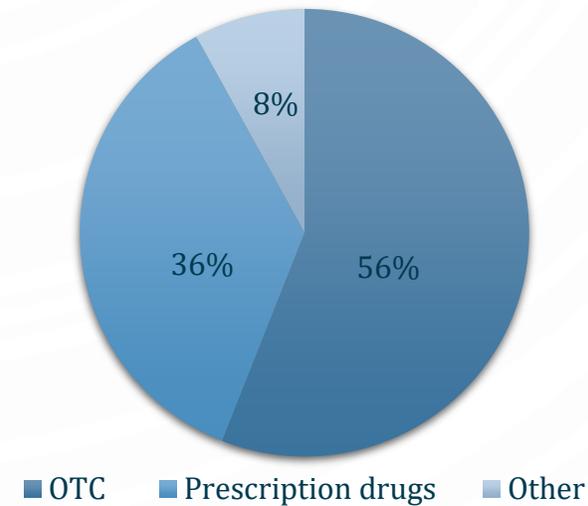
## Sales by group products

- The medicine products include mainly generics and 15 traditional products, 12 of the products are plant-based.
- The Company's traditional products in particular Tabex, Carsil and Templgine make a major contribution to its export market income, while domestic sales are of major importance to the company's generic products.
- The sales of "Sopharma" AD on the domestic market increase by 8% to BGN 58 million. The products with largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C, Ranitidine and medical supplies - gauzes, compresses, bandages and plasters.

**% of sales revenues**



**% of sales revenues**



## Other operating income

- Other operating income decreased by BGN 0,8 million in 2019 compared to 2018 mainly in the part of derecognized liabilities and other income.



Other operating income	2019	2018	Change %	Rel. share
	BGN '000	BGN '000		
Services rendered	2 792	2 612	7%	68%
Written off liabilities	746	1 398	-47%	18%
Revenue from European funding	540	588	-8%	13%
Profit from sale of goods	185	114	62%	5%
Income from sale of materials	61	72	-15%	1%
Profit from sale of long-term assets	115	148	-22%	3%
Net exchange loss on trade receivables and payables and current accounts	(311)	(226)	38%	-8%
Other (see Notes to the financial statements)	6	204	-97%	-
<b>Total other operating income</b>	<b>4 134</b>	<b>4 910</b>	<b>-16%</b>	<b>100%</b>

## Expenses for:



- **operating decreased** by BGN 0,7 million to BGN 188,5 million in 2019;
- **materials decreased** by BGN 0,3 million or 0.3% to BGN 75,5 million in 2019;
- **services expenses account decreased** by BGN 3,7 million or 10% to BGN 35 million in 2019;
- **personnel decrease** by BGN 0,9 million or by 2% to BGN 49,2 million in 2019;
- **other operating expenses decreased** by BGN 5 million in 2019 compared to 2018, mainly in the part of representative activities, accruals of depreciation of finished products and work in progress, accrued impairment for credit losses of receivables, scrap of fixed assets and others.
- **amortization increased** by BGN 0,9 million or by 5% to BGN 17,4 million in 2019.
- **changes in inventories** of finished goods and work in progress have raise the reported costs by BGN 6,2 million compared to an adjustment of BGN 2 million in 2018.

<b>Operating expenses</b>	<b>2019</b>	<b>2018</b>	<b>Change %</b>	<b>Rel. share</b>
	<b>BGN '000</b>	<b>BGN '000</b>		
Changes in inventories of finished goods and work in progress	6 183	(2 016)	407%	3%
Materials	75 486	75 752	0%	40%
Hired services	34 974	38 654	-10%	19%
Personnel	49 203	50 147	-2%	26%
Depreciation and amortization	18 347	17 414	5%	10%
Other operating expenses	4 594	9 579	-52%	2%
<b>Total</b>	<b>188 787</b>	<b>189 530</b>	<b>-0.4%</b>	<b>100%</b>

## Financial income:



### Financial income:

- increased by BGN 6,5 million to BGN 17 million in 2019 compared to BGN 10,5 million in 2018.
- Increased:
  - net profit from operations with investments in securities with BGN 2,9 million;
  - interest income by BGN 1,9 million and interest income on loans extended with BGN 1,8 million.

Financial income	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Income from equity share	10 653	8 789	21%	63%
Interest income on granted loans	3 342	1 579	112%	20%
Net gain from investment operations in securities and shares including profits from the sale of investments in subsidiaries	2 924	-	-	17%
Net profit from exchange differences on the sale of a subsidiary	242	-	-	1%
	47	152	-69%	0%
<b>Total</b>	<b>16 966</b>	<b>10 520</b>	<b>61%</b>	<b>100%</b>

## Financial costs:

### Financial expenses:

- increase by BGN 0,9 million to BGN 2,6 million in 2019;
- increase in interest expense on borrowings, a net change in the impairment of loans and more.;

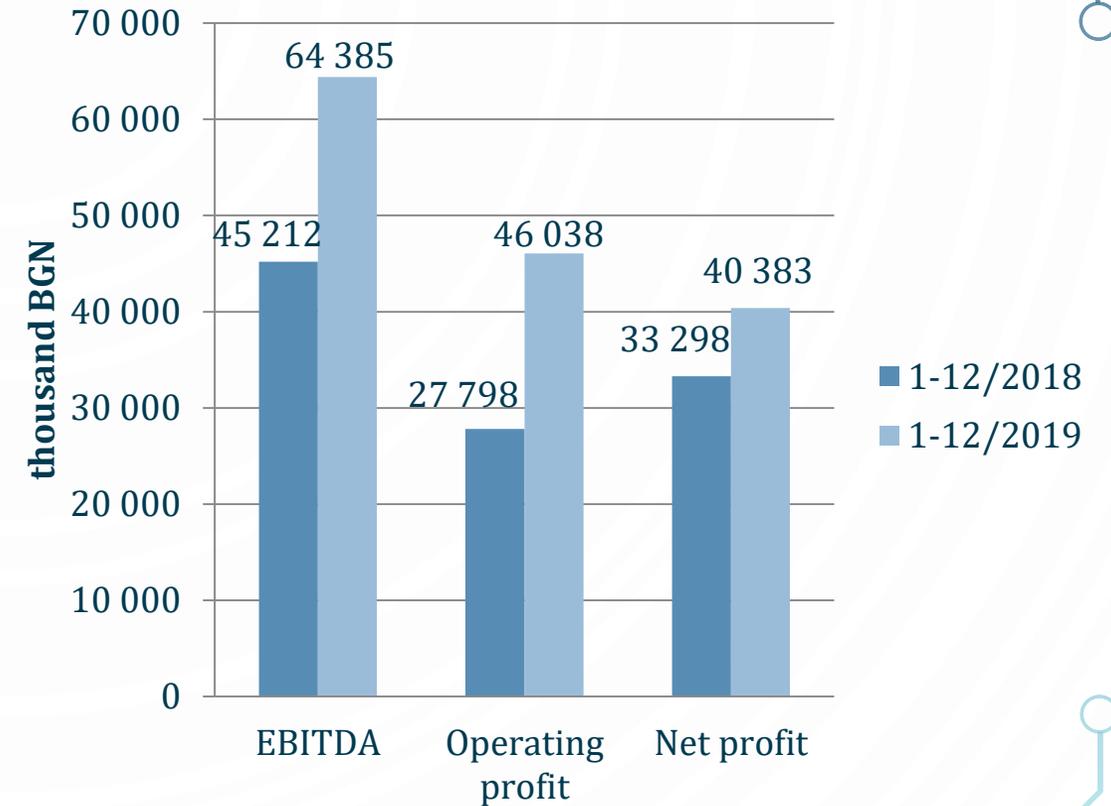
Net financial revenues (costs) **increased** by BGN 5,5 million compared to 2018.

Financial expenses	2019 BGN '000	2018 BGN '000	Change %	Rel. share
Interest expenses on loans	1 698	1 255	35%	65%
Bank fees on loans and guarantees	267	222	20%	10%
Financial guarantee provision	54	30	80%	2%
Interest expense on leases	58	1	100%	2%
Net change in impairment of loans	526	154	241%	20%
Effects of derivatives	-	47	-100%	-
Net loss from exchange differences on leases	8	-	100%	1%
<b>Total</b>	<b>2 611</b>	<b>1 709</b>	<b>53%</b>	<b>100%</b>

# Financial result of the activity



- Profit before interest, taxes and depreciation (**EBITDA**) in 2019 increased by BGN 19,1 million or 42.4% to BGN 64,4 million compared to BGN 45,2 million in 2018.
- **Operating profit** increased by BGN 18,2 million or 65.2% to BGN 46 million in 2019 compared to BGN 27,8 million in 2018.
- **Net profit** increased by BGN 7,1 million or 21.3% to BGN 40,4 million in 2019 compared to BGN 33,3 million in 2018.



# Assets



- **Total assets** increased to BGN 678,7 million.
- **Non-current assets** increased by BGN 66,4 million.
- **Current assets** increased to BGN 201,7 million.
- **Inventories decreased** by BGN 7,1 million.
- **Receivables from related parties** increase by BGN 5,5 million.
- **Trade receivables** increased by BGN 7,8 million.
- **Cash and cash equivalents** decreased by BGN 5 million.

Non-current assets	31.12.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Property, plant and equipment	224 654	226 956	-1%	33%
Intangible assets	8 524	11 881	-28%	1%
Investment property	39 329	37 451	5%	6%
Investments in subsidiaries	87 146	89 945	-3%	13%
Investments in associated companies	6 062	7 962	-24%	1%
Other long - term equity investments	9 621	7 599	27%	1%
Long-term receivables from related parties	91 794	23 055	298%	14%
Other long-term receivables	9 897	5 760	72%	1%
	<b>477 027</b>	<b>410 609</b>	16.2%	70%
<b>Current assets</b>				
Inventories	61 365	68 499	-10%	9%
Receivables from related parties	97 014	91 509	6%	14%
Trade receivables	27 212	19 431	40%	4%
Loans granted to third parties	6 044	3 270	85%	1%
Other receivables and prepayments	6 144	5 937	3%	1%
Cash and cash equivalents	3 959	8 971	-56%	1%
	<b>201 738</b>	<b>197 617</b>	2%	30%
<b>TOTAL ASSETS</b>	<b>678 765</b>	<b>608 226</b>	12%	100%

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



- Owners equity of "Sopharma" AD** increased by BGN 33,4 million or 7%, reaching BGN 522,6 million as at 31.12.2019 compared to BGN 489,2 million as at 31.12.2018, mainly as a result of the profit from the current period.
- Non-current liabilities** decreased by BGN 4,9 million, or 19% to BGN 20,7 million at the end of 2019, compared to BGN 25,6 million at the end of 2018, mainly from a decrease in long-term bank loans with BGN 7,1 million and the subscription of new leasing liabilities in the amount of BGN 2,6 million.

<b>OWNERS' EQUITY</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change</b>	<b>Rel. share</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	
Share capital	134 798	134 798	-	26%
Treasury shares	(34 142)	(33 337)	2%	-7%
Reserves	382 549	357 310	7%	73%
Retained earnings	39 439	30 448	30%	8%
<b>TOTAL OWNERS' EQUITY</b>	<b>522 644</b>	<b>489 219</b>	<b>7%</b>	<b>100%</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term bank loans	2 398	9 556	-75%	2%
Deferred tax liabilities	6 209	6 235	-	4%
Government grants	4 858	5 397	-10%	3%
Leasing liabilities to related parties	1 610	-	100%	1%
Lease obligations to third parties	954	-	100%	1%
Long-term liabilities to personnel	4 638	4 418	5%	3%
	<b>20 667</b>	<b>25 606</b>	<b>-19%</b>	<b>13%</b>

# Current liabilities



- **Increase:**
- short-term bank loans increased by BGN 34,7 million;
- commercial payables to related parties by BGN 6 million;
- tax liabilities by BGN 0,4 million;
- other current liabilities of BGN 3,5 million;
- Commercial payables decreased by BGN 2,8 million.

Current liabilities	31.12.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Short-term bank loans	100 359	65 652	53%	64%
Current portion of long-term bank loans	7 181	7 168	-	5%
Trade payables	6 074	8 922	-32%	4%
Payables to related parties	6 664	633	953%	4%
Tax payables	2 329	1 884	24%	1%
Payables to the personnel and for social security	7 266	7 119	2%	5%
Other current liabilities	5 581	2 023	176%	4%
	<b>135 454</b>	<b>93 401</b>	45%	87%
<b>TOTAL LIABILITIES</b>	<b>156 121</b>	<b>119 007</b>	31%	100%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>678 765</b>	<b>608 226</b>	12%	

# Cash flow and ratios



- Net cash flows in 2019 generated:
  - by operating activities – BGN 47,6 million inflow;
  - from investment activity – BGN 77,4 million outflow;
  - from financial activity - BGN 24,8 million inflow.
- As a result of these activities, the cash and cash equivalents net decreased by BGN 5 million and as at 31.12.2019 amounted to BGN 4 million compared to BGN 9 million at 01.01.2019.

	31.12.2019	31.12.2018
ROE <sup>1</sup>	7,9%	6,9%
ROA <sup>2</sup>	6,0%	5,5%
Asset turnover <sup>3</sup>	0,35	0,35
Current liquidity <sup>4</sup>	1,49	2,12
Quick liquidity <sup>5</sup>	1,01	1,38
Monetary liquidity <sup>6</sup>	0,03	0,1
Financial autonomy <sup>7</sup>	3,35	4,11
	1-12/2019	1-12/2018
	BGN '000	BGN '000
Net cash flow from/ (used in) operations	47 591	32 317
Net cash flow used in investment activities	(77 448)	(13 032)
Net cash flow (used in)/from financial operations	24 845	(16 078)
Net increase/(decrease) of cash and cash equivalents	<b>(5 012)</b>	<b>3 207</b>
Cash and cash equivalents on 1 January	8 971	5 764
<b>Cash and cash equivalents on 31 December</b>	<b>3 959</b>	<b>8 971</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

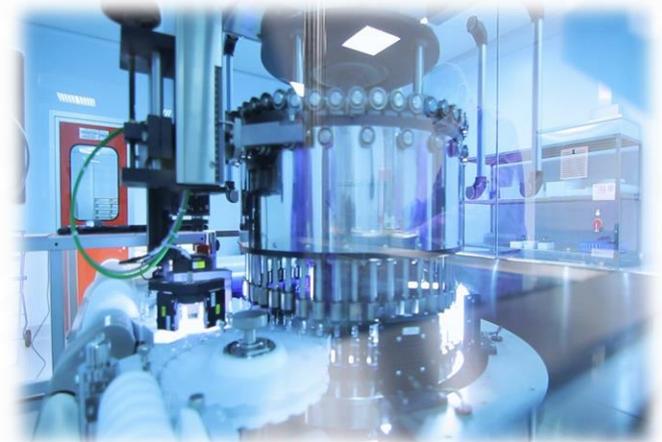


Individual financial results for 2019

# New products, significant events and risks

## New developments and products

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



## Significant events for the 2019



- As at 30.01.2019 the share participation of ZLPF Allianz Bulgaria in the capital of "Sopharma" AD reached 5.09%.
- On 31.01.2019 the Company received a valid production / import license for medicinal products № BG / MIA 0081 from the Bulgarian Drug Agency, in which the unincorporated subsidiary Unipharm AD was sold.
- 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%.
- 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%.
- On June 7, 2019 the General Meeting of Shareholders of "Sopharma" AD was held.
- 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).



- 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 with the participation of His Excellency Evgueni Stoytchev, the Ambassador of the Republic of Bulgaria in Moldova, "Sopharma" AD celebrated the opening of a new warehouse and administrative building in Kishinev with a total area of 5000 sq. m.
- As at 12.12.2019 after the sale of 32 500 shares of the capital of Momina Krepost AD, the share of "Sopharma" AD in the capital of "Momina Krepost" AD passes the threshold from 65% to 63.12% (1 067 398 shares).
- December 13, 2019 - Sopharma notifies all shareholders of the Company about the decision of the EGM of "Sopharma" AD that took place on December 13, 2019 regarding the amount and type of dividend distributed and the terms and conditions for its distribution.
- On 22.01.2020 "Sopharma" AD started initiate gross dividend payment of the voted on the EGM held on December 13, 2019 dividend of 0.05 BGN per share on January 22, 2020.



# Future development of “Sopharma” AD



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



## Review the main risks:

1. 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!



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