

PRELIMINARY MANAGEMENT REPORT

FOR 2019

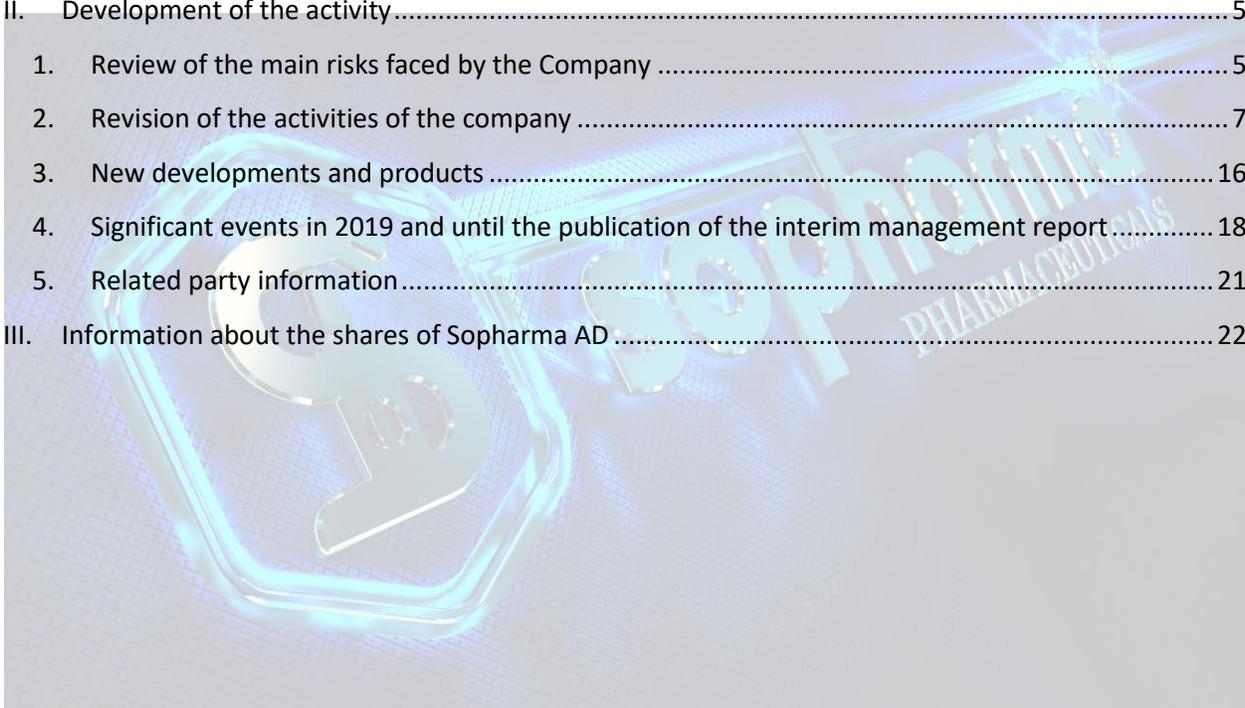


SOPHARMA AD

30 January 2019

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I. General information about Sopharma AD

1. Registration and main activities

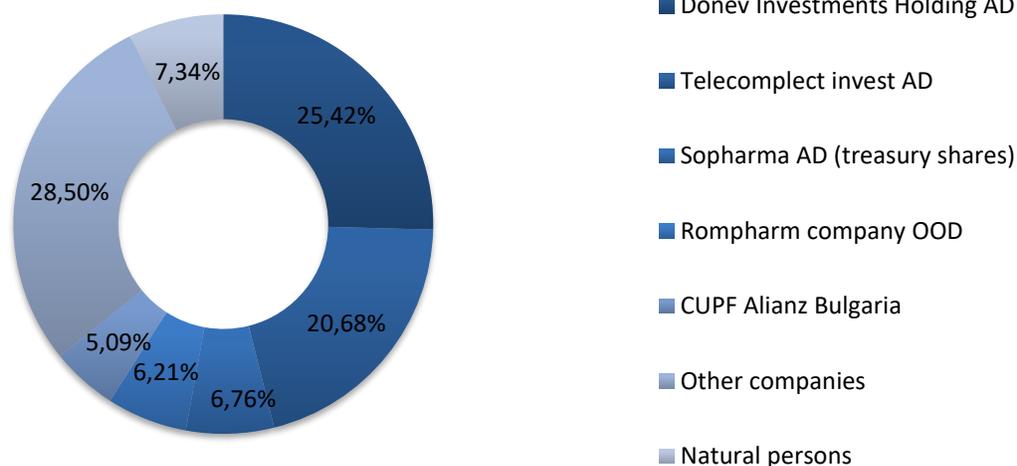
Sopharma AD is a company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, 16, Iliensko shose str.

Sopharma AD was established in 1933. The court registration of the Company is from 15.11.1991, decision №1 / 1991 of Sofia City Court. Sopharma AD is a public company under the Public Offering of Securities Act.

The Company conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of photochemistry, chemistry and pharmacy, production of medical devices and cosmetics, incl.: plasters, bandages, sanitary-hygiene products, medicinal cosmetics, concentrates for hemodialysis. Sopharma AD provides services related to production, as well as to ancillary and supporting activities.

The Company has marketing authorizations under the Law on Medicines and Pharmacies in Human Medicine for all products in its manufacturing portfolio.

2. Shareholder structure as at 31 December 2019



3. Board of Directors

Sopharma AD has a one-tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman and members: Vessela Stoeva, Ognian Palaveev, Alexander Tchaushev and Ivan Badinski. The Company is represented and managed by the Executive Director Ognian Donev, PhD.

4. Personnel

The average number of employees for 2019 in Sopharma AD is 2,275 workers and employees (2,137 in 2018). The table below provides more detailed information about the company's personnel.

	31.12.2019	Rel. Share %
Number of employees as at 31 December 2019	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%

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. Employees who work under specific, harmful or dangerous conditions receive personal protective equipment and allowances.

5. Production activity

Sopharma AD has ten manufacturing plants in line with EU requirements, which are located in Bulgaria. The company is the largest Bulgarian manufacturer of ampoules and suppositories.

The production activity of the company is realized and developed in the following main directions:

- Substances and preparations based on plant raw materials (phytochemical);
- Ready-to-use formulations, incl.:
 - ✓ Solid tablets, coated tablets, film-coated tablets, capsules;
 - ✓ Gallbits - suppositories, drops, syrups, ointments;
 - ✓ Parenteral - injection solutions, lyophilisate powder for injection;
- Medical devices and cosmetics, incl.:
 - ✓ Plasters;
 - ✓ Bandages;
 - ✓ Samitary-hygene products;
 - ✓ Medicinal cosmetics;
 - ✓ Concentrates for hemodialysis.

6. Products

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. 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, including Analgine's first drug.

The product portfolio of Sopharma AD focuses on the following therapeutic areas: cardiology, gastroenterology, pain management, cough and cold, immunology and dermatology, respiratory tract and asthma, neurology and psychiatry, urology and gynecology, nephrology, surgery, orthopedics and traumatology.

The most significant products in terms of their contribution to the amount of revenue are:

- Carsil – a traditional plant-based product used to treat gastro-enterological diseases (liver diseases);
- Tempalgin - a traditional analgesic (painkiller);
- Tabex - a traditional plant-based drug against tobacco smoke;
- Tribestan - a traditional plant-based product that stimulates the functions of the sexual system;
- Broncholitin - a traditional plant-based product used to suppress cough;
- Analgin - generic analgesic (pain reliever);
- Nivalin - a traditional plant-based product used for diseases of the peripheral nervous system;
- Methylprednisolone - a generic medicine for cases of severe allergies and certain life-threatening conditions.
- Vitamin C - a widely used nutritional supplement.
- Valerian - a generic non-prescriptional herbal medicine used to reduce stress.
- Medical supplies - gauzes, compresses and dressings.

II. Development of the activity

1. Review of the main risks faced by the Company

Risks relating to the Company's business and the industry the Company operates in

- The Company faces significant competition;
- The Company is dependant on regulatory approvals;
- Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations;
- Part of the Company's revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines on reimbursement lists;
- The Company's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company's operations;
- 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;
- The Company is subject to operational risk, which is inherent to its business activities;

- The Company is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities;
- Litigation or other out-of-court proceedings or actions may adversely affect the Company's business, financial condition and results of operations.

Risks relating to Bulgaria and other markets in which the Company operates

- The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position;
- The political environment in Bulgaria and in the export markets, especially Russia and Ukraine, has a significant effect on the Group's operations and financial condition;
- Risks related to the Bulgarian legal system;
- Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in such countries;
- Risks relating to exchange rates and the Bulgarian Currency Board;
- The interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. 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. The remaining part of Company operations are usually denominated in BGN and/or EUR. The Company sells some of its finished products in Russia in euro and thus eliminates the currency risk associated with the depreciation of the Russian ruble in the recent months. The accounts with subsidiaries in Ukraine are also denominated in EUR. However, in connection with the instability in the country and the continued depreciation of the Ukrainian hryvnia, in order to minimize currency risk, the company conducts through its subsidiaries a currency policy, which includes the implementation of advance payments and shortening of the periods of delayed payments and immediate exchange of revenues in local currency in euros, as well as raising of the price mark-ups on products in order to compensate for possible future devaluation of the UAH.

To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

2. Revision of the activities of the company

Key financial indicators

Indicators	1-12/2019	1-12/2018*	Change
	BGN '000	BGN '000	%
Revenues	230 691	212 418	8,6%
EBITDA	64 301	45 212	42,2%
Operating profit	45 919	27 798	65,2%
Net profit	40 190	33 298	20,7%
CAPEX**	11 691	14 423	-18,9%
	31.12.2019	31.12.2018	
	BGN '000	BGN '000	
Non-current assets	477 921	410 609	16,4%
Current assets	201 692	197 617	2,1%
Owners' equity	522 302	489 219	6,8%
Non-current liabilities	21 844	25 606	-14,7%
Current liabilities	135 467	93 401	45,0%

* recalculated data as a result of the merger of Unipharm AD, based on consolidation of the financial statements of Sopharma AD and Unipharm AD

** tangible and intangible fixed assets acquired

Ratios	1-12/2019	1-12/2018*
EBITDA / Revenues	27,9%	21,3%
Operating profit/ Sales revenues	19,9%	13,1%
Net profit/ Sales revenues	17,4%	15,7%
	31.12.2019	30.09.2019
Borrowed capital/Owners' equity	0,30	0,33
Net debt**/ EBITDA	1,7x	2,7x
Net bank debt***/ EBITDA	1,7x	2,6x

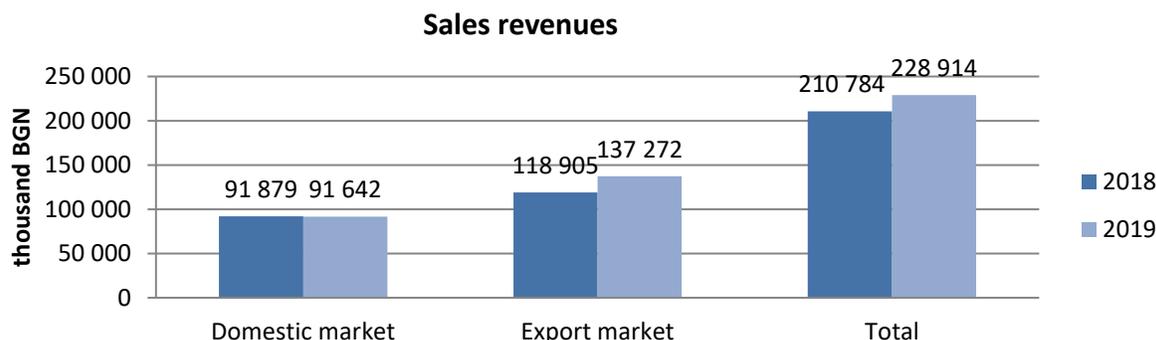
* recalculated data as a result of the merger of Unipharm AD, based on consolidation of the financial statements of Sopharma AD and Unipharm AD

** the net debt comprises the sum of borrowings from banks and lease liabilities less cash and cash equivalents, taking into account the effects of the adoption of IFRS 16 Leases, effective from 01.01.2019

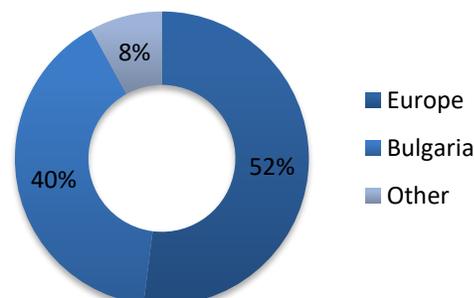
*** the net bank debt includes the sum of bank loans less cash and cash equivalents

Sales revenues from products

Sales revenues from products for 2019 increase by BGN 18,1 million or by 9%, to BGN 228,9 million compared to BGN 210,8 million in 2018.



Revenues by market	1-12/2019	1-12/2018	Change
	BGN '000	BGN '000	%
Europe	118 380	97 580	21%
Bulgaria	91 642	91 879	0%
Other	18 892	21 325	-11%
Total	228 914	210 784	9%



- Europe

Revenues from sales to European countries 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

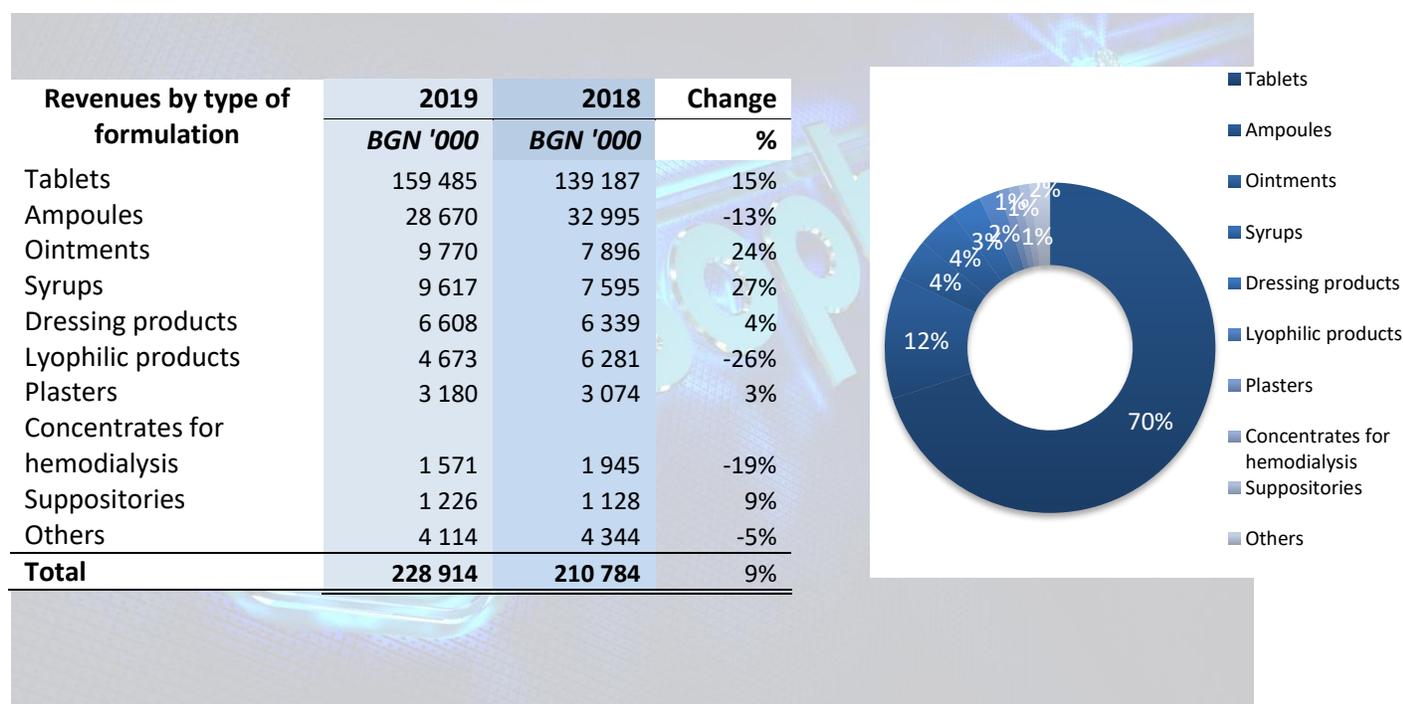
The sales of Sopharma AD on the domestic market retain their value to BGN 92 million. The products with largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C, Nivalin and medical supplies - gauzes, compresses, bandages and plasters. Sopharma AD has a 3% share of the total Bulgarian pharmaceutical market in value and 10% of sales in volume. The positions of the main competitors of the Company in the country are as follows: Novartis – 7% (4% in units), Roche – 6% (0,2% in units), Actavis – 4,5% (9% in units), Pfizer – 3,8% (1% in units), Merck Sharp Doh – 3,8% (1% in units), Abbive – 3,8% (0% in units), GlaxoSmithKline – 3,4% (2,5% in units), Sanofi-Aventis – 3% (2% in units), Astra Zeneca – 2,6% (0,5% in units).

- Other markets

Revenues from other markets decrease with 11% compared to 2018, mainly as a result of a decrease of the export for Vietnam. The export for the Caucasus and Central Asia increases with 25%.

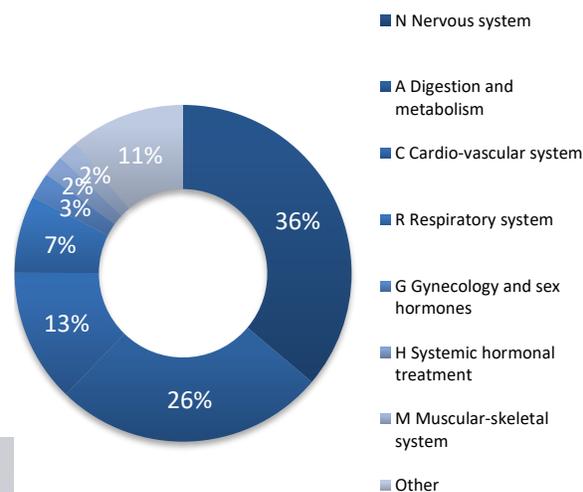
Sales by type of formulation

The types of formulation with the highest share in the volume of sales are tablet forms, followed by ampoules, lyophilic products, unguents, dressing products, syrups, lyophilic products, plasters and others.



Sales by therapeutic group

Revenues by therapeutic group	2019	2018	Change %
	BGN '000	BGN '000	
N Nervous system	82 599	74 023	12%
A Digestion and metabolism	59 562	50 521	18%
C Cardio-vascular system	29 289	30 919	-5%
R Respiratory system	16 909	14 574	16%
G Gynecology and sex hormones	5 766	5 834	-1%
H Systemic hormonal treatment	4 652	3 703	26%
M Muscular-skeletal system	4 487	5 977	-25%
Other	25 650	25 233	2%
Total	228 914	210 784	9%



Other operating revenues

Other operating revenues	2019	2018	Change %	Rel. share 2019 %
	BGN '000	BGN '000		
Income from services rendered	2 792	2 612	7%	68%
Derecognised liabilities	747	1 398	-47%	18%
Income from government grants under European projects	540	588	-8%	13%
Income from sale of goods	195	114	71%	5%
Income from sale of materials	61	72	-15%	1%
Income from sale of LTA	115	148	-22%	3%
Net loss on exchange differences under trade receivables and payables and current accounts	(311)	(226)	38%	-8%
Other (see Notes to the FS)	(21)	204	-110%	-1%
Total other operating revenues	4 118	4 910	-16%	100%

Other operating income decreases by BGN 0,8 million in 2019 compared to 2018 mainly in the part of derecognized liabilities, but increases in the part of revenues from services rendered and profit from the sale of goods.

Operating expenses

Operating expenses	2019	2018	Change	Rel. share 2019
	BGN '000	BGN '000	%	%
Changes in the finished goods and work-in-progress inventory	6 192	(2 016)	407%	3%
Materials	75 476	75 752	0%	40%
External services	34 860	38 654	-10%	18%
Personnel	49 158	50 147	-2%	26%
Amortization	18 382	17 414	6%	10%
Other operating expenses	4 822	9 579	-50%	3%
Total	188 890	189 530	-0.3%	100%

Operating expenses decrease by BGN 0,6 million from BGN 189,5 million in 2018 to BGN 188,9 million in 2019, mainly due to external services, other operating costs and personnel costs.

Expenses on materials (40% share) decrease by BGN 0,3 million or 0.4% from BGN 75,8 million in 2018 to BGN 75,5 million in 2019, as the biggest impact being the decrease in main materials with BGN 1,2 million in the part of substances with BGN 1,5 million, fuels and lubricants, etc. The expenses on laboratory materials, electricity, and material depreciation increase.

External services expenses account for 18% relative share of operating expenses and decrease by BGN 3,8 million or 10% to BGN 34,9 million in 2019 compared to BGN 38,7 million in 2018. The most significant impact coming from decrease in the cost of maintenance of buildings and equipment, rents, advertising and marketing and consulting services.

Personnel expenses (with a relative share of 26% of operating costs) decrease by BGN 1 million or by 2% from BGN 50,1 million in 2018 to BGN 49,1 million in 2019.

Other operating expenses (with a relative share of 3% of operating costs) decrease by BGN 4,7 million in 2019 compared to 2018 mainly in the part of accrued impairments of finished goods and work in progress, accrued / (reversed) impairment on receivables credit losses , incl. from affiliated enterprises, net and representative events.

Amortization expenses (with a relative share of 10% of operating expenses) register an increase of BGN 1 million or by 6% from BGN 17,4 million in 2018 to BGN 18,4 million in 2019.

Changes in inventories of finished goods and work in progress have an impact on the increase in operating expenses by BGN 8,2 million.

Financial income and expenses

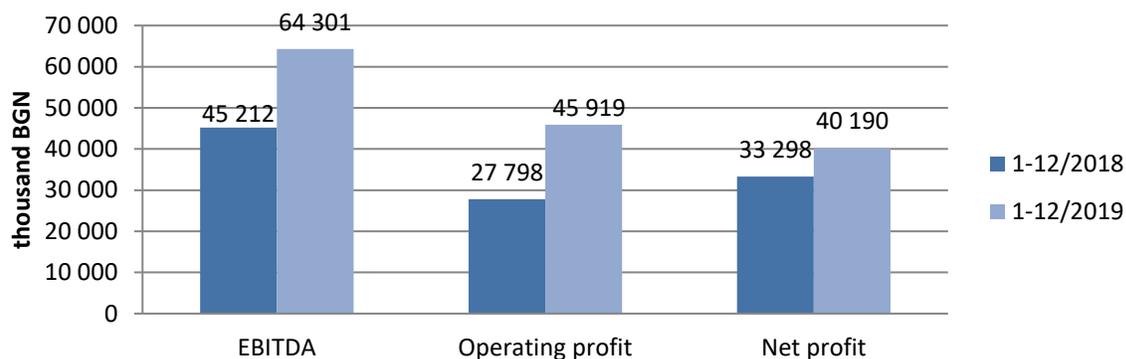
Financial income	2019	2018	Change	Rel. share
	BGN '000	BGN '000	%	2019
				%
Income from shareholding	10 653	8 789	21%	63%
Income from interest on loans granted	3 387	1 579	115%	20%
Net gain on transactions with investments in securities and shares	2 925	-	-	17%
<i>Incl. profits from the sale of investments in subsidiaries</i>	242	-	-	1%
Net gain on exchange differences on sale of a subsidiary	47	152	-69%	0%
Total	17 012	10 520	62%	101%
Financial expenses	1 697	1 255	35%	73%
Interest expense on loans received	286	222	29%	13%
Bank fees and charges on loans and guarantees	231	30		2%
Financial guarantee provision	58	1		0%
Interest expense on operating lease	1 460	166		
Impairment of credit losses on receivables from commercial loans granted	(835)	(12)		
Net change in impairment of loans	625	154	306%	9%
Interest expense on finance leases		47	-100%	3%
Effects from derivatives	8	-	-	0%
Total	2 905	1 709	70%	100%

Financial revenues increase by BGN 6,5 million to BGN 17 million in 2019 compared to BGN 10,5 million in 2018, mainly in the part of net profit from securities investment operations equity income and interest earnings on loans granted.

Financial expenses increase by BGN 1,2 million to BGN 2,9 million in 2019, due to an increase in interest provisions on financial guarantees, net change in impairment of loans granted and more.

Net financial revenues (costs) increase by BGN 5,3 million compared to 2018.

Financial result of the activity



Profit before interest, taxes and depreciation (EBITDA) increase in by BGN 19,1 million or by 42.2% to BGN 64.3 million compared to BGN 45,2 million in 2018.

Operating profit increase by BGN 18,1 million or 65.2% to BGN 45,9 million in 2019 compared to BGN 27,8 million in 2018.

Net profit increase by BGN 6,9 million or by 20.7%, to BGN 40,2 million in 2019 compared to BGN 33,3 million in 2018.

Assets

Non-current assets	31.12.2019	31.12.2018	Change	Rel. share
	BGN '000	BGN '000	%	2019
Property, plant and equipment	225 919	226 956	0%	47%
Intangible assets	8 485	11 881	-29%	2%
Investment property	39 325	37 451	5%	8%
Investments in subsidiaries	87 146	89 945	-3%	18%
Investments in associated companies	6 062	7 962	-24%	1%
Other long - term equity investments	9 644	7 599	27%	2%
Long-term receivables from related parties	91 767	23 055	298%	19%
Other long-term receivables	9 573	5 760	66%	2%
	477 921	410 609	16.4%	70%
Current assets				
Inventories	61 336	68 499	-10%	30%
Receivables from related parties	97 447	91 509	6%	48%
Commercial receivables	27 185	19 431	40%	13%
Loans granted to third parties	5 665	3 270	73%	3%
Other receivables and prepaid expenses	6 100	5 937	3%	3%
Cash and cash equivalents	3 959	8 971	-56%	2%
	201 692	197 617	2%	30%
TOTAL ASSETS	679 613	608 226	12%	100%

Total assets increase by BGN 71,4 million or by 12% to BGN 679,6 million in the end of the current period, compare to BGN 608,2 million as at 31 December 2018.

Non-current assets increase by BGN 67,3 million, or by 16%, mainly due to an increase in long-term receivables from related parties by BGN 68,7 million, other long-term receivables by BGN 3,8 million, other long-term capital investments by BGN 2 million and investment properties by BGN 1,9 million. Property, plant and equipment assets decrease by BGN 1 million in the portion of machinery, plant and equipment by BGN 3,1 million and in the process of acquisition by BGN 2 million and increase in the proportion of land and buildings etc.. Intangible assets decrease by BGN 4,3 million mainly in the goodwill part by BGN 2,5 million, software sector and intellectual property rights.

Current assets increase by BGN 4,1 million or by 2% to BGN 201,7 million as at 31 December 2019 compared to 197,6 million as at 31 December 2018. Inventories decrease by BGN 7,2 million or 10% compared to 31 December 2018. Receivables from related parties increase by BGN 75,9 million in the part of receivables from contracts with customers and in the part of dividend receivables. Trade receivables increase by BGN 7,8 million. Commercial loans granted to third parties increase by BGN 2,4 million. Other receivables and prepaid expenses increase by BGN 0,2 million. Cash and cash equivalents decrease by BGN 5 million.

Liabilities and owners' equity

OWNERS' EQUITY	31.12.2019	31.12.2018	Change	Rel.share 2019
	BGN '000	BGN '000	%	%
Share capital	134 798	134 798	0%	26%
Treasury shares	(34 142)	(33 337)	2%	-7%
Reserves	382 397	357 310	7%	73%
Retained earnings	39 249	30 448	29%	8%
TOTAL OWNERS' EQUITY	522 302	489 219	7%	100%
	31.12.2019	31.12.2018	Change	Rel. share 2019
	BGN '000	BGN '000	%	%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	2 397	9 556	-75%	2%
Liabilities on deferred taxes	5 972	6 235	-4%	4%
Government grants	4 858	5 397	-10%	3%
Operating leasing liabilities to related parties	1 610			1%
Operating leasing liabilities to third parties	2 369			2%
Long-term liabilities to personnel	4 638	4 418	5%	3%
	21 844	25 606	-15%	14%

Current liabilities				
Short-term bank loans	100 377	65 652	53%	64%
Short-term part of long-term bank loans	7 181	7 168	0%	5%
Commercial liabilities	5 814	8 922	-35%	4%
Liabilities to related parties	6 618	633	945%	4%
Liabilities for taxes	2 381	1 884	26%	2%
Liabilities to the personnel and for social insurance	7 249	7 119	2%	5%
Other current liabilities	5 847	2 023	189%	4%
	135 467	93 401	45%	86%
TOTAL LIABILITIES	157 311	119 007	32%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	679 613	608 226	12%	

Owners' equity increases by BGN 33,1 million or by 7% to BGN 522,3 million as at 31 December 2019 compared to BGN 489,2 million as at 31 December 2018, mainly as a result of the increase in reserves with BGN 25,1 million.

Non-current liabilities decrease by BGN 3,8 million or 14% to BGN 21,8 million at the end of 2019 compared to BGN 25,6 million as at 31 December 2018 mainly in the part of long-term bank loans by BGN 7,2 million.

Current liabilities increase by BGN 42,1 million to BGN 135,5 million at the end of 2019 compared to BGN 93,4 million as at 31 December 2018. Short-term bank loans increase by BGN 34,7 million, other current liabilities by BGN 3,8 million, liabilities to related parties by BGN 6 million and tax liabilities by BGN 0,5 million. Commercial debt obligations decrease by BGN 3,1 million. Total bank loans exposure of the Company as at 31 December 2019 increases with BGN 27,6 million compared to 31 December 2018.

Cash flow

	1-12/2019 BGN '000	1-12/2018 BGN '000
Net cash flow from/ (used in) operations	47 810	32 317
Net cash flow used in investment activities	(77 454)	(13 032)
Net cash flow (used in)/from financial operations	24 632	(16 078)
Net increase/(decrease) of cash and cash equivalents	(5 012)	3 207
Cash and cash equivalents on 1 January	8 971	5 764
Cash and cash equivalents on 31 December	3 959	8 971

Net cash flows in 2019 generated by operating activities amounted to BGN 47,8 million inflow, from investment activity amounted to BGN 77,5 million outflow and from financial activity were to the amount BGN 24,6 million outflow. As a result of these activities, cash and cash

equivalents decreased net by BGN 5 million and by 31 December 2019 amounted to BGN 4 million compared to BGN 9 million as at 1 January 2019.

Ratios

	31.12.2019	30.09.2019	Change
ROE ¹	7,9%	7,8%	0,1
ROA ²	6,0%	6,0%	-
Asset turnover ³	0,35	0,33	0,02
Current liquidity ⁴	1,49	1,41	0,08
Quick liquidity ⁵	1,04	0,94	0,10
Monetary liquidity ⁶	0,03	0,01	0,02
Financial autonomy ⁷	3,32	3,00	0,32

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

3. New developments and products

- New Products for the period January - December 2019

Authorization to use the medicinal product Norepinephrine 1 mg/ml concentrate for solution/infusion (Bulgaria, Latvia, Lithuania and Estonia).

- Implemented new products in the production cycle

Norepinephrine 1 mg/ml concentrate for solution/infusion

By the end of 2020, it is expected that 3 to 5 new products will be introduced.

- New registrations and re-registrations / changes

New registrations

- Received 47 Authorizations for the use of medicinal products for new destinations, namely:
 - Sophtensif 1.5 mg prolonged-release tablets (Albania);
 - Tuspan 7 mg/ml syrup (Armenia);
 - Vicetin 5 mg/ml solution for infusion (Armenia);
 - Pyraminol 200 mg/ml solution for injection (Armenia);
 - Bellergamin 0.1 mg/0.3 mg/20 mg coated tablets (Armenia);
 - Analgin Kids 500 mg/ml oral drops, solution (Armenia);

- Sopral 20 mg gastro-resistant capsules, hard (Armenia);
- Felogel 1 g/100 g gel (Azerbaijan);
- Tuspan 7 mg/ml syrup (Azerbaijan);
- Allergosan 10 mg/ml solution for injection (Azerbaijan);
- Captopril Sopharma 25 mg tablets (Georgia);
- Allergosan 10 mg/ml solution for injection (Georgia);
- Amikacin 125 mg/ml solution for injection (Georgia);
- Amikacin 250 mg/ml solution for injection (Georgia);
- Digoxin Sopharma 0.25 mg tablets (Georgia);
- Analgin 500 mg/ml solution for injection (Georgia);
- Antiallersin 25 mg/ml solution for injection (Georgia);
- Carsil Max 110 mg capsules, hard (Kazakhstan);
- Sophalor 0.5 mg/ml oral solution (Kazakhstan);
- Deavit Neo 0.5 mg/ml oral drops, solution (Kazakhstan);
- Deflamol 350 IU/400 IU/g ointment (Kazakhstan);
- Ketotifen Sopharma 0.2 mg/ml syrup (Mongolia);
- Metamizol sodic PML 500 mg/ml solution for injection (Romania);
- Paracetamol PML 500 mg tablets (Romania);
- Carsil Max 110 mg capsules, hard (Russia);
- Desloratadine Sopharma 0.5 mg/ml oral solution (Serbia);
- Promerol 1 mg/ml solution for injection, 10 x 5 ml (Serbia);
- Promerol 1 mg/ml solution for injection, 50 x 5 ml (Serbia);
- Vitamin C Sopharma 100 mg/ml solution for injection, 10 x 5 ml (Serbia);
- Vitamin C Sopharma 100 mg/ml solution for injection, 10 x 2 ml (Serbia);
- Ivadron 3 mg/3 ml solution for injection (Serbia);
- Ivadron 150 mg tablets (Serbia);
- Felogel 1 g/100 g gel (Tajikistan);
- Carsil Max 110 mg capsules, hard (Tajikistan);
- Silden 100 mg film-coated tablets (Tajikistan);
- Sophalor 0.5 mg/ml oral solution (Tajikistan);
- Sophalor 5 mg film-coated tablets (Tajikistan);
- Ketotifen Sopharma 1 mg tablets (Tajikistan);
- Sopral 20 mg capsules, hard (Tajikistan);
- Duspaverin 135 mg film-coated tablets (Tajikistan);
- Otigo 40 mg/10 mg/g ear drops, solution (UK);
- Allergosan (Desloratadine) Sopharma 0.5 mg/ml oral solution (Ukraine);
- Allergosan (Desloratadine) Sopharma 5 mg film-coated tablets (Ukraine);
- Syafen 100 mg/5 ml oral suspension (Vietnam);
- Carsil 90 mg capsules, hard (Vietnam);
- Vicetin 10 mg tablets (Vietnam);
- Nivalin 5 mg tablets (Vietnam).

- Registration documents were submitted for the registration of 67 medicinal products to agencies of new destinations.

Cosmetic products

- 14 cosmetic products were notified in Georgia (two), Moldova (two), Poland (two), Kazakhstan (two), Ukraine (two), Armenia (two) and Kyrgyzstan (two).

Food additives

- 4 nutritional supplements have been notified for Bulgaria, Azerbaijan and Lithuania

Medical supplies

- 16 medical devices are registered in Bulgaria.

Re-registrations / changes

- Agency submissions for re-registrations / changes to 81 medicinal products.
- Submission of documents for the renewal of the Marketing Authorizations for 107 medicinal products to agencies.
- Agreements approved by the agencies 1 219 for medicinal products.
- Submissions to agencies 1 370 changes for medicinal products.

Developments

- There is a pharmaceutical development of 17 new medicinal products/ projects.
- Transferred /in process of transferring are 27 medicinal products and validated / optimized are 64 production processes and technologies.

4. Significant events in 2019 and until the publication of the interim management report

- As at 30.01.2019 the share participation of CUPF 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 Sopharma AD sold 253,000 shares of the capital of Momina Krepost AD, and as a result the share of Sopharma AD in the capital of Momina Krepost AD decreased 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 decreased below 75% - from 78.60% (1 329 212 shares) to 71.11% (1 202 590 shares).
- On 07.06.2019 a regular General Meeting of Shareholders of Sopharma AD took place, where the following decisions were taken: 1. The GMS approves the Annual Report of the Board of Directors on the company's activities in 2018. 2. The GMS approves the Annual Report of the Investor Relations Director in 2018. 3. The GMS approves the Audited Annual Individual Financial Statement of the Company for 2018. 4. The GMS approves the audited Annual Consolidated Financial Statement of the Company for 2018. 5. The GMS approves the Auditor's Report on the Audit of the Annual Individual Financial Statements of the Company for the year 2018. 6. The GMS approves the Auditor's Report on the Audit of the Annual Consolidated Financial Statements of the Company for the year 2018. 7. GMS approves the proposal of the Board of Directors for the distribution of the company's profit in 2018 as follows: The total amount of the profit to be distributed amounts to BGN 33 298 305.68 (thirty-three million two hundred ninety-eight thousand three hundred and five leva and sixty-eight stotinki). After allocating 10% to a mandatory reserve BGN 3 329 830.57 (three million three hundred twenty-nine thousand eight hundred and thirty and fifty-seven stotinki), for an advance dividend for the half-year of 2018 in the amount of BGN 6 284 217.88 (six million two hundred eighty four thousand two hundred and seventeen leva and eighty eight stotinki), to cover losses amounting to BGN 4 651 695.74 (four million six hundred fifty-one thousand six hundred and ninety-five and seventy-four stotinki), as the remainder of the profit for the year 2018, amounting to BGN 22 362 392.06 (twenty-two million three hundred sixty-two thousand three hundred ninety-two and six stotinki), with retained earnings amounting to BGN 3 456 793.04 (three million four hundred fifty six thousand seven hundred ninety three and four stotinki) should be taken as an additional reserve of the Company. Do not distribute dividends to shareholders. 8. The GMS approves the Audit Committee's report on its activities in 2018. 9. The GMS releases the members of the Board of Directors from responsibility for their activities in 2018. 10. The GMS elects a registered auditor to verify and certify the Annual Financial Statements of the Company for 2019, as proposed by the Audit Committee, included in the items on the agenda. 11. The General Meeting approves the Report of the Board of Directors on the Application of the Remuneration Policy of the Members of the Board of Directors of the Company for 2018. 12. Pursuant to Art. 24, para 3, letter A of the Articles of Association of the company, the GMS decided: the permanent remuneration of the members of the Board of Directors and the permanent remuneration of the Executive Director in 2019 remain unchanged. 13. Pursuant to Art. 24, para 3, letter B of the Articles of Association, the Executive Director of the Company shall be paid an additional remuneration of 1% (one percent) of the amount of profits realized in 2018 according to the approved Annual Financial report. 14. The General Meeting adopts a

decision of 2% (two percent) of the profit realized in 2018 to be distributed among the members of the company's senior management team, subject to the requirements of Art. 26a, item 12 of the Articles of Association of the company. 15. GMS adopts the Substantiated Report of the Board of Directors for transactions within the scope of Art. 114, para 1 of POSA. 16. The GMS empowers the representative of the public company Sopharma AD to conclude on behalf of the Company as a contracting entity a transaction with Sofprint Group AD as a contractor falling within the scope of Art. 114, para 1, in conjunction with paragraph 7 of the same provision of POSA, under the conditions set out in Section One of the Substantiated Report. 17. The GMS empowers the representative of the public company Sopharma AD as a seller to conclude a transaction with Sopharma Trading AD on behalf of the Company as a co-debtor a credit agreement with a creditor (Bank) and a subsidiary as a borrower - a deal falling within the scope of Art. 114, para 1 of the POSA, under the conditions set out in Section Two of the Substantiated Report. 18. The GMS empowers the representative of the public company Sopharma AD to conclude on behalf of the Company as a co-debtor an overdraft loan agreement with a creditor (Bank) and a subsidiary as a borrower - a deal falling within the scope of Art. 114, para 1 of POSA, under the conditions set out in Section Three of the Substantiated Report. 19. The GMS empowers the representative of the public company Sopharma AD to conclude a transaction on behalf of the Company as a co-debtor loan agreement with a creditor (Bank) and a subsidiary as a borrower - a deal falling within the scope of Art. 114, para 1 of POSA, under the conditions set out in Section Four of the Substantiated Report. 20. The GMS empowers the representing the public company SOPHARMA AD to conclude on behalf of the Company a framework contract for the rental of conference areas and parking spaces between SOPHARMA AD as a tenant and Sopharma Properties REIT as a lessor - a deal falling within the scope of Art. 114, par. 1, item 1 and item 2 in connection with para 7 of POSA, under the conditions set out in Section Five of the Substantiated Report. 21. The GMS empowers the representing of the public company SOPHARMA AD to conclude on behalf of the Company a contract for the lease of offices between SOPHARMA AD as a tenant and Sopharma Properties REIT as a lessor - a deal falling within the scope of Article 114, para 1, item 1 and item 2 in connection with para 7 of the POSA, under the conditions set out in Section Six of the Substantiated Report.

- 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. from 11:00 in Sofia-1756, 5 Lachezar Stanchev Str., Sopharma Event Center, with the following agenda: 1. Approval of the individual financial statements for the first half of 2019; 2. Taking a decision under Art. 30, para. 5-7 of the Company's Articles of Association for the distribution of profits and the payment of an interim dividend on the basis of the approved individual financial

statements for the first half of 2019; 3. Approval of a Substantiated Report of the Board of Directors for transactions within the scope of Art. 114, para 1 of POSA; 4. Empowerment within the meaning of Art. 114, para 1 of POSA regarding a transaction between “SOPHARMA” AD and “Sopharma Trading” AD; 5. Miscellaneous.

- 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. The warehouse will provide 75 new working places and will support the distribution activities of pharmaceutical and other health related products of Sopharma AD in Moldova, further the centralization will lead to improved efficiency and optimization of the processes.
- Sofia, Bulgaria, December 13, 2019 - Sopharma AD (3JR: “BSE-Sofia” AD, SPH: Warsaw Stock Exchange) 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: AGM approves the proposal by the Board of Directors for the distribution of 6 - month dividend at the amount of 0.05 BGN / five stotinki / per share. The persons eligible for dividend are those present in the register of the Central Depository 14 days after the day of the AGM on which the 6 - Month Financial Report was approved and the decision for dividend was taken, namely December 27, 2019 (record date) – ex dividend date December 23, 2019. In accordance with the Regulations of the Central Depository, the dividend shall be paid out as follows: for shareholders with client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary - through the branches of Eurobank EFG - Bulgaria AD /Postbank/ in the country.
- As at 02.12.2019 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).
- 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. The persons eligible for dividend are those present in the register of the Central Depository 14 days after the date of the AGM, i.e. December 27, 2019.

5. Related party information

Related party information is disclosed in the notes to the interim financial statements.

III. Information about the shares of Sopharma AD

The total number of shares issued by Sopharma, issued on 31.12.2019, is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, in accordance with the Articles of Association of the Company. All issued shares are of one class. Each share entitles one vote to the General Meeting of Shareholders, a right to dividend and a liquidation share proportional to the nominal value of the 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. The shares participate in the formation of the SOFIX, BGBX40 and BGTR30 indices of BSE - Sofia AD. The company's shares are included in the Dow Jones STOXX EU Enlarged Total Market Index with a weight of 0.11%, with a weight of 5% in Erste Bank Bulgaria Basket, in Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate and in the Dow blue-chip index Jones STOXX Balkan 50 Equal Weighted Index. Sopharma AD is one of the three Bulgarian companies included in the Central and Eastern European (CEE) index. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the companies' country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

Key indicators of the shares of Sopharma AD

	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
Net earnings per share in BGN ¹	0,319	0,310
Price per share at the end of the period in BGN	3,406	3,383
Price/Earnings ratio (P/E)	10,68	10,91
Book value per share in BGN ²	4,156	4,149
Price/Book value ratio (P/B)	0,82	0,82
Sales per share in BGN ³	1,835	1,714
Price per share / Sales per share(P/S)	1,86	1,97
Market capitalization in BGN	459 121 644	456 021 292

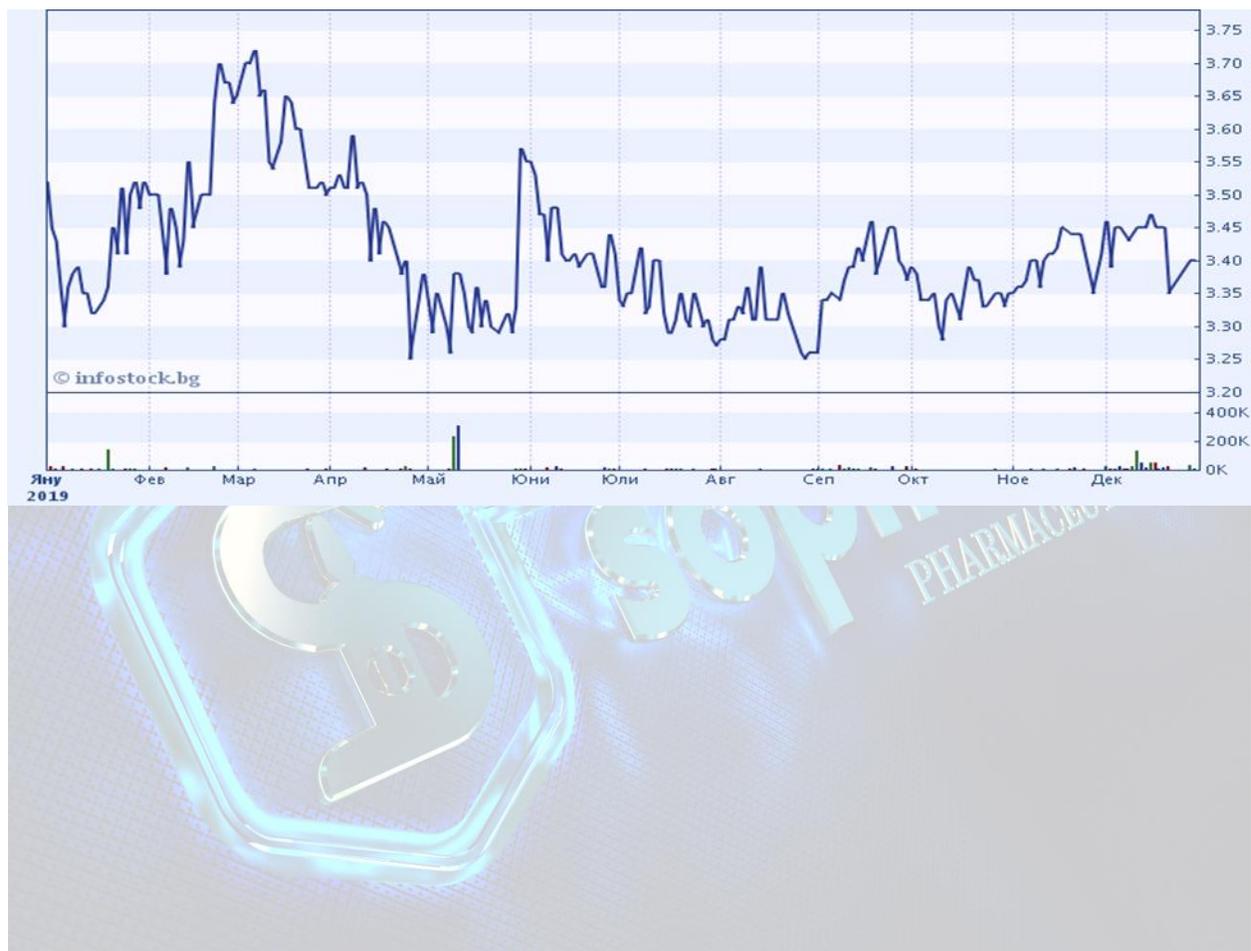
1 Net profit for the last four quarters / weighted average number of shares in the same period

2 Equity / number of shares outstanding at the end of the period

3 Sales revenue for the last four quarters / number of shares outstanding at the end of the period

Sopharma AD

Trade with shares of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 1 January 2019 – 31 December 2019.




Ognian Donev, PhD
/Executive Director/

