

MANAGEMENT REPORT

FOR Q1 2020



“SOPHARMA” AD

28 April 2020

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I. General information about “Sopharma” AD

1. Registration and main activities

“Sopharma” AD is a commercial enterprise, registered in Bulgaria under the Provisions of the Commercial Law, with its registered office in Sofia, 16, Iliensko shose str.

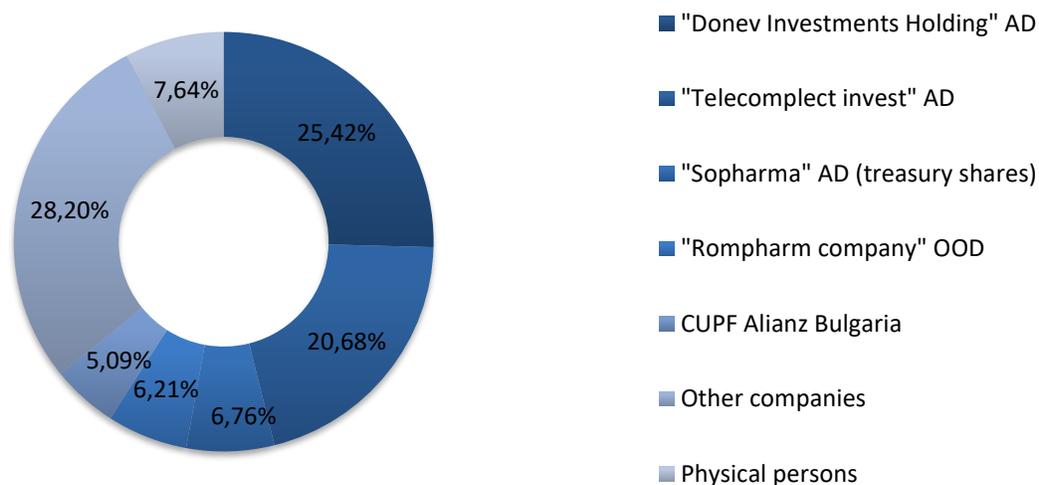
“Sopharma” AD was established in 1933. The court registration of the Company is from 15.11.1991, decision №1 / 1991 of Sofia City Court. “Sopharma” AD is a public company under the Law on Public Offering of Securities.

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 pharmaceuticals, production of medical devices and cosmetics, incl. plasters, bandages, sanitary-hygiene products, herbal 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 Pharmaceuticals in Human Medicine for all products in its manufacturing portfolio.

2. Shareholder structure as at 31 March 2020



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 OgnianDonev, PhD.

4. Personnel

The average number of workers and employees for Q1 2020 in “Sopharma” AD is 2,222 (2,275 in 2019). The table below provides more detailed information about the company's personnel.

	31.03.2020	Rel. Share %
Number of workers and employees as at 31 March 2020	2 246	100%
Higher education	951	43%
College education	46	2%
Secondary education	1176	53%
Primary education	34	2%
Employees under 30 years	206	9%
Employees 31 - 40 years	405	18%
Employees 41 - 50 years	629	29%
Employees 51 - 60 years	753	34%
Employees over 60 years	214	10%
Women	1390	63%
Men	817	37%

The training programs offered to employees of the Company aim to develop employee competencies. The training policy is specifically aimed at providing high professional knowledge as well as in relation to the requirements for healthy and safety working conditions.

Employees are entitled to the 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, conforming with EU Good Manufacturing Practices (GMP), which are located in Bulgaria. The company is the largest Bulgarian manufacturer of ampoules and suppositories.

The production activities of the company are carried out and developed in the following areas:

- Substances and preparations based on plant raw materials (phytochemical production);
- Ready-to-use formulations, incl.:
 - ✓ Hard tablets, coated tablets, film-coated tablets, capsules;
 - ✓ Galenic - suppositories, drops, syrups, ointments;
 - ✓ Parenteral - injection solutions, lyophilisate powder for injections;
- Medical and cosmetics products, incl.:
 - ✓ Plasters;
 - ✓ Bandages;
 - ✓ Sanitary-hygiene products;
 - ✓ Herbal 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. Medicinal products include mainly generics and 15 traditional products, 12 of which are plant-based. The Company's traditional products (in particular Tabex, Carsil and Tempagine) make a major contribution to its export market income, while the company's generic products are of major importance for domestic sales, Analgin being the leader among these products.

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 pharmaceutical products in terms of their contribution to the revenues are:

- Carsil – a traditional plant-based product used to treat gastroenterological diseases (liver diseases);
- Tempalgin - a traditional analgesic (painkiller);
- Tabex - a traditional plant-based smoking cessation drug;

- 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.
- Valerianae - a generic non-prescriptional herbal medicine used to reduce stress.
- Medical devices - gauzes, compresses and dressings.

II. Development of the activity

1. Review of the main risks faced by the Company

COVID-19

On 11 March 2020 the World Health Organization declared a Coronavirus Pandemic, as a result, the Government of the Republic of Bulgaria, announced various measures to prevent the spread of the disease. Measures implemented include working from home, a temporary lockdown of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers, with the exception of food retailers, grocery stores and pharmacies.

The management of “Sopharma” AD has carefully analyzed the potential effects of the pandemic and the constraints imposed by government, expecting overall reductions in economic activity and liquidity in the economy of the country, which are also expected to affect the Company's activities.

The effects on the Company's activities as a result of the events may include a decrease in revenues, emergency expenses, delay in the implementation of projects, planned investments, etc.

Based on the publicly available information, up to the date of the financial statements, the management has taken actions aimed at limiting the negative effects of the pandemic events, which include:

- Ensuring continuous operation in compliance with measures to limit the spread of COVID-19, including - strict access control and measurement of the temperature of employees and visitors, the prohibition of clustering of people and the distribution of workplaces in the production in an appropriate way, which ensures the absence of close contact between employees, the separation of traffic flows in buildings and spaces between them and etc.;

- Negotiations with suppliers to keep the rhythm of raw materials and supplies flowing, as well as meeting the enterprise's needs for specific raw materials dictated by the demand for specific medicine products and medical supplies needed to deal with the pandemic;
- Providing information to customers on the way of working in order to maintain delivery schedules;
- Negotiations with the financial institutions of the Company's partners and the provision of adequate information to them, so that additional financing, if it's necessary, may be provided on time or with some of the Group's entities, to postpone loan payments, if it's necessary to secure cash flows and others.

The management believes that the working company principle is appropriate for these individual financial statements, as the Company as a whole has sufficient liquid resources to continue in the foreseeable future. At the date of this individual financial statement, the management of the Company does not intend to discontinue certain activities.

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

- The Company is exposed to strong competition;
- The Company is dependent 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, depends on the inclusion of the Company's medicines in 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 in a given year it will be able to pay dividends in accordance with its dividend policy;
- The Company is subject to operational risk, which is inherent to its business activities;
- The Company is subject to numerous laws and regulations in the field of environmental protection and health and safety at work 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 related 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 Company’s operations ;
- The political environment in Bulgaria and in the export markets, especially Russia and the Ukraine, has a significant effect on the Company’s operations and financial condition;
- Risks related with the Bulgarian legal system;
- Developing legal frameworks in some countries in which the Company 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 Currency Board in Bulgaria;
- The interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Company perform its activities in active exchange with foreign suppliers and customers. Therefore, it is exposed to currency risk, mainly in respect of USD. The Company supplies part of its main raw materials in USD. The currency risk is related to the negative movement of the USD exchange rate against the BGN in the future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies. The rest of the Company's operations are usually denominated in BGN and / or in EUR. The Company sells some of its finished products in Russia in EUR and thus eliminates the currency risk associated with the depreciation of the Russian ruble. In EUR are also dominated the estimates with the subsidiaries in Ukraine. However, in order to minimize currency risk, the Company conducts through its subsidiaries a monetary policy including the application of advance payments and the reduction of deferred payment terms and the immediate conversion of local currency earnings as well as betting on higher trading currencies mark-ups to offset possible future impairment of the hryvnia.

In order to control the currency risk, a system of planning of import deliveries, for foreign currency sales as well as procedures for daily monitoring of movements in the dollar exchange rate and control of forthcoming payments is introduced.

2. Revision of the activities of the company

Key financial indicators

Indicators	1-3/2020	1-3/2019	Change %
	BGN '000	BGN '000	
Revenues	50 170	52 174	-3.8%
EBITDA	13 532	16 673	-18.8%
Operating profit	9 012	12 133	-25.7%
Net profit	8 680	12 894	-32.7%
CAPEX**	4 030	2 906	38.7%
	31.03.2020	31.12.2019	
	BGN '000	BGN '000	
Non-current assets	480 226	477 027	0.7%
Current assets	216 711	201 738	7.4%
Owners' equity	530 449	522 644	1.5%
Non-current liabilities	18 471	20 667	-10.6%
Current liabilities	148 017	135 454	9.3%

* tangible and intangible fixed assets acquired

Ratios	1-3/2020	1-3/2019
EBITDA / Revenues	27.0%	32.0%
Operating profit/ Sales revenues	18.0%	23.3%
Net profit/ Sales revenues	17.3%	24.7%
	31.03.2020	31.12.2019
Borrowed capital/Owners' equity	0,31	0,30
Net debt**/ EBITDA	1,9x	1,7x

* 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

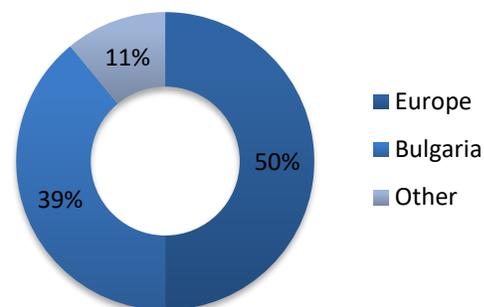
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Sales revenues from products

Sales revenues from products for Q1 2020 decrease by BGN 2 million or by 4%, to BGN 49,8 million compared to BGN 51,8 million in Q1 2019.



Revenues by market	1-3/2020 BGN '000	1-3/2019 BGN '000	Change %
Europe	24 717	27 616	-10%
Bulgaria	19 613	19 572	0%
Other	5 450	4 588	19%
Total	49 780	51 776	-4%



- European market

Sales revenue for European countries decreased by 10% compared to Q1 2019 due to the decrease of sales in Russia with 38% and Baltic States with 21%. The decrease in sales in Russia compared to the same period last year is due to a pre-planned slow pace of deliveries in January and February in connection with regulatory requirements related to the serialization of export drugs for Russia. Sales to Ukraine with 47%, Balkan countries, Poland, Moldova and others have increased.

- Bulgarian market

Sales of “Sopharma” AD in the domestic market retain their value to BGN 19,6 million. The products with the largest share of sales in the country are Analgin, Methylprednisolone, Nebicard, Vitamin C, Nivalinand medical supplies - gauzes, compresses, bandages and plasters. “Sopharma” AD has a 3% share of the total Bulgarian pharmaceutical market in value and 11% of

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sales in volume. The positions of the main competitors of the Company in the country are as follows: Novartis –6.4% (3.5% in kind), Roche – 6.3% (0.3% in kind), Actavis – 4.3% (10% in kind), Glaxosmithkline - 3.9% (2.8% in kind), Merck Sharp Doh - 3.9% (0.7% in kind), Pfizer - 3.8% (1% in kind), , Abbvie - 3.7% (0% in kind), Sanofi-Aventis –2.7% (2% in kind), Astra Zeneca - 2.6% (0.4% in kind).

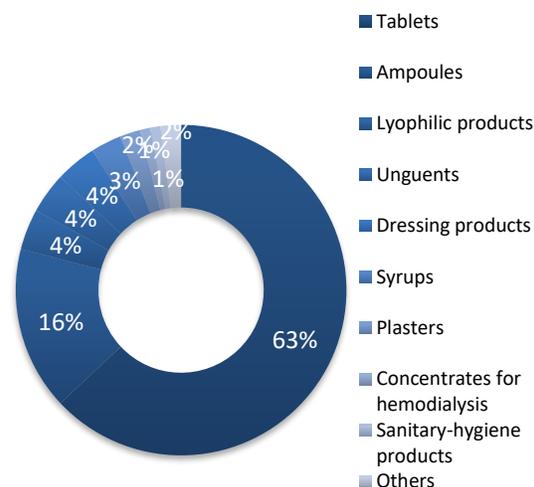
- Other markets

Revenues from other markets increased with 19% compared to Q1 2019, mainly as a result of an increase of the export for Vietnam.

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, ointments, dressing products, syrups, plasters and others.

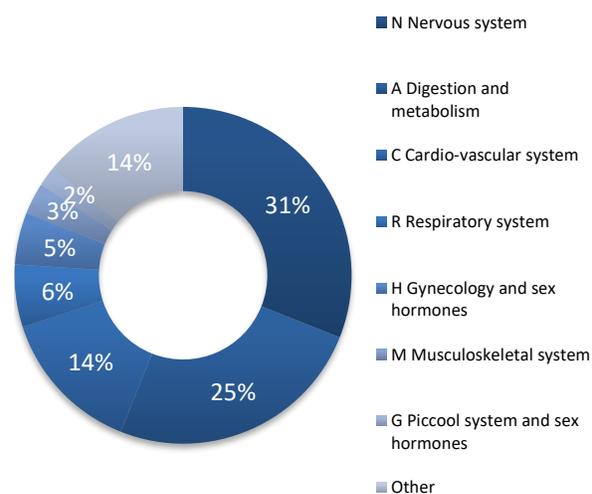
Revenues by type of formulation	1-3/2020 BGN '000	1-3/2019 BGN '000	Change %
Tablets	31 622	35 337	-11%
Ampoules	7 980	7 080	13%
Lyophilic products	2 262	1 401	61%
Unguents	2 218	2 232	-1%
Dressing products	1 888	1 656	14%
Syrups	1 580	1 215	30%
Plasters	784	808	-3%
Concentrates for hemodialysis	349	443	-21%
Sanitary-hygiene products	201	184	9%
Others	896	1 420	-37%
Total	49 780	51 776	-4%



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Sales by therapeutic group

Revenues by therapeutic group	1-3/2020	1-3/2019	Change %
	BGN '000	BGN '000	
N Nervous system	15 354	15 714	-2%
A Digestion and metabolism	12 677	16 740	-24%
C Cardio-vascular system	6 826	5 753	19%
R Respiratory system	3 059	3 504	-13%
H Gynecology and sex hormones	2 268	1 444	57%
M Musculoskeletal system	1 527	1 037	47%
G Urinary system and sex hormones	1 237	993	25%
Other	6 832	6 590	4%
Total	49 780	51 776	-4%



Other operating revenues

Other revenues	1-3/2020	1-3/2019	Change %	Rel. share 2020 %
	BGN '000	BGN '000		
Services rendered	678	697	-3%	60%
Amounts awarded	166	5	3220%	15%
Revenues from financing through European projects	135	135	0%	12%
Profit from sale of long-term assets	65	7	829%	6%
Profit from sale of goods	51	44	16%	5%
Profit from sale of materials	11	20	-45%	1%
Net loss on exchange differences under trade receivables and payables and current accounts	7	(38)	-118%	1%
Other (see Notes to the FS)	16	50	-68%	1%
Total other operating revenues	1 129	920	23%	100%

Other operating income increased by BGN 0,2 million in Q1 2020 compared to Q1 2019 mainly in the part of the amounts awarded, profit from sale of long-term assets and decrease of losses from exchange rate differences under trade receivables and payables and current accounts.

Operating expenses

Operating expenses	1-3/2020	1-3/2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
Changes in inventories of finished goods and work in progress	(2 511)	(3 337)	25%	-6%
Materials	17 901	19 157	-7%	42%
External services	8 877	7 789	14%	21%
Personnel	12 958	12 316	5%	31%
Depreciation and amortization	4 520	4 540	0%	11%
Other operating expenses	542	496	9%	1%
Total	42 287	40 961	3.2%	100%

Operating expenses increased by BGN 1,3 million from BGN 41 million in Q1 2019 to BGN 42,3 million in Q1 2020, mainly due to external services, other operating costs and personnel costs.

The costs of materials (42% share) decreased by BGN 1,2 million or 7% from BGN 19,1 million in Q1 2019 to BGN 17,9 million in Q1 2020, with the biggest impact being the decrease in main materials with BGN 1 million in the part of substances with BGN 0,7 million, laboratory materials and etc. The expenses on heat, auxiliary materials and material depreciation are increasing.

External services expenses account for 21% relative share of operating expenses and increased by BGN 1,1 million or 14% to BGN 8,9 million in Q1 2020 compared to BGN 7,8 million in Q1 2019. The most significant impact coming from increase in the cost of advertising and marketing, manufacturing of medicines, medical services, transport and forwarding services.

Personnel expenses (with a relative share of 31% of operating costs) increased by BGN 0,6 million or by 5% from BGN 12,3 million in Q1 2019 to BGN 12,9 million in Q1 2020.

Other operating expenses (with a relative share of 1% of operating costs) increased by BGN 0,05 million in Q1 2020 compared to the same period in 2019 mainly in the part of scrap of finished goods and representative events.

Depreciation costs (with a relative share of 11% of operating expenses) registered a decrease of BGN 0,02 million or by 0.4%, retaining their value from BGN 4,5 million.

Changes in inventories of finished goods and work in progress have an impact on the increase in operating expenses by BGN 0,8 million.

Financial income and expenses

Financial income	1-3/2020	1-3/2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
Income from interest on loans granted	974	549	77%	92%
Net gain on exchange differences on the sale of a subsidiary	88	65	35%	8%
Income from shareholding	-	1 293	-100%	0%
<i>Impairment reimbursement of credit losses from commercial loans granted</i>	-	327	-100%	0%
<i>Net gain on transactions with investments in securities</i>	-	228	-100%	0%
incl. profits from the sale of investments in subsidiaries	-	186	-100%	0%
Total	1 062	2 462	-57%	100%
Financial expenses			Change	Rel. share
			%	2020
Interest expense on loans received	310	254	22%	82%
Bank fees on loans and guarantees	71	40	78%	13%
Interest expense on operating lease	19	15	27%	5%
Net loss from exchange differences on leases	4	-	-	0%
Total	404	309	31%	100%

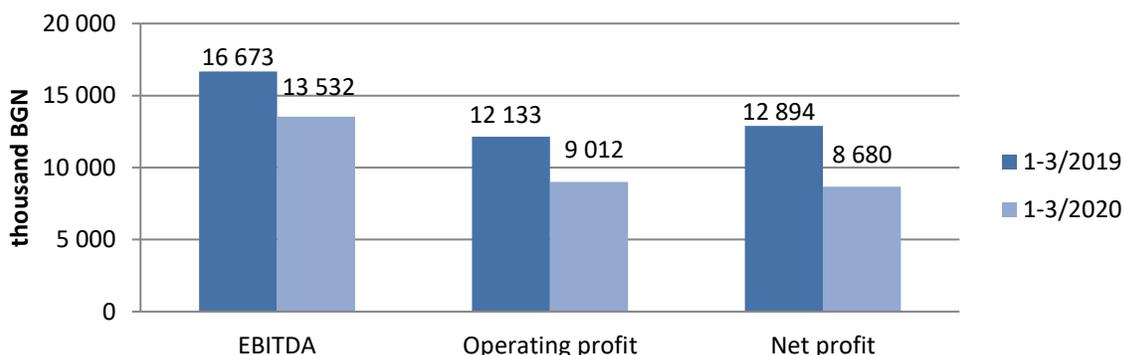
Financial revenues decreased by BGN 1,4 million to BGN 1,1 million in Q1 2020 compared to BGN 2,5 million in Q1 2019, mainly in the part of net profit from transaction with securities, shareholding income and increase in the part of interest income on loans granted by BGN 0,4 million.

Financial expenses increased by BGN 0,09 million to BGN 0,4 million in the current period of 2020, due to an increase in interest expense on loans received and bank fees on loans and guarantees.

Net financial revenues (costs) decreased by BGN 1,5 million compared to Q1 2019.

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Financial result of the activity



Profit before interest, taxes and depreciation (EBITDA) in Q1 2020 decreased by BGN 31 million or by 18.8% to BGN 13,5 million compared to BGN 16,7 million in Q1 2019.

Operating profit decreased by BGN 3,1 million or 25.7% to BGN 9 million in Q1 2020 compared to BGN 12,1 million in Q1 2019.

Net profit decreased by BGN 4,2 million or by 32.7%, to BGN 8,7 million in Q1 2020 compared to BGN 12,9 million in Q1 2019.

Assets

Non-current assets	31.03.2020	31.12.2019	Change	Rel. share 2020
	BGN '000	BGN '000		
Property, plant and equipment	224 294	224 654	0%	47%
Intangible assets	8 278	8 524	-3%	2%
Investment property	41 083	39 329	4%	9%
Investments in subsidiaries	87 146	87 146	0%	18%
Investments in associated companies	6 062	6 062	0%	1%
Other long-term equity investments	10 136	9 621	5%	2%
Long-term receivables from related parties	92 686	91 794	1%	19%
Other long-term receivables	10 541	9 897	7%	2%
	480 226	477 027	0.7%	69%
Current assets				
Inventories	66 844	61 365	9%	31%
Receivables from related parties	107 632	97 014	11%	50%
Trade receivables	20 249	27 212	-26%	9%
Loans granted to third parties	5 769	6 044	-5%	3%
Other receivables and prepaid expenses	12 315	6 144	100%	6%
Cash and cash equivalents	3 902	3 959	-1%	2%
	216 711	201 738	7%	31%
TOTAL ASSETS	696 937	678 765	3%	100%

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Total assets increased by BGN 18,1 million or by 3% to BGN 696,9 million in the end of the current period, compare to BGN 678,8 million as at 31 December 2019.

Non-current assets increased by BGN 3,2 million, or by 1%, mainly due to an increase in long-term receivables from related parties by BGN 0,9 million, other long-term receivables by BGN 0,6 million, other long-term capital investments by BGN 0,5 million and investment properties by BGN 1,7 million. Property, plant and equipment decreased by BGN 0,4 million in the part of machinery, plant and equipment by BGN 1,8 million and in the part of land and buildings with BGN 1,3 million and increased in the process of acquisition by BGN 3 million. Intangible assets decreased by BGN 0,2 million mainly in the software sector and intellectual property rights.

Current assets increased by BGN 15 million or by 7% to BGN 216,7 million as at 31 March 2020 compared to BGN 201,7 million as at 31 December 2019. Inventories increased by BGN 5,5 million or 9% compared to 31 December 2019. Receivables from related enterprises increased by BGN 10,6 million in the part of receivables from contracts with customers and in the part of commercial loans granted, net. Trade receivables decreased by BGN 7 million. Commercial loans granted to third parties decreased by BGN 0,3 million. Other receivables and prepaid expenses increased by BGN 6,2 million. Cash and cash equivalents decreased by BGN 0,06 million.

Liabilities and owners' equity

	31.03.2020	31.12.2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
OWNERS' EQUITY				
Share capital	134 798	134 798	0%	25%
Treasury shares	(34 142)	(34 142)	0%	-6%
Reserves	381 565	382 549	0%	72%
Retained earnings	48 228	39 439	22%	9%
TOTAL OWNERS' EQUITY	530 449	522 644	1%	100%
	31.03.2020	31.12.2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
LIABILITIES				
Non-current liabilities				
Long-term bank loans	596	2 398	-75%	0%
Liabilities on deferred taxes	6 185	6 209	0%	4%
Government grants	4 743	4 858	-2%	3%
Operating leasing liabilities to related parties	1 394	1 610		1%
Operating leasing liabilities to third parties	1 002	954		1%
Long-term liabilities to personnel	4 551	4 638	-2%	3%
	18 471	20 667	-11%	11%

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Current liabilities				
Short-term bank loans	107 717	100 359	7%	65%
Short-term part of long-term bank loans	7 174	7 181	0%	4%
Commercial liabilities	8 045	6 074	32%	5%
Liabilities to related parties	7 798	6 664	17%	5%
Liabilities for taxes	4 055	2 329	74%	2%
Liabilities to the personnel and for social insurance	7 876	7 266	8%	5%
Other current liabilities	5 352	5 581	-4%	3%
	148 017	135 454	9%	89%
TOTAL LIABILITIES	166 488	156 121	7%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	696 937	678 765	3%	

The equity of “Sopharma” AD increased by BGN 7,8 million or by 1% to BGN 530,4 million as at 31 March 2020 compared to BGN 522,6 million as at 31 December 2019, mainly as a result of the increase in retained earnings by BGN 8,8 million.

Non-current liabilities decreased by BGN 2,2 million or 11% to BGN 18,5 million at the end of current period in 2020 compared to BGN 20,7 million as at 31 December 2019 mainly in the part of long-term bank loans by BGN 1,8 million.

Current liabilities increased by BGN 12,6 million to BGN 148 million at the end of Q1 2020 compared to BGN 135,4 million as at 31 December 2019. Increase in short-term bank loans by BGN 7,3 million, commercial liabilities with BGN 2 million, liabilities to related companies by BGN 1,1 million, liabilities to the personnel with BGN 0,6 million and tax liabilities by BGN 1,7 million. Other current liabilities decreased by BGN 0,2 million. The total exposure of the Company's as of 31 March 2020 increased by BGN 5,5 million compared to 31 December 2019.

Cash flow

	1-3/2020	1-3/2019
	BGN '000	BGN '000
Net cash flow from/ (used in) operations	2 133	8 518
Net cash flow used in investment activities	(6 756)	(61404)
Net cash flow (used in)/from financial operations	4 566	45 623
Net increase/(decrease) of cash and cash equivalents	(57)	(7 263)
Cash and cash equivalents on 1 January	3 959	8 971
Cash and cash equivalents on 31 March	3 902	1 708

Net cash flows in Q1 2020 generated by operating activities amounted to BGN 2,1 million inflow, from investment activity amounted to BGN 6,8 million outflow and from financial activities were to the amount BGN 4,6 million outflow. As a result of these activities, cash and cash equivalents decreased net by BGN 57 thousand and by 31 March 2020 amounted to BGN 3,959 million compared to BGN 3,902 million as at 1 January 2020.

Ratios

	31.03.2020	31.12.2019	Change
ROE ¹	7.0%	7.9%	-0,9
ROA ²	5.3%	6.0%	-0,7
Asset turnover ³	0,33	0.35	-0.02
Current liquidity ⁴	1,46	1,49	-0,03
Quick liquidity ⁵	1,01	1,04	-0,03
Monetary liquidity ⁶	0,03	0,03	-
Financial autonomy ⁷	3,19	3,35	-0,16

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 - March 2020
 - No Marketing Authorization were received during the reporting period for new medicinal products.
- New medical products implemented in production
 - No new medicinal products were introduced into production during the reporting period.
 - By the end of 2020, it is expected that 1 to 3 new products will be introduced.
- New registrations and re-registrations / changes

New registrations

- Received 9 Authorizations for the use of medicinal products for new destinations, namely:
 - Pyraminol 800 mg film-coated tablet (Armenia);
 - Sophalor 5 mg film-coated tablet (Azerbaijan);
 - Indometacin Sopharma 100 mg suppositories (Azerbaijan);
 - Deavit Neo 0.5 mg/ml oral drops, solution (Azerbaijan);
 - Methadone Sopharma 10 mg/ml oral solution (Bosnia and Herzegovina);
 - Valeriana 30 mg film-coated tablet (Kazakhstan);
 - Carsil Max 110 mg capsules, hard (Mongolia);
 - Tuspan 7 mg/ml syrup (Russia);
 - Felogel 1% gel (Serbia).

“Sopharma” AD

- Documentation has been submitted for the registration of 14 medicinal products to agencies of new destinations.

Food additives

- 7 nutritional supplements have been notified for Bulgaria, Armenia, Kazakhstan and Kyrgyzstan.

Medical supplies

- 18 medical devices are registered in Ukraine (two) and Macedonia (sixteen).

Re-registrations / changes

- Renewed Marketing Authorizations for 29 medicinal products.
- Documentation submitted for the renewal of the Marketing Authorizations for 52 medicinal products to agencies.
- Agreements approved 239 changes to medicinal products.
- 320 drug changes submitted to agencies.

Developments

- Pharmaceutical development of 10 new medicinal products / projects is underway.
- 11 medicinal products were transferred in the process of transfer and 13 production processes / technologies were validated / optimized.

4. Significant events in the first three months of 2020 and until the publication of the interim management report

- On 22 January 2020, “Sopharma” AD began to pay the gross dividend of 5 stokinki per share voted at the General Meeting of Shareholders on 13 December 2019. The persons registered in the “Central Depository” AD as shareholders on the 14th day after the day of the General Meeting, namely 27 December 2019 have a right to dividend.
- On 22 April 2020, the company received BGN 30 million, which are paid interest and loans from an associate and a controlled company by it (“Doverie - United Holding” AD and “Doverie Invest” AD).

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” as at 31 March 2020 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 segment 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 company's country of origin. WIG-CEE is calculated on the basis of total profitability and includes dividend yield and share subscription rights.

Key indicators of the shares of “Sopharma” AD

	31.03.2020	31.12.2019
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 838 931	125 896 515
Number of shares outstanding at the end of the period	125 684 432	125 684 432
Net earnings per share in BGN ¹	0,288	0,321
Price per share at the end of the period in BGN	2,858	3,406
Price/Earnings ratio (P/E)	9,92	10,61
Book value per share in BGN ²	4,220	4,158
Price/Book value ratio (P/B)	0,68	0,82
Sales per share in BGN ³	1,820	1,835
Price per share / Sales per share(P/S)	1,57	1,86
Market capitalization in BGN	385 772 551	459 121 644

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 2020 – 31 March 2020.



Ognian Donev, PhD
/Executive Director/