

# MANAGEMENT REPORT

H1 2019



**SOPHARMA GROUP**

29 August 2019

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## I. General information about Sopharma Group

### 1. Main activities

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group operates in the following areas:

- production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is primarily done by Sopharma AD (the Company);
- production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products focused on the production site in Sandanski city;
- distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics, which is mainly performed by Sopharma Trading in Bulgaria, Lekovit D.o.o. in Serbia, Briz SIA in the Baltic region, and Brititrade SOOO in Belarus;
- production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine, which is mainly performed by Momina Krepost AD, and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

### 2. Registration and activity of the Company

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

Sopharma was established in 1933. The court registration of the Group is from 15 November 1991, decision №1/1991 of Sofia City Court. Sopharma AD is a public company under the Public Offering of Securities Act.

The Group conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. Sopharma AD provides services related to production, as well as to ancillary and supporting activities.

### 3. Controlled companies

Sopharma Group consists of Sopharma AD and 52 subsidiaries, directly or indirectly controlled by the Company. In addition, the Group has investments in 1 joint venture, and 1 associated company.

## Sopharma Group

Group	Interest as at 30.06.2019 in %
Sopharma Trading AD, Sofia, Bulgaria*	72.97
Biopharm Engineering AD, Sliven, Bulgaria	97.15
Pharmalogistica AD, Sofia, Bulgaria	89.39
Elektroncommerce EOOD, Sofia, Bulgaria	100.00
Sopharma Buildings REIT, Sofia, Bulgaria	40.38
Momina Krepost AD, Veliko Tarnovo, Bulgaria	70.70
Phyto Palauzovo AD, Kazanluk, Bulgaria**	95.00
Sopharmacy EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 2 EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 3 EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 4 EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 5 EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 6, EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 7, EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 8, EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 9, EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 10, EOOD, Sofia, Bulgaria**	72.97
Veta Pharma AD, Veliko Tarnovo, Bulgaria	99.98
Aromania AD, Sofia, Bulgaria	76.00
Sopharmacy 11 (PharmaStore 1) EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 12 (PharmaStore 2) EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 13 (PharmaStore 3) EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 14 (PharmaStore 4) EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 15 (PharmaStore 5) EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 16 EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 17 EOOD, Sofia, Bulgaria**	72.97
Sopharmacy 18 EOOD, Sofia, Bulgaria**	72.97
PAO Vitaminy, Uman, Ukraine	99.56
Sopharma Poland Sp. z. o. o, Warsaw, Poland in Liquidation	60.00
Sopharma Warsaw Sp. z. o. o, Warsaw, Poland	100.00
Sopharma Trading Pharmaceuticals, Serbia**	72.97
BRIZ SIA, Riga, Latvia	68.14
Brititrade SOOO, Minsk, Belarus**	54.51
Tabina SOOO, Minsk, Belarus **	54.66
Brizpharm SOOO, Minsk, Belarus**	36.94
OOO Sopharma Ukraine, Kiev, Ukraine	100.00
OOO Pharmacist Plus, Minsk, Belarus**	41.96
ZAO TBS Pharma, Vilnius, Lithuania**	34,75
OOO Bellerofon, Minsk, Belarus***	47.70
TOO Sopharma Kazakhstan, Almaty, Kazakhstan	100.00
ZAO Interpharm, Vitebsk, Belarus***	61.33

## Sopharma Group

OOO Galenapharm, Pinsk, Belarus**	61.73
ODO Medjel, Minsk, Belarus**	55.87
ODO Alenpharm-Plus, Belarus**	62.68
OOO Pharmatea, Minsk, Belarus***	64.45
ODO Salius Line, Grodno, Belarus**	52.47
Rap Pharma International OOD, Kishinev, Moldova	51.00
Sopharma Trading D.o.o., Sabac, Serbia**	72.97
OOO Zdorovei, Minsk, Belarus**	40.12
OOO Ivem i K, Minsk, Belarus**	57.73
OOO Ariens, Polotzk, Belarus**	68.14
OOO Zabotlivaya apteka, Minsk, Belarus**	62.93
BOOO SpetzApharmacia, Bobruisk, Belarus**	47.70

\*effective interest in percent

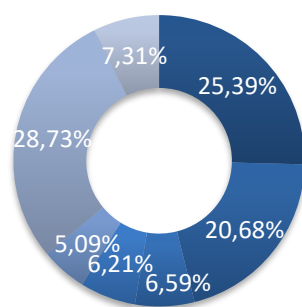
\*\*indirect interest

\*\*\*joint venture

### 4. 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, Alexander Tchaushev, Ognian Palaveev and Ivan Badinski. The company is represented and managed by the Executive Director Ognian Donev, PhD.

### 5. Shareholder structure as at 30 June 2019



- Donev Investments Holding AD
- Telecomplect invest AD
- Sopharma AD (treasury shares)
- Rompharm Company OOD
- CUPF Allianz Bulgaria
- Other legal persons
- Other physical persons

## 6. Employees

As at 30.06.2019, the average number of employees of Sopharma Group is 5 302 (compared to 5 075 in 2018). The average number of employees of Sopharma AD as at 30.06.2019 is 2 278 (at 2 137 in 2018) and of Sopharma Trading AD is 842 (compared to 820 in 2018).

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 health and safety at work.

Employees are entitled to the higher additional remuneration required by applicable law on 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.

## II. Recent developments

### 1. Industrial activity

The company and its twelve manufacturing facilities are compliant with EU regulations and are located in Bulgaria and one facility in Ukraine certified and acknowledged by the local authorities and all countries from the CIS.

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

- production of pharmaceutical products;
- substances and preparations based on vegetable raw materials (phytochemical production);
- veterinary vaccines;
- infusion solutions;
- concentrates for hemodialysis;
- medical disposable products for human and veterinary medicine;
- injection molded products for the industry, agriculture and households.

### *Sopharma AD*

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. Medicinal products mainly include generics and 15 traditional products, 12 of which are plant-based. The traditional products of the Group (and in particular Tabex, Carsil and Tempalgin) are key contributors to its revenue from export markets, while for the domestic sales the most important products are generics, of which the leading drug is Analgin.

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 anti-smoking 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;
- Valeriana - a generic non-prescription herbal medicine used to reduce the stress;
- Medical devices - gauzes, compresses and dressings.

### *Biopharm Engineering AD*

Biopharm Engineering AD has modern production units and is continuously expanding and modernizing its production capacities. The strategy of Biopharm Engineering AD steps on the market and technological advantages of the company. The company has a Good Manufacturing Practice Certificate (GMP). It is successfully developing in the following areas:

- Manufacture of infusion solutions;

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- Production of injection solutions;
- Manufacture of veterinary medical preparations;

### Main Markets:

The manufactured infusion solutions are realized through Sopharma AD on both the Bulgarian and the international market. Veterinary medical products are available in Bulgaria and other European countries.

### *PAO Vitamini, Ukraine*

PAO Vitamini manufactures and sells medicines, tablets, powders, oil solutions, syrups and tinctures. Production of the medicines of PAO Vitamini is highly effective, of excellent quality, affordable prices and is sold successfully not only in Ukraine and the CIS.

At present, the production takes place in the following production sites:

- for liquid dosage forms;
- two production sites for solid dosage forms;
- production site for extraction;
- tincture production;
- production of solutions;
- production of powdered products.

## 2. Distribution

### *Sopharma Trading AD*

The company is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 22% (according to IQVIA). Sopharma Trading is the only distributor on the Bulgarian market of particular pharmaceutical products for several leading international pharmaceutical and other companies the field of healthcare such as



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Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The Group offers more than 15 000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of Sopharma AD, and holds exclusive rights for Bulgaria over brands of strategic partners such as Aboca, Colief, Jamieson, Planter's, Premax, Skincode, SVR Laboratories, US Pharmacia and Wyeth, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. Sopharma Trading cooperates with more than 400 partners and over 3 000 clients.

### *SIA BRIZ, Latvia*

Briz develops its activity in the following main directions:

- Distribution of medicines and food supplements in the wholesale and retail segment;
- Distribution of cosmetics and perfumery in the wholesale and retail segment;
- Registration of medicines in Latvia, Lithuania, Estonia, Belarus, Bulgaria;
- Presentation of medicines manufactured in third countries in the European Union;
- Marketing support for products on the mentioned markets;

The company is developing, successfully and possesses the necessary certificates and licenses, such as DTI, import licenses for medicines manufactured in third countries in the EU, as well as a license to work with psychotropic substances. The mission of the company is to meet the needs of customers in natural, effective and modern medicines and cosmetics, nutritional supplements that improve health and quality of life. The main objective of the company is to increase the sales of the portfolio of products of Sopharma AD in the markets of Latvia, Lithuania, Estonia and Belarus. In addition to representative, commercial and marketing services, the company successfully provides medicinal safety services to its customers.

### 3. Revision of the activities of the Group and the main risks it faces

#### *Risks relating to the Group's business and the industry the Group operates in*

- The Group faces significant competition;
- Part of Sopharma Trading's revenue in Bulgaria is generated by sales to state hospitals, which predetermines a high degree of business risk;
- The Group is dependent on regulatory approvals;
- Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations;
- Part of the Group's revenues, in particular in Bulgaria, depend on the inclusion of the Group's medicines on reimbursement lists;
- The Group's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations;
- The Group's ability to pay dividends depends on a number of factors and there can be no assurance that the Group will be able to pay dividends in accordance with its dividend policy or at all in any given year;
- The Group is subject to operational risk, which is inherent to its business activities;
- The Group 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 Group's business, financial condition and results of operations.

#### *Risks relating to Bulgaria and other markets in which the Group 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 has a significant effect on the Group's operations and financial condition;
- The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition;
- 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;
- Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

## Currency risk

The Group companies carry out their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

Through the companies in Belarus and Ukraine, the group carries out business operations in these countries and, accordingly, has substantial exposures in Belarusian rubles and Ukrainian hryvnia. The currency risk is related to the negative movement of the exchange rates of these currencies against the Bulgarian lev in the future business operations, the recognized assets and liabilities in foreign currency and the net investments in foreign companies. The rest of the companies abroad are selling mainly on local markets, leading to currency risk and against their currencies – Serbian Dinar, Polish zloty.

To control the currency risk, a system is in place throughout the Group for import planning, for foreign currency sales, as well as procedures for day-to-day monitoring of movements in the US dollar exchange rate and for control over pending payments. The exposures of the subsidiaries in Bulgaria to currency risk are insignificant as almost all sales are realized on the local market in Bulgarian leva. Imports of goods are fully realized in euro. Loans when denominated in foreign currency are mainly denominated in euro.

### 4. Analysis of the activities

#### Key financial indicators

Indicator	1-6/2019 BGN '000	1-6/2018 BGN '000	Change %
Revenues from sales	611 937	569 762	7,4%
EBITDA	49 362	43 587	13,2%
Operating profit	28 131	27 145	3,6%
Net profit	24 208	22 459	7,8%
CAPEX*	22 173	10 130	118,9%
	<b>30.06.2019</b> <b>BGN '000</b>	<b>31.12.2018</b> <b>BGN '000</b>	
Non-current assets	592 666	480 688	23,3%
Current assets	532 150	529 915	0,4%
Owners' equity	521 265	508 529	2,5%
Non-current liabilities	93 876	69 175	35,7%
Current liabilities	509 675	432 899	17,7%

\*acquired tangible and intangible fixed assets

Indicator	1-6/2019	1-6/2018
EBITDA/Sales revenues	8,1%	7,7%
Operating profit / Sales revenues	4,6%	4,8%
Net profit/Sales revenues	4,0%	3,9%
	<b>30.06.2019</b>	<b>31.03.2019</b>
Attracted capital / Equity	1,16	1,12
Net debt/EBITDA on annual basis	5,22x	5,04x

\* the net debt includes loans from banks and lease and factoring liabilities less cash, taking into account the effects of the introduction of IFRS 16 Leases, effective from 01.01.2019

## Revenue from sales

Revenue from sales of the Group increase with BGN 42.2 million or 7%, reaching BGN 611.9 million in H1 2019 compared to BGN 569.7 million in H1 2018. Sales of goods increased with BGN 35.9 million or 8%, reaching BGN 484.4million in H1 2019 compared to BGN 448.5 million in the same period of 2018. Sales of finished products increase by BGN 6.2 million, or 5%, to BGN 127.5 million in H1 2019 compared to BGN 121.3 million in H1 2018.

Geographical distribution of sales



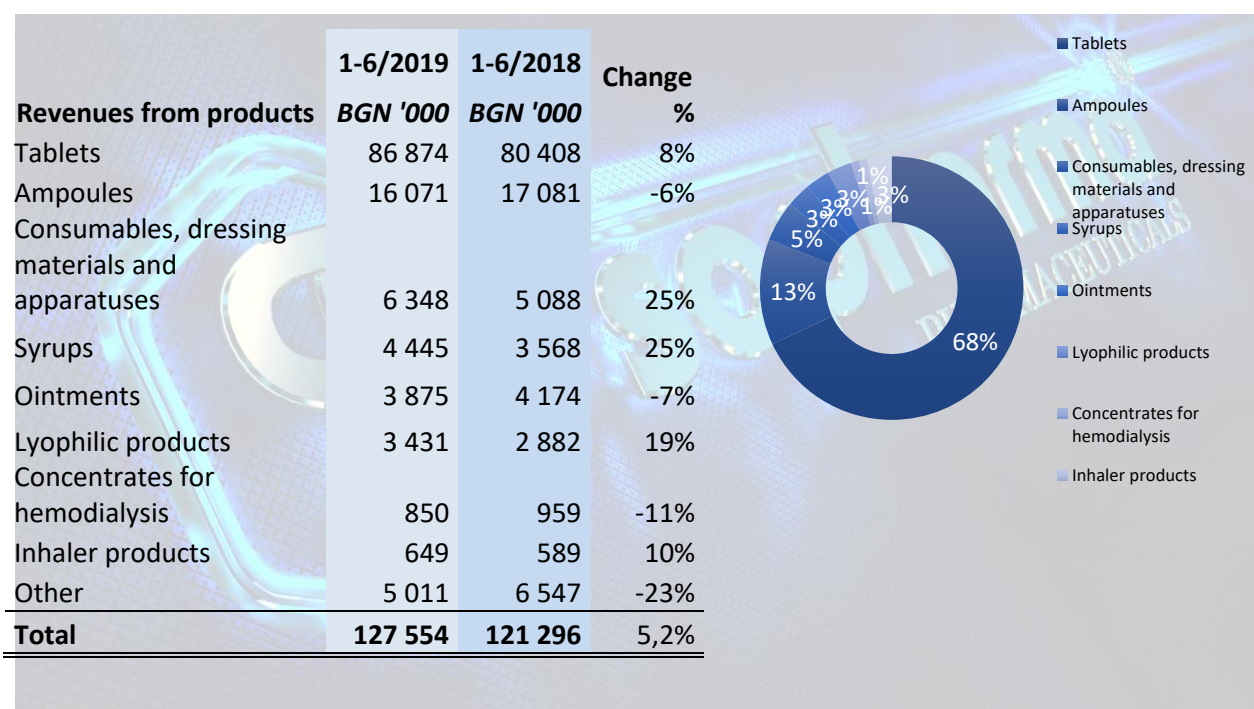
The contribution of sales in Bulgaria to the consolidated sales revenue in H1 2019 amounted to 66%, increasing by 8% compared to H1 2018. Sopharma has a 3% share of the Bulgarian pharmaceutical market in terms of value and a 10% share in terms of sold quantity (units). The positions of the main competitors 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 – 3,7% (1% in units), Merck Sharp Doh– 3,7% (1% in units), Abbvie – 3,7% (0% in units), Glaxosmithkline – 3,5% (2,7% in units), Sanofi-Aventis – 2,9% (2% in units), Astra Zeneca – 2,8% (1% in units).

Revenues from sales of the Group in Europe amount to 33% of total consolidated sales revenues for H1 2018 and increase with 6% compared to the same period of 2018.

### Sales by type of formulation

The reported revenue of the Group includes the following items: proceeds from the sale of finished goods and revenues from the sale of goods.

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

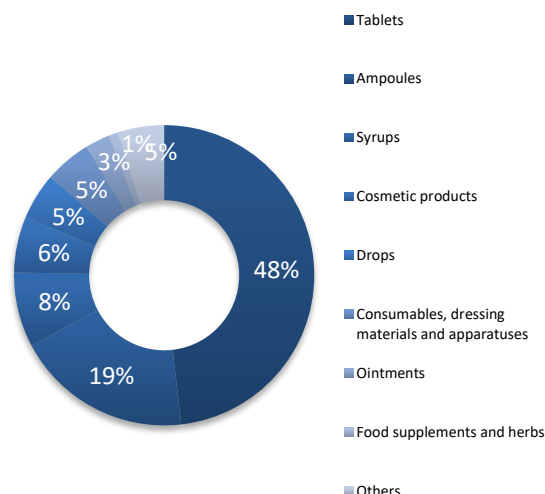


Revenues from sale of goods include revenues from sales of goods to third parties distributed mainly by Sopharma Trading AD, Briz SIA and Brititrade SOOO.

Revenue earned from sale of goods	1-6/2019	1-6/2018	Change
	BGN '000	BGN '000	%
Tablets	230 811	215 766	7%
Ampoules	92 450	103 333	-11%
Syrups	40 463	31 593	28%
Cosmetic products	27 407	12 763	115%
Drops	26 981	27 858	-3%
Consumables,	22 564	11 341	99%

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dressing materials and apparatuses			
Ointments	14 406	12 635	14%
Food supplements and herbs	7 158	9 559	-25%
Others	22 143	23 618	-6%
<b>Total</b>	<b>484 383</b>	<b>448 466</b>	<b>8%</b>



*Other operating revenues*

Other revenues	1-6/2019	1-6/2018	Change	Rel. share
	BGN '000	BGN '000	%	2019 %
Services rendered	4 509	3 631	24%	74%
Services related to social activities and events	470	437	8%	8%
Government grants	400	449	-11%	7%
Rents	393	359	9%	6%
Profit from sale of long-term assets	108	110	-2%	2%
Interests on current accounts	87	14	521%	1%
Profit / (loss) from sale of materials	44	48	-8%	1%
Net exchange losses on trade receivables and payables and current accounts	(415)	(574)	-28%	-7%
Other	478	210	128%	8%
<b>Total other operating income</b>	<b>6 074</b>	<b>4 684</b>	<b>30%</b>	<b>100%</b>

*Other operating income* increase by BGN 1.4 million, reaching BGN 6.1 million in H1 2019, compared to BGN 4.7 million in H1 2018 due to an increase in services rendered by BGN 0.9 million in the part of advertising and marketing revenues.

## Operating expenses

Operating expenses	1-6/2019	1-6/2018	Change	Rel. share of expenses
	BGN '000	BGN '000	%	2019
Changes in inventories of finished goods and work in progress	(289)	(14 047)	-98%	0%
Materials	43 367	44 583	-3%	7%
Hired services	35 342	35 880	-1%	6%
Personnel	63 512	59 892	6%	11%
Depreciation and amortization	21 231	16 442	29%	4%
Carrying amount of goods sold	423 227	400 421	6%	72%
Other operating expenses	3 490	4 130	-15%	1%
<b>Total</b>	<b>589 880</b>	<b>547 301</b>	<b>8%</b>	<b>100%</b>

*Operating expenses* increase by BGN 42.6 million or by 8% from BGN 547.3 million in H1 2018 to BGN 589.9 million in H1 2019. The change is due to an increase in sales and, respectively, to the carrying amount of goods sold by the group, increase in expenses for personnel, amortization and change in production stocks and work in progress.

*Material expenses* (with 7% share) decrease by BGN 1.2 million or 3% to BGN 43.4 million in H1 2019 compared to BGN 44.6 million in H1 2018. The expenses of basic materials decreased by BGN 2.7 million or by 9%, as the most significant impact is reported for the costs of substances and others. An increase is reported for the costs of auxiliary materials, spare parts, laboratory and technical materials, costs of heating, fuels and lubricants, electricity and advertising materials.

*External services expenses* account for 6% relative share of operating expenses and decrease by BGN 0.5 million or by 2% to BGN 35.5 million in H1 2019 compared to BGN 35.8 million for H1 2018. The increase includes advertising and marketing services by BGN 2 million, consulting services by BGN 0.3 million, commission fees of BGN 0.5 million, messages and communications by BGN 0.2 million and other. Decrease is reported for medicine production by BGN 0.4 million, rental costs by BGN 4.7 million, maintenance of buildings and equipment by BGN 0.5 million and others.

*Personnel expenses* (with a share of 11%) increase by BGN 3.6 million or by 6% to BGN 63.5 million in H1 2019 compared to BGN 59.9 million in H1 2018.

*Other operating expenses* (with a 1% share) decrease by BGN 0.6 million or 15% from BGN 4.1 million in H1 2018 to BGN 3.5 million in H1 2019. There is a decrease in the net change

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in impairment allowance for credit losses on trade, court and other receivables, expenses for representative events, but an increase in reported for scrapping and lack of goods.

*Depreciation expenses* (with a 4% share) increase by BGN 4.8 million or 29% from BGN 16.4 million in H1 2018 to BGN 21.2 million in H1 2019.

### Financial Income and Expenses

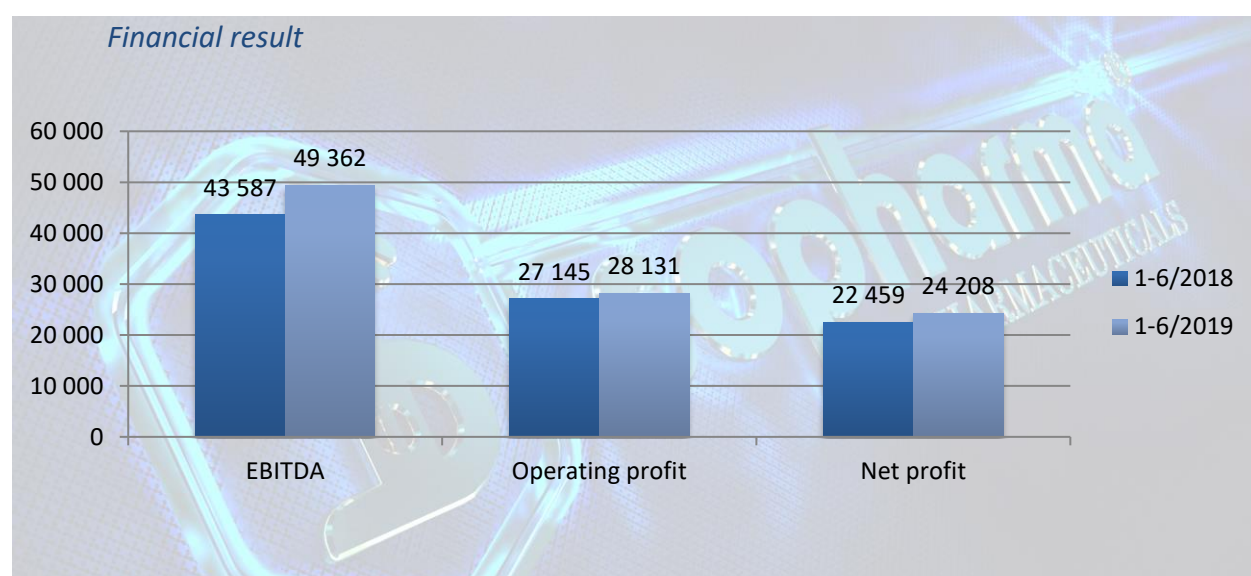
<b>Finance income</b>	<b>1-6/2019</b>	<b>1-6/2018</b>	<b>Change</b>	<b>Rel. share of income in</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>2019</b>
Interest income on past due trade receivables	1 562	1 108	41%	45%
Interest income on loans granted	1 146	541	112%	33%
Net change in impairment allowance for credit losses on receivables from commercial loans granted	243	-	-	7%
Net gains from exchange differences from loans in foreign currency	206	282	-27%	6%
Interest income (dividends)	165	58	184%	5%
Net gain on transactions with investments in securities	126	543	-77%	4%
Interest on receivables under special contracts	24	12	100%	1%
Interest income on bank deposits	1	3	-67%	0%
Income from liquidation of subsidiaries	-	91	-100%	0%
<b>Total</b>	<b>3 473</b>	<b>2 638</b>	<b>32%</b>	<b>100%</b>
			<b>Change</b>	<b>Rel. share of expenses in</b>
<b>Finance costs</b>				<b>2019</b>
Interest expense on loans received	4 457	3 233	38%	74%
Interest expense on finance and operating lease	879	41	2044%	15%
Bank fees and charges on loans and guarantees	454	344	32%	7%
Interest expense under factoring agreement	221	140	58%	4%
Net loss on exchange differences from receivables on subsidiary sale	39	-	-	1%
Interest expense in an enforcement case against a subsidiary	6	-	-	0%
Net change in the allowance for impairment losses on trade receivables	-	70	-100%	0%
Effects from derivatives	-	2	-100%	0%
<b>Total</b>	<b>6 056</b>	<b>3 830</b>	<b>58%</b>	<b>100%</b>



*Financial revenue* increase by BGN 0.8 million to BGN 3.5 million in H1 2019 compared to BGN 2.6 million in H1 2018, mainly due to an increase in revenue from interest on overdue trade receivables by BGN 0.5, interest revenues on loans granted by BGN 0.6 million, net change in the allowance for impairment losses on receivables from trade loans granted by BGN 0.2 million, interest income (dividends) by 0.1 BGN million. The net profit from investments in securities decreases by BGN 0.4 million.

*Financial expenses* increase by BGN 2.2 million from BGN 3.8 million in H1 2018 to BGN 6 million in H1 2019, mainly due to an increase in interest expense on loans received by BGN 1.2 million and expenses interest on financial and operating leases by BGN 0.8 million

*Net financial revenues (expenses)* changed by BGN 1.4 million to BGN (2.6) million as at 30 June 2019 compared to BGN (1.2) million at 30 June 2018.



*Earnings before interest, taxes and depreciation (EBITDA)* increase by BGN 5.8 million or by 13.2%, while in H1 2019 it amounted to BGN 49.4 million compared to BGN 43.6 million, in H1 2018. The main reason for its increase during the period is the introduction of IFRS 16 Leasing, as the effect is the accrued depreciation of assets of the right of use in the amount of BGN 5.4 million.

*Profit from operating activities* increases by BGN 1 million or by 3.6%, to BGN 28.1 million in H1 2019 against BGN 27.1 million in H1 2018.

*Net profit* increases by BGN 1.7 million or 7.8% to BGN 24.2 million in H1 2019 compared to BGN 22.5 million in H1 2018. The increase is mainly due to profit from associates and joint ventures, amounting to BGN 1.9 million.

## Assets

	30.06.2019	31.12.2018	Change	Rel. share
	BGN '000	BGN '000	%	2019
				%
<b>Non-current assets</b>				
Property, plant and equipment	366 098	324 525	13%	62%
Intangible assets	62 106	62 195	0%	10%
Goodwill	20 063	23 516	-15%	3%
Investment property	10 442	10 427	0%	2%
Investments in associated companies and joint ventures	22 176	20 383	9%	4%
Other long - term equity investments	9 615	8 598	12%	2%
Long-term receivables from related parties	92 312	23 055	300%	16%
Other long-term receivables	8 168	6 399	28%	1%
Deferred tax assets	1 686	1 590	6%	0%
	<b>592 666</b>	<b>480 688</b>	23.3%	53%
<b>Current assets</b>				
Inventories	234 094	235 763	-1%	44%
Trade receivables	253 259	235 911	7%	48%
Receivables from related parties	6 449	9 942	-35%	1%
Other short-term receivables and assets	21 748	22 717	-4%	4%
Cash and cash equivalents	16 600	25 582	-35%	3%
	<b>532 150</b>	<b>529 915</b>	0.4%	47%
<b>TOTAL ASSETS</b>	<b>1 124 816</b>	<b>1 010 603</b>	11.3%	100%

*Total assets* increase by BGN 114.2 million or by 11%, from BGN 1 010.6 million as at 31.12.2018 to BGN 1 124.8 million as at 30.06.2019, mainly due to an increase in non-current assets.

*Non-current assets* increase by BGN 112 million or by 23%, mainly due to an increase in property, plant and equipment with BGN 41.6 million, investments in associated companies and joint-ventures with BGN 1.8 million, other long-term equity investments by BGN 1 million, long-term receivables from related parties by BGN 69 million and other long-term receivables by BGN 1.8 million.

*Current assets* increase by BGN 2.2 million or 0.4%, to BGN 532.1 million as at 30.06.2019 compared to BGN 529.9 million as at 31.12.2018 in the part of trade receivables with BGN 17.3 million. There is a decrease in inventories with BGN 1.7 million, receivables from related parties with BGN 3.5 million in the part of commercial loans granted with BGN 3.2 million, other short-term receivables and assets with BGN 1 million.

*Cash and cash equivalents* decrease by BGN 9 million as compared to 31.12.2018 and deposits provided at the end of the period to the amount of BGN 0.4 million and blocked cash to the amount of BGN 0.5 million.

## Liabilities and owners' equity

EQUITY	30.06.2019	31.12.2018	Change	From
	BGN '000	BGN '000	%	owners'
<b>Equity attributable to owners of the parent company</b>				%
Share capital	134 798	134 798	0%	26%
Reserves	59 299	55 661	7%	11%
Retained earnings	305 948	285 101	7%	59%
	<b>500 045</b>	<b>475 560</b>	5%	96%
<b>NON-CONTROLLING INTEREST</b>	21 220	32 969	-36%	4%
<b>TOTAL EQUITY</b>	<b>521 265</b>	<b>508 529</b>	3%	100%

LIABILITIES	30.06.2019	31.12.2018	Change	% total
	BGN '000	BGN '000	%	liabilities
<b>Non-current liabilities</b>				<b>2018</b>
Long-term bank loans	35 574	41 124	-13%	6%
Deferred tax liabilities	11 619	11 781	-1%	2%
Long-term liabilities to related parties	3 299	-	-	1%
Long-term liabilities to personnel	6 295	6 015	5%	1%
Finance lease liabilities	28 072	2 486	1029%	5%
Government grants	8 880	7 470	19%	1%
Other non-current liabilities	137	299	-54%	0%
	<b>93 876</b>	<b>69 175</b>	36%	16%
<b>Current liabilities</b>				
Short-term bank loans	302 248	242 859	24%	50%
Current portion of long-term bank loans	15 508	14 874	4%	3%
Trade payables	112 147	124 476	-10%	19%
Payables to related parties	4 416	467	844%	1%
Payables on contract for factoring	31 059	21 791	43%	5%
Current portion of finance lease liabilities	10 838	-	-	-
Payables to the personnel and for social security	16 185	14 176	14%	3%
Tax payables	5 624	6 675	-16%	1%
Other current liabilities	11 650	7 581	54%	2%
	<b>509 675</b>	<b>432 899</b>	18%	83%
<b>TOTAL LIABILITIES</b>	<b>603 551</b>	<b>502 074</b>	20%	98%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 124 816</b>	<b>1 010 603</b>	11.3%	

The equity of Sopharma Group increases by BGN 12.7 million compared to 31.12.2018, mainly due to an increase in retained earnings and reserves. The equity related to the equity

holders of the Company is 44% of the total equity and liabilities, and there is improvement in the financial autonomy of the Group. The letter increases by BGN 24.5 million mainly due to the undistributed profit and reserves.

*Non-current liabilities* increase by BGN 24.7 million, or 36%, from BGN 69.2 million at the end of 2018 to BGN 93.9 million at 30.06.2019, mainly from increase in lease liabilities by BGN 25.6 million, which is a consequence of the effects of the introduction of IFRS 16 Leasing, effective as of 01.01.2019.

*Current liabilities* increase by BGN 76.8 million or by 18% compared to the end of 2018, mainly due to an increase of short-term bank loans by BGN 59.4 million as well as an increase of liabilities to related enterprises by BGN 4 million, payables on contract for factoring by BGN 9.3 million, payables to personnel and social security by BGN 2 million, other current obligations by BGN 4 million and short-term part of finance lease obligations by BGN 10.8 million. There is a decrease of trade liabilities by BGN 12.3 million mainly in the part of liabilities to suppliers by BGN 12 million. Total liabilities on bank loans, leasing and factoring of the Group increase by BGN 100 million compared to the end of 2018, with the net debt after deduction of cash and cash equivalents increasee by BGN 109 million.

<i>Ratios</i>		<b>30.06.2019</b>	<b>31.03.2019</b>
ROE <sup>1</sup>		6,3%	6,6%
ROA <sup>2</sup>		2,9%	3,1%
Asset turnover <sup>3</sup>		1,17	1,18
Current liquidity <sup>4</sup>		1,04	1,06
Quick ratio <sup>5</sup>		0,58	0,58
Cash/current liabilities <sup>6</sup>		0,03	0,04
Owners' equity/liabilities <sup>7</sup>		0,86	0,89

<sup>1</sup> Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of non-minority interest for the last five quarters

<sup>2</sup> Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of total assets for the last five quarters

<sup>3</sup> Revenue from sales on an annual basis / arithmetic mean of total assets over the last five quarters

<sup>4</sup> Current assets / current liabilities

<sup>5</sup> Receivables + Cash / Current liabilities

<sup>6</sup> Cash / Current liabilities

<sup>7</sup> Own capital / Liabilities

## Cash flow

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Net cash flow from/ (used in) operations	(78 219)	(78 506)
Net cash flow used in investment activities	(84 909)	(12 383)
Net cash flow (used in)/from financial operations	155 052	88 555
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>(8 076)</b>	<b>(2 334)</b>
Cash and cash equivalents on 1 January	24 129	22 614
Cash and cash equivalents on 30 Juny	<b>16 053</b>	<b>20 280</b>

*Net cash flows* in H1 2019 generated by operating activities amount to BGN 78.2 million outflow, from investment activity amount to BGN 84.9 million outflow and from financial activity are in amount of BGN 155.1 million incoming stream. As a result of these activities, the cash and cash equivalents net decrease by BGN 8.1 million and by 30 June 2019 amount to BGN 16.1 million compared to BGN 24.1 million at 01.01.2019.

*Factoring receipts* amount to BGN 105.1 million are reported as cash flows from finance activities. As a consequence, there is a significant decrease in net cash flows from operating activities at the expense of an increase in net cash flows from finance activities.

### New developments and products

- New Products for the period January - June 2019:
  - The Marketing Authorization for Norepinephrine 1 mg / ml concentrate for solution / infusion (Bulgaria, Latvia, Lithuania and Estonia) has been received.
- New medicinal products introduced into production:
  - Norepinephrine 1 mg/ml concentrate for solution/infusion. By the end of 2019, it is expected that 3 to 5 new medicinal products to be introduced.
- New registrations and re-registrations / changes:

### New registrations

Received 23 Authorizations for the use of medicinal products for new destinations, namely:

- Desloratadine Sopharma 0.5 mg/ml oral solution (Serbia);
- Carsil Max 110 mg capsules, hard (Russia);
- Pyraminol 200 mg/ml solution for injection (Armenia);

## Sopharma Group

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- Broncholytin Ivy 7 mg/ml syrup (Armenia);
- Desloratadine Sopharma 5 mg film-coated tablets (Ukraine);
- Sophtensif 1.5 mg prolonged-release tablets (Albania);
- Syafen 100 mg/5 ml oral suspension (Vietnam);
- 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);
- Promerol 1 mg/ml solution for injection, 10 x 5 ml (Serbia);
- Promerol 1 mg/ml solution for injection, 50 x 5 ml (Serbia);
- Carsil Max 110 mg capsules, hard (Kazakhstan);
- Ketotifen Sopharma 0.2 mg/ml syrup (Mongolia);
- 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);
- Vicetin 5 mg/ml solution for infusion (Armenia);
- Ivadron 3 mg/3 ml solution for injection (Serbia);
- Allergosan (Desloratadine) Sopharma 0.5 mg/ml oral solution (Ukraine).

Documentation for the registration of 8 medicinal products to agencies of new destinations was submitted.

### Cosmetic products:

- o 8 cosmetic products were notified in Georgia (two), Moldova (two), Poland (two) and Ukraine (two).

### Food additives:

- o During the reporting period, one food supplement for Azerbaijan was notified

### Medical supplies:

- 16 medical supplies are registered in Bulgaria.

### Re-registrations / changes:

- Updated Authorizations for use of 35 medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for 54 medicinal products to agencies.
- 699 changes for medicinal products approved by agencies.
- 715 changes made for medicinal products to the agencies.

- **Developments:**

- There is a pharmaceutical development of 20 new medicinal products.
- 5 medicinal products have been transferred / undergoing transfer and 23 manufacturing processes / technologies have been validated / optimized.

### **5. Significant events in the first half of 2019 and until the date of the interim consolidated management report**

- On 02.01.2019, the merger of OOO Med-dent, Belarus with BOOO SpetsApharmatsiya., Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company OOO Med-dent is terminated and all its rights and obligations at the moment of the merger are taken by BOOO SpetsApharmatsiy, Belarus.
- On 15.01.2019, an agreement was signed for the acquisition of the non-controlling interest of the subsidiary Sopharma Trading AD in the capital of Lekovit D.O.O. at the rate of 30%. After the performance of the contract, on 04.02.2019 100% ownership of the capital was registered by the subsidiary Sopharma Trading AD.
- On 31.01.2019, the Company received a valid production / import authorization for medicinal products № BG / MIA - 0081 from the Bulgarian Drug Agency, which includes the unincorporated subsidiary Unipharm AD.
- As at 30.01.2019 the share participation of ZLPF Allianz Bulgaria in the capital of Sopharma AD reached 5.09%.
- On 15.02.2019, was made a deal for disposal by Sopharma AD of 253,000 shares of the capital of Momina Krepost AD, with which the share of Sopharma AD in the capital of Momina Krepost AD drops from 93, 56% to 78.60%.
- On 27.02.2019 and 18.03.2019, the Board of Directors of the subsidiary Sopharma Trading AD decided to change the names of the companies Sopharma Trading Belgrade OOD, Serbia and Lekovit OOD, Serbia respectively to "Sopharma Trading Pharmaceuticals" and "Sopharma Trading".

- On 28.02.2019 in the Commercial Register is registered "Sopharmacy 18" EOOD with sole owner of the capital of "Sopharmacy" EOOD. The newly established company has its headquarters and address of management Republic of Bulgaria, Sofia 1756, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, fl. 12.
- On 07.03.2019, through its subsidiary SOOO Britetrade, Belarus, the Group acquired 25% of the capital of OOO Bellerofon, Belarus, as a result of which the parent acquires control and the company is classified as a subsidiary.
- As at 29.03.2019, after the sale of 126,626 shares of the capital of Momina Krepost AD, the share of Sopharma AD in the capital of Momina Krepost AD went below 75% - from 78.60% (1 329 212 shares) to 71.11% (1 202 590 shares).
- As at 02.04.2019, after the acquisition of 127,000 shares of the capital of Momina Krepost AD, the share of Medical Supplies Ltd. in the capital of Momina Krepost AD reached 22.47% (380,000 shares).
- On June 7, 2019, the General Meeting of Shareholders of Sopharma AD was held, where the following decisions were made: 1. The AGM approves the Annual Report of the Board of Directors on the company's activities in 2018. 2. The AGM approves the Annual Report of the Investor Relations Director in 2018. 3. The AGM approves the Audited Annual Individual Financial Statement of the Company for 2018. 4. The AGM approves the audited Annual Consolidated Financial Statement of the Company for 2018. 5. The AGM approves the Auditor's Report on the Audit of the Annual Individual Financial Statements of the Company for the year 2018. 6. The AGM approves the Auditor's Report on the Audit of the Annual Consolidated Financial Statements of the Company for the year 2018. 7. The AGM 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 AGM approves the Audit Committee's report on its activities in 2018. 9. The AGM releases the members of the



Board of Directors from responsibility for their activities in 2018. 10. The AGM 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 AGM 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, 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. AGM adopts the Substantiated Report of the Board of Directors for transactions within the scope of Art. 114, para 1 of POSA. 16. AGM 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. AGM 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 AGM 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 AGM 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 AGM 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 AGM 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.

- On 11 June 2019 the General Meeting of Shareholders of Sopharma Buildings REIT was held and were adopted the following decisions: 1. The GMS approves the Annual Report of the Board of Directors on the activity of the Company in 2018; 2. The GMS approves the Annual Activity Report of the Investor Relations Director in 2018; 3. The GMS approves the Auditor's Report for the Audit of the Annual Financial Statements of the Company for 2018; 4. The GMS approves the Audited Annual Financial Report of the Company for 2018; 5. The GMS approves the audit committee's report for its activity in 2018; 6. The GMS approves the Report of the Board of Directors on the implementation of the Remuneration Policy of the Members of the Board of Directors of the Company for 2018; 7. The GMS approves a decision for the distribution of the financial result of the Company realized in 2018, namely: For the reason that the Company has completed the accounting year 2018 with a negative financial result, the loss for 2018, amounting to 70 555,45 (seventy thousand five hundred and fifty-five leva and forty-five cents) leva shall be covered by the accumulated reserves of the Company's Premiums Fund. "; 8. The GMS approves a decision to discharge the members of the Board of Directors of the Company for their activity in 2018; 9. The GMS has decided to keep the current amount of the constant monthly remuneration of the members of the Board of Directors of the Company for 2018; 10. The GMS elects a specialized audit company - BAKER TILLY CLIT AND PARTNERS OOD, Sofia, for registered auditor of the Company for 2019, in accordance with the recommendation of the Audit Committee of the Company.
- On June 7, 2019, the General Meeting of Shareholders of Sopharma Trading AD was held, where the following decisions were made: 1. The AGM approves the annual report of the Board of Directors on the activity of the company in 2018 year; 2. The AGM approves the Annual Activity Report of the Investor Relations Director in 2018; 3. The AGM approves the Auditor's Report on the Audit of the Annual Financial Statements of the Company for 2018; 4. The AGM approves the Audited Annual Financial Statements of the Company for 2018; 5. The AGM approves the Auditor's Report for the Audit of the Consolidated Annual Financial Statements of the Company for 2018; 6. The AGM approves the Audited Consolidated Annual Financial Statements of the Company for 2018; 7. The AGM approves the report of the Board of Directors under Art. 12, para. 1 of Ordinance No 48 of 20 March 2013 on the remuneration requirements; 8. The AGM approves the Audit Committee's report on its activities in 2018; 9. The AGM approves a

decision for distribution of the Company's profit realized in 2018: The net financial result of BGN 17 970 639,05 / seventeen million nine hundred and seventy thousand six hundred and thirty-nine leva and five stotinki / divided as follows: BGN 1 797 063,91 / one million seven hundred and ninety-seven thousand and sixty-three leva and ninety-one stotinki / shall be treated in the Reserve Fund as a 10% reserve, 9,871,502.70 BGN / nine million eight hundred seventy-one thousand five hundred and two leva and seventy stotinki / to distribute a cash dividend to the shareholders, BGN 6 302 072.44 / six million three hundred and two thousand and seventy two leva and forty-four stotinki / to be taken as an additional reserve of the company. The proposed gross dividend per share is BGN 0.30 (thirty cents); 10. The AGM approves a decision to discharge the members of the Board of Directors for their activities in 2018; 11. The AGM determinates of the amount of the remuneration of the members of the Board of Directors for 2019; 12. The AGM approves a decision for the payment of variable remuneration to the Executive Director of Sopharma Trading AD; 13. The AGM selects a registered auditor of the Company for 2019; 14. The AGM approves of the Substantiated report of the Board of Directors under Art. 114a, para 1 of the Public Offering of Securities Act on the feasibility and conditions of transactions from the scope of Article 114, paragraph 1 of POSA; 15. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning a contract for the purchase of medicinal products and other products of importance for human health between Sopharma Trading AD as seller and Sopharma EOOD as a buyer; 16. - 32. The AGM empowers the Board of Directors of the Company to conclude a transaction from the scope of Art.114, para 1 of POSA on a contract for the purchase of medicinal products and other products of significance for human health between Sopharma Trading AD as a seller and Sopharma 2 EOOD - Sopharma 18 EOOD as a buyer; 33. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning a contract for the purchase of medicinal products and other products of importance for human health between Sopharma Trading AD as a seller and Sopharma Trading DOO Beograd as a buyer; 34. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning a contract for marketing services for medicinal products and other products of importance for human health between Sopharma AD contracting authority and Sopharma Trading JSC as a contractor; 35. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art. 114, para 1 of the Public Offering of Securities Act concerning a credit agreement between Expressbank AD as Bank and Sopharma Trading AD as a borrower and Sopharma AD co-debtor; 36. The AGM empowers the Board of

Directors of the company to conclude a transaction from the scope of Art. 114, para 1 of the Public Offering of Securities Act concerning a collateral contract between Raiffeisen Bank and Beograd as Bank, Sopharma Trading AD and Sopharma AD as guarantors; 37. The AGM empowers the Board of Directors of the company to conclude a transaction from the scope of Art. 114, para 1 of the Public Offering of Securities Act concerning a contract of guarantee between Raiffeisen Bank and Beograd as Bank, Sopharma Trading AD and Sopharma AD as guarantors; 38. The AGM empowers the Board of Directors of the Company to conclude a transaction from the scope of Art.114, para 1 of the Public Offering of Securities Act concerning the lease of conference space between Sopharma Real Estate REIT as Landlord and Sopharma Trading AD as Tenant; 39. The AGM approves the amendments to the Articles of Association of Sopharma Trading AD, as follows: A new Art. 50 with the following wording: "The Board of Directors has the right to make decisions on increasing the Company's capital up to a maximum total nominal capital of BGN 40,000,000 for a period of 5 years ...".

- On 14 June 2019 the General Meeting of Shareholders of Momina krepost AD was held, where the following decisions were made: 1. The GMS approves of the annual report of the Board of Directors on the activity of the company in 2018 together with the corporate governance statement and the non-financial declaration for 2018; 2. The GMS approves the Annual Activity Report of the Investor Relations Director in 2018; 3. The GMS approves the Audit Report for the Audit of the Annual Financial Statements of the Company for the year 2018; 4. The GMS approves the Audited Annual Financial Statement of the Company for the year 2018; 5. The GMS approves the Audit Committee's report on its activities in 2018; 6. The GMS approves a decision for distribution of the Company's profit realized in 2018, namely: BGN 22 thousand to be taken as an additional reserve of the Company. No dividend is distributed to shareholders.; 7. The GMS approves a decision on the discharge of the members of the Board of Directors for their activity in 2018; 8. The GMS selects a registered auditor for 2019; 9. The GMS approves a report on the implementation of the remuneration policy of the members of the Board of Directors of Momina Krepost AD for 2018; 10. The GMS decided to retain the current amount of the permanent monthly remuneration of the Chairman of the Board of Directors and the members of the Board of Directors, and in 2019 the GMS has decided to maintain the current amount of the monthly remuneration under a management contract of the Executive Director in 2019.; 11. The GMS approves the amendments to the Articles of Association of the Company.
- On 15 July 2019 the Board of Directors of Sopharma Trading AD made a decision to increase the capital of the Company by public offering of shares on the grounds of Art. 194, para. 1 of the Commercial Act, Art. 121 et seq. of the Public Offering of Securities

Act (POSA) and pursuant to the authorization under Art. 50 of the Articles of Association of the Company. The capital of the Company should be increased from BGN 32 905 009 to BGN 34 276 051 by issuing up to 1 371 042 new ordinary dematerialized shares, each with a nominal value of BGN 1 and an issue value of BGN 6.85.

- From 6 August 2019 Sopharma Trading AD starts the payment of the annual dividend by a decision of the General Meeting of Shareholders. Dividend amount per share gross - 0.30 BGN. The amount of the dividend per share net (for shareholders natural persons only) - 0.285 BGN.

### 6. Transactions with related parties

The information concerning transactions with related parties is presented in details in the Notes to the financial report.

### III. Information about the shares of Sopharma AD

The total number of shares emitted by Sopharma AD, issued on 30.06.2019, is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder in proportion 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 the Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate as well as in the new 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 Europe (CEE) Index. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the country's country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

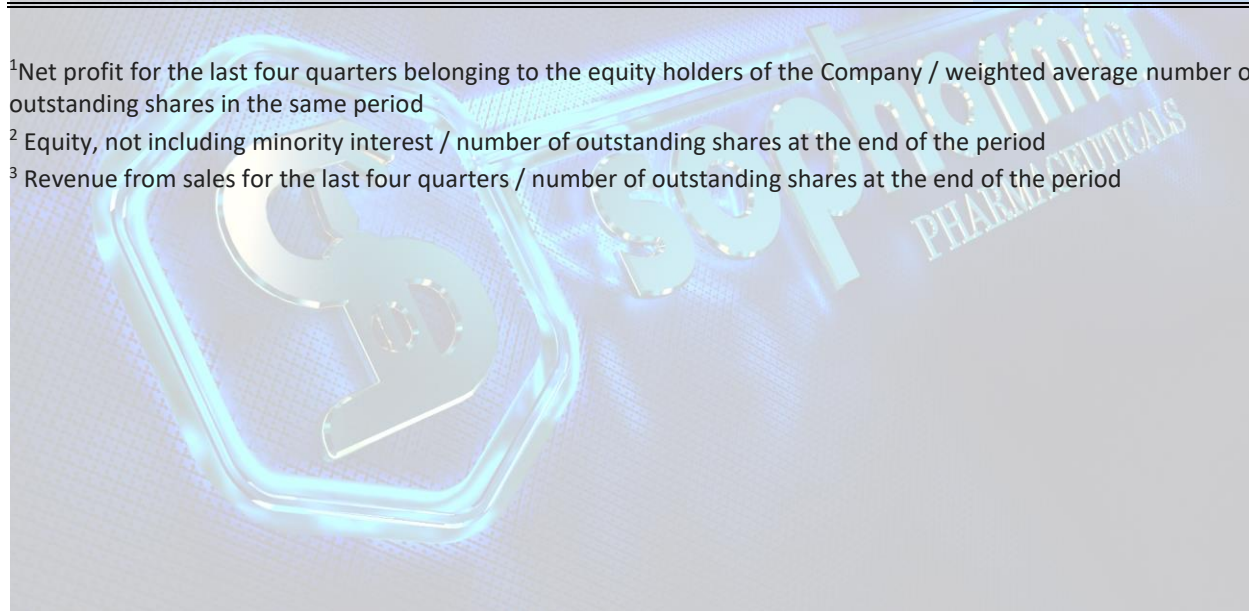
## Key indicators of the shares of Sopharma AD

	30.06.2019	31.03.2019
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 883 137	125 836 449
Number of shares outstanding at the end of the period	125 916 249	125 916 249
Earnings per share in BGN <sup>1</sup>	0,240	0,250
Price per share at the end of the period in BGN	3,410	3,451
Price/Earnings ratio (P/E)	14,21	13,80
Book value per share in BGN <sup>2</sup>	3,97	3,92
Price/Book value ratio (P/B)	0,86	0,88
Sales per share in BGN <sup>3</sup>	9,70	9,53
Price per share / Sales per share(P/S)	0,35	0,36
Market capitalization in BGN	459 660 836	465 187 549

<sup>1</sup>Net profit for the last four quarters belonging to the equity holders of the Company / weighted average number of outstanding shares in the same period

<sup>2</sup> Equity, not including minority interest / number of outstanding shares at the end of the period

<sup>3</sup> Revenue from sales for the last four quarters / number of outstanding shares at the end of the period



Trade with shares of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 1 January 2019 – 30 June 2019:



Ognian Donev, PhD  
/Executive Director/