

MANAGEMENT REPORT

Q2 2019



SOPHARMA AD

30 July 2019

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I. General information about Sopharma AD

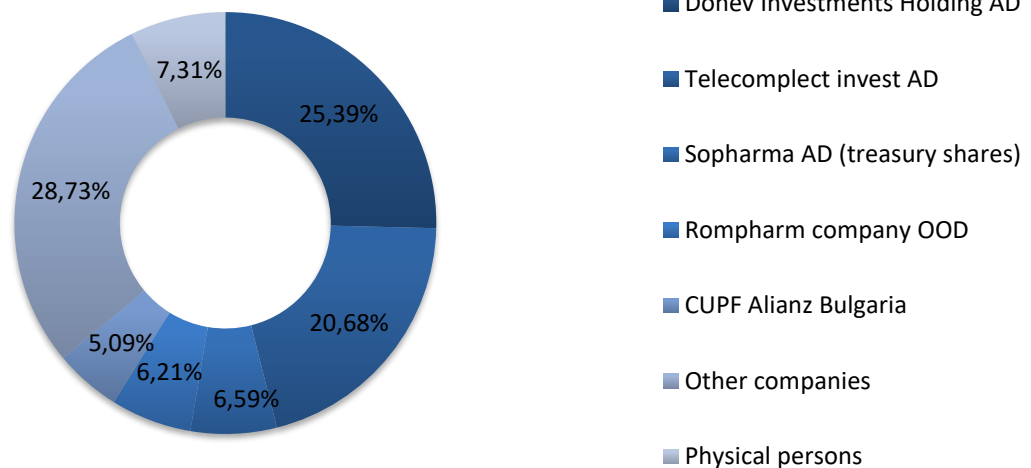
1. Registration and main activities

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 30 June 2019



3. Board of Directors

Sopharma AD

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 2 278 workers and employees (2,137 in 2018). The table below provides more detailed information about the company's personnel.

	30.06.2019	Rel. Share %
Number of employees as at 30 June 2019	2 301	100%
Higher education	956	42%
College education	49	2%
Secondary education	1254	54%
Primary education	42	2%
Employees under 30 years	220	10%
Employees 31 - 40 years	439	19%
Employees 41 - 50 years	697	30%
Employees 51 - 60 years	740	32%
Employees over 60 years	205	9%
Women	1430	62%
Men	874	38%

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-hygiene 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 Tempgine) make a major contribution to its export market income, while domestic sales are of major importance to the company's generic products, including Analgin'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 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 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, 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	1-6/2019	1-6/2018*	Change
	BGN '000	BGN '000	%
Sales revenues	100 951	100 140	0.8%
EBITDA	26 105	27 134	-3.8%
Operating profit	16 971	18 171	-6.6%
Net profit	24 981	24 907	0.3%
CAPEX**	6 639	5 911	12.3%
	30.06.2019	31.12.2018	
	BGN '000	BGN '000	
Non-current assets	485 571	410 609	18.3%
Current assets	200 586	197 617	1.5%
Owners' equity	513 654	489 219	5.0%
Non-current liabilities	26 869	25 606	4.9%
Current liabilities	145 634	93 401	55.9%

* 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	1-6/2019	1-6/2018*
	EBITDA / Sales revenues	25,9%
Operating profit/ Sales revenues	16,8%	18,1%
Net profit/ Sales revenues	24,7%	24,9%
	30.06.2019	31.03.2019
Borrowed capital/Owners' equity	0,34	0,34
Net debt**/ EBITDA	3,0x	3,0x
Net bank debt***/ EBITDA	2,9x	2,9x

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

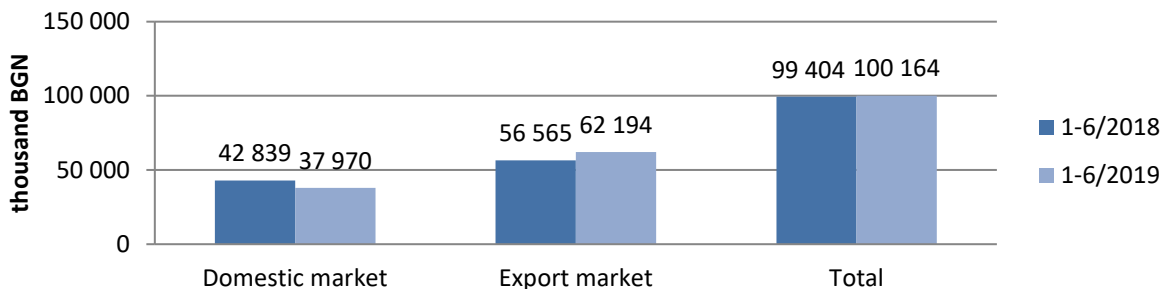
** the net debt comprises the sum of borrowings from banks and lease liabilities less cash and cash equivalents, taking into account the effects of the adoption of IFRS 16 Leases, effective from 01.01.2019

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

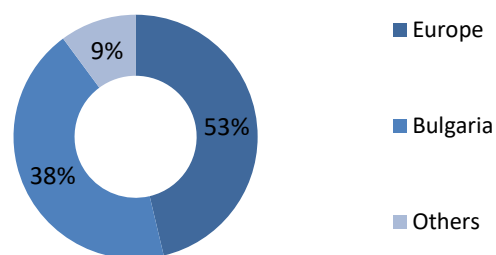
Revenues

Sales revenues from products for the first half of 2019 increase by BGN 0,8 million or 1%, to BGN 100,2 million compared to BGN 99,4 million in the first half of 2018.

Sales revenues



Revenues by market	1-6/2019	1-6/2018	Change
	BGN '000	BGN '000	%
Europe	52 974	46 275	13%
Bulgaria	37 970	42 839	-11%
Other	9 220	10 290	-6%
Total	100 164	99 404	1%



- Europe

Revenues from sales to European countries increased by 13% compared to the first half of 2018 due to the increase of sales in Ukraine with 35% and Russia with 7%. Sales to the Baltic region, Balkan countries, Belarus, The Czech Republic, Moldova and others have increased.

- Bulgaria

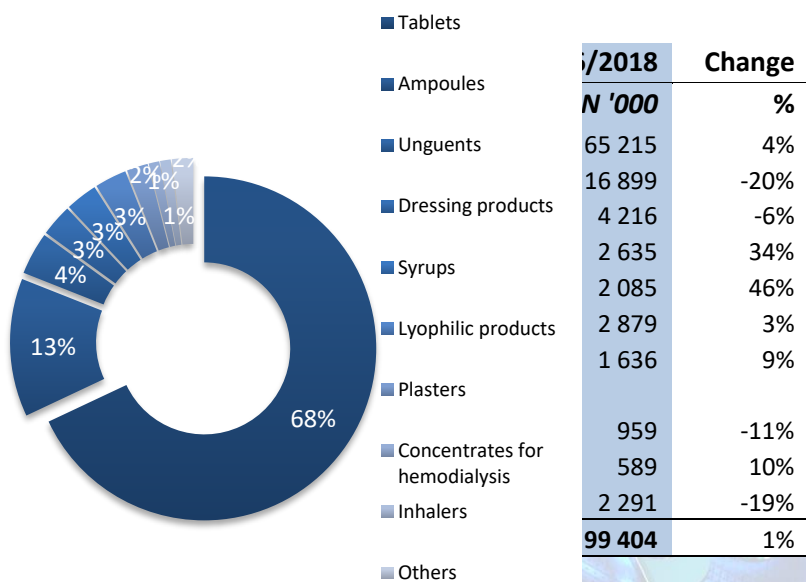
The sales of Sopharma AD on the domestic market increase with 11% to BGN 38 million. The products with largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C, Ranitidine and medical supplies - gauzes, compresses, bandages and plasters. Sopharma AD has a 3% share of 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 – 3,7% (1% in units), Merck Sharp Doh – 3,7% (1% in units), Abbive – 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).

- Other markets

Revenues from other markets decrease with 6% compared to the first half of 2018, mainly as a result of a decrease of the export for Vietnam. The export for the Caucasus and Central Asia increases with 4%.

Sales by type of formulation

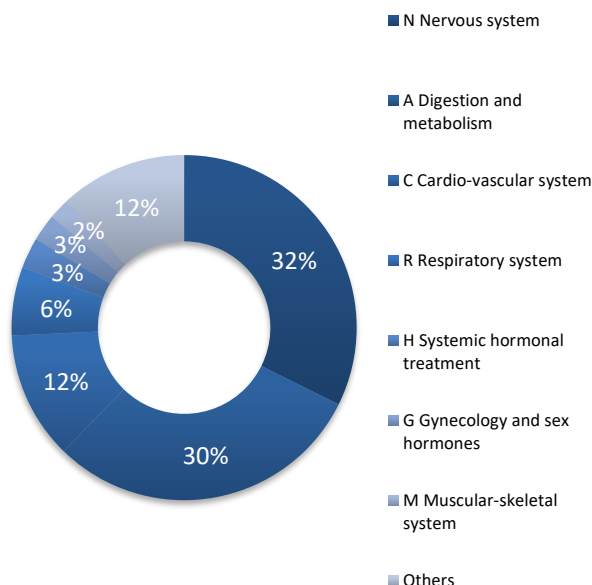
The types of formulation with the highest share in the volume of sales are tablet forms, followed by ampoules, lyophilic products, unguents, dressing products, syrups, lyophilic products, plasters and others.



	1-6/2019	Change
	BGN '000	%
Unguents	65 215	4%
Dressing products	16 899	-20%
Syrups	4 216	-6%
Lyophilic products	2 635	34%
Plasters	2 085	46%
Concentrates for hemodialysis	2 879	3%
Inhalers	1 636	9%
Others	959	-11%
	589	10%
	2 291	-19%
Total	99 404	1%

Sales by therapeutic group

Revenues by therapeutic group	1-6/2019	1-6/2018	Change
	BGN '000	BGN '000	%
N Nervous system	32 398	32 925	-2%
A Digestion and metabolism	30 007	24 758	21%
C Cardio-vascular system	11 980	12 898	-7%
R Respiratory system	6 413	5 357	20%
H Systemic hormonal treatment	2 908	2 778	5%
G Gynecology and sex hormones	2 554	2 666	-4%
M Muscular-skeletal system	1 947	1 668	17%
Other	11 958	16 354	-27%
Total	100 164	99 404	1%



Other operating revenues	1-6/2019	1-6/2018	Change	Rel. share 2019
	BGN '000	BGN '000	%	%
Income from services rendered	1 580	1 124	41%	77%
Income from government grants under European projects	270	310	-13%	13%
Income from sale of goods	114	70	63%	6%
Income from sale of materials	41	34	21%	2%
Income from sale of LTA	8	108	-93%	0%
Net loss on exchange differences under trade receivables and payables and current accounts	(104)	(152)	-32%	-5%
Other (see Notes to the FS)	131	104	26%	6%
Total other operating revenues	2 040	1 598	28%	100%

Other operating income increased by BGN 0,4 million in the first half of 2019 compared to the first half of 2018 mainly in the part of revenue from services rendered.

Operating expenses

Operating expenses	1-6/2019	1-6/2018	Change	Rel. share 2019
	BGN '000	BGN '000	%	%
Changes in the finished goods and work-in-progress inventory	(1 355)	(10 723)	87%	-2%
Materials	35 553	37 413	-5%	41%
External services	16 107	18 979	-15%	19%
Personnel	25 532	26 913	-5%	30%
Amortization	9 134	8 963	2%	11%
Other operating expenses	1 049	2 022	-48%	1%
Total	86 020	83 567	3%	100%

Operating expenses increase by BGN 2,4 million from BGN 83,6 million in the first half of 2018 to BGN 86 million in the first half of 2019, mainly due to changes in finished goods and work-in-progress inventory and amortization. Costs for raw materials, external services, personnel costs and other costs decrease.

Expenses on materials (41% share) decrease by BGN 1,9 million or 5% from BGN 37,4 million in the first half of 2018 to BGN 35,5 million in the first half of 2019 and the biggest impact being the decrease in main materials with BGN 2,5 million and in particular substances with BGN 2,3 million.

External services expenses account for 19% relative share of operating expenses and decreased by BGN 2,9 million or 15% to BGN 16,1 million in the first half of 2019 compared to BGN 19 million in the first half of 2018. The most significant impact coming from decrease in the cost of maintenance of buildings and equipment, rents, manufacture of medicines and consulting services.

Personnel expenses (with a relative share of 30% of operating costs) decrease by BGN 1,4 million or by 5% from BGN 26,9 million in the first half of 2018 to BGN 25,5 million in the first half of 2019.

Other operating expenses (with a relative share of 1% of operating costs) decrease by BGN 0,9 million in the first half of 2019 compared to the first half of 2018 mainly in the part of share-based payments.

Amortization expenses (with a relative share of 11% of operating expenses) register an increase of BGN 0,2 million or by 2% from BGN 8,9 million in the first half of 2018 to BGN 9,1 million in the first half of 2019.

Changes in inventories of finished goods and work in progress have an impact on the increase in operating expenses by BGN 9,4 million.

Financial income and expenses

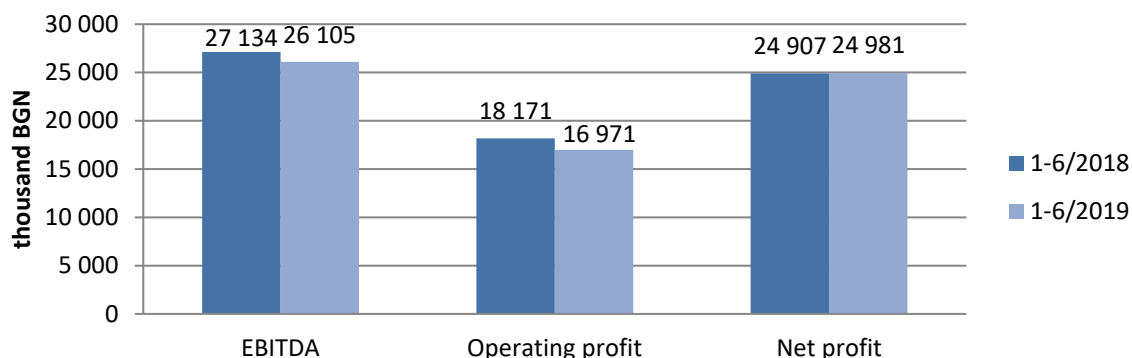
Financial income	1-6/2019	1-6/2018	Change	Rel. share
	BGN '000	BGN '000	%	2019
				%
Income from shareholding	8 862	8 733	1%	81%
Income from interest on loans granted	1 424	778	83%	13%
Reversed impairment of receivables on commercial loans granted	327	-	-	3%
Net gain on transactions with investments in securities and shares	254	1	-	2%
<i>Incl. profits from the sale of investments in subsidiaries</i>	182	-	-	2%
Net gain on exchange differences on sale of a subsidiary	20	91	-78%	0%
Total	10 887	9 603	13%	102%
			Change	Rel. share
				2019
				%
Financial expenses				
Interest expense on loans received	707	530	33%	52%
Bank fees and charges on loans and guarantees	133	80	66%	8%
Interest expense on operating lease	30	-	-	0%
Impairment of credit losses on receivables from commercial loans granted	-	397	-100%	39%
Interest expense on finance leases	-	1	-100%	0%
Effects from derivatives	-	2	-100%	0%
Total	870	1 010	-14%	100%

Financial revenues increase by BGN 1,3 million to BGN 10,9 million in the first half of 2019 compared to BGN 9,6 million in the first half of 2018, mainly in the part of equity income and interest earnings on loans granted.

Financial expenses decrease by BGN 0,1 million or by 14% to BGN 0,9 million in the first half of 2019, due to the decrease of impairment for credit losses on receivables from commercial loans granted.

Net financial revenues (costs) increase by BGN 1,4 million compared to the first half of 2018.

Financial result of the activity



Profit before interest, taxes and depreciation (EBITDA) decrease in the first half of 2019 by BGN 1 million or by 3,8% to BGN 26,1 million compared to BGN 27,1 million in the first half of 2018.

Operating profit decrease by BGN 1,2 million or 6,6% to BGN 17 million in the first half of 2019 compared to BGN 18,2 million in the first half of 2018.

Net profit increase by BGN 0,07 million or by 0,3%, to BGN 24,98 million in the first half of 2019 compared to BGN 24,91 million in the first half of 2018.

Assets

Non-current assets	30.06.2019	31.12.2018	Change	Rel. share
	BGN '000	BGN '000	%	2019
Property, plant and equipment	230 458	226 956	2%	47%
Intangible assets	11 441	11 881	-4%	2%
Investment property	37 676	37 451	1%	8%
Investments in subsidiaries	89 598	89 945	0%	18%
Investments in associated companies	8 029	7 962	1%	2%
Other long - term equity investments	8 582	7 599	13%	2%
Long-term receivables from related parties	92 312	23 055	300%	19%
Other long-term receivables	7 475	5 760	30%	2%
	485 571	410 609	18.3%	71%
Current assets				
Inventories	70 800	68 499	3%	35%
Receivables from related parties	103 146	91 509	13%	51%
Commercial receivables	15 148	19 431	-22%	8%
Loans granted to third parties	3 735	3 270	14%	2%
Other receivables and prepaid expenses	6 100	5 937	3%	3%
Cash and cash equivalents	1 657	8 971	-82%	1%
	200 586	197 617	2%	29%
TOTAL ASSETS	686 157	608 226	13%	100%

Total assets increase by BGN 78 million or by 13% to BGN 686,2 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 75 million, or by 18%, mainly due to an increase in long-term receivables from related parties by BGN 69,2 million, other long-term receivables by BGN 1,7 million, other long-term capital investments by BGN 1 million and properties, plant and equipment by BGN 3,5 million. Property, plant and equipment assets increase in the portion of land and buildings - by BGN 4,5 million and others with BGN 2,1 million. Intangible assets decreased by BGN 0,4 million mainly in the software sector and intellectual property rights.

Current assets increase by BGN 3 million or by 2% to BGN 200,6 million as at 30 June 2019 compared to 197,6 million as at 31 December 2018. Inventories increase by BGN 2,3 million or 3% compared to 31 December 2018. Receivables from related parties increase by BGN 11,6 million in the part of receivables from contracts with customers and in the part of dividend receivables. Trade receivables decrease by BGN 4,3 million. Commercial loans to third parties increased by BGN 0,5 million. Other receivables and prepaid expenses increase by BGN 0,2 million. Cash and cash equivalents decrease by BGN 7,3 million.

Liabilities and owners' equity

OWNERS' EQUITY	30.06.2019	31.12.2018	Change	Rel.share 2018
	BGN '000	BGN '000	%	%
Share capital	134 798	134 798	0%	26%
Treasury shares	(33 339)	(33 337)	0%	-6%
Reserves	385 738	357 310	8%	75%
Retained earnings	26 457	30 448	-13%	5%
TOTAL OWNERS' EQUITY	513 654	489 219	5%	100%
	30.06.2019	31.12.2018	Change	Rel.share 2018
LIABILITIES	BGN '000	BGN '000	%	%
Non-current liabilities				
Long-term bank loans	5 973	9 556	-37%	3%
Liabilities on deferred taxes	6 231	6 235	0%	4%
Government grants	5 127	5 397	-5%	3%
Operating leasing liabilities to related parties	2 385	-	-	1%
Operating leasing liabilities to third parties	2 480	-	-	1%
Long-term liabilities to personnel	4 673	4 418	6%	3%
	26 869	25 606	5%	16%

Current liabilities				
Short-term bank loans	116 551	65 652	78%	68%
Short-term part of long-term bank loans	7 171	7 168	0%	4%
Commercial liabilities	6 461	8 922	-28%	4%
Liabilities to related parties	3 200	633	406%	2%
Liabilities for taxes	665	1 884	-65%	0%
Liabilities to the personnel and for social insurance	9 185	7 119	29%	5%
Other current liabilities	2 401	2 023	19%	1%
	145 634	93 401	56%	84%
TOTAL LIABILITIES	172 503	119 007	45%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	686 157	608 226	13%	

Owners' equity increases by BGN 24,4 million or by 5% to BGN 513,6 million as at 30 June 2019 compared to BGN 489,2 million as at 31 December 2018, mainly as a result of the increase in reserves with BGN 28,4 million.

Non-current liabilities increase by BGN 1,3 million or 5% to BGN 26,9 million at the end of the first half of 2019 compared to BGN 25,6 million as at 31 December 2018 mainly due to an increase of operating lease liabilities to related parties by BGN 2,4 million and operating lease liabilities to third parties by BGN 2,5 million. The decrease of long-term bank loans by BGN 3,6 million.

Current liabilities increase by BGN 52,2 million to BGN 145,6 million at the end of the first half of 2019 compared to BGN 93,4 million as at 31 December 2018. Short-term bank loans increased by BGN 50,9 million, other current liabilities by BGN 0,4 million, liabilities to personnel and for social security by BGN 2,1 million and liabilities to related parties by BGN 2,6 million. Tax and commercial debt obligations decrease. Total bank loans exposure of the Company as at 30 June 2019 increases with BGN 47,3 million compared to 31 December 2018.

Cash flow

	1-6/2019	1-6/2018
	BGN '000	BGN '000
Net cash flow from/ (used in) operations	20 713	(1 555)
Net cash flow used in investment activities	(74 397)	(6 522)
Net cash flow (used in)/from financial operations	46 370	7 515
Net increase/(decrease) of cash and cash equivalents	(7 314)	(562)
Cash and cash equivalents on 1 January	8 971	5 764
Cash and cash equivalents on 31 June	1 657	5 202

Net cash flows in the first half of 2019 generated by operating activities amounted to BGN 20,7 million inflow, from investment activity amounted to BGN 74,4 million outflow and from

financial activity were to the amount BGN 46,4 million outflow. As a result of these activities, cash and cash equivalents decreased net by BGN 7,3 million and by 30 June 2019 amounted to BGN 1,7 million compared to BGN 9 million as at 1 January 2019.

Ratios

	30.06.2019	31.03.2019	Change
ROE ¹	6,7%	6,9%	-0,2
ROA ²	5,2%	5,4%	-0,2%
Asset turnover ³	0,33	0,34	-0.1
Current liquidity ⁴	1,38	1,35	0,03
Quick liquidity ⁵	0,89	0,86	0,03
Monetary liquidity ⁶	0,01	0,01	-
Financial autonomy ⁷	2,98	2,95	0,03

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 - June 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 2019, it is expected that 3 to 5 new products will 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);
 - Broncholytin Ivy 7 mg/ml syrup (Armenia);

- Desloratadine Sopharma 5 mg film-coated tablets (Ukraine);
 - Soptensif 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).
- Registration documents were submitted for the registration of 29 medicinal products to agencies of new destinations.

Cosmetic products

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

Food additives

- During the reporting period was notified one dietary supplement for Azerbaijan.

Medical supplies

- 16 medical devices are registered in Bulgaria.

Re-registrations / changes

- Agency submissions for re-registrations / changes to 35 medicinal products.
- Submission of documents for the renewal of the Marketing Authorizations for 54 medicinal products to agencies.
- Agreements approved by the agencies 699 for medicinal products.
- Submissions to agencies 715 changes for medicinal products.

Developments

- There is a pharmaceutical development of 20 new medicinal products.
- Translated /in process of transferring are 5 medicinal products and validated / optimized are 23 production processes and technologies.

4. Significant events in the first half of 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.

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 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, 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 country's country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

Sopharma AD

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
Net earnings per share in BGN ¹	0,265	0,268
Price per share at the end of the period in BGN	3,41	3,451
Price/Earnings ratio (P/E)	12,87	12,88
Book value per share in BGN ²	4,079	3,988
Price/Book value ratio (P/B)	0,84	0,87
Sales per share in BGN ³	1, 693	1, 678
Price per share / Sales per share(P/S)	2,01	2,06
Market capitalization in BGN	460 281 456	465 187 549


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

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/

