

SOPHARMA AD

PRESENTATION FOR THE FIRST HALF OF 2019



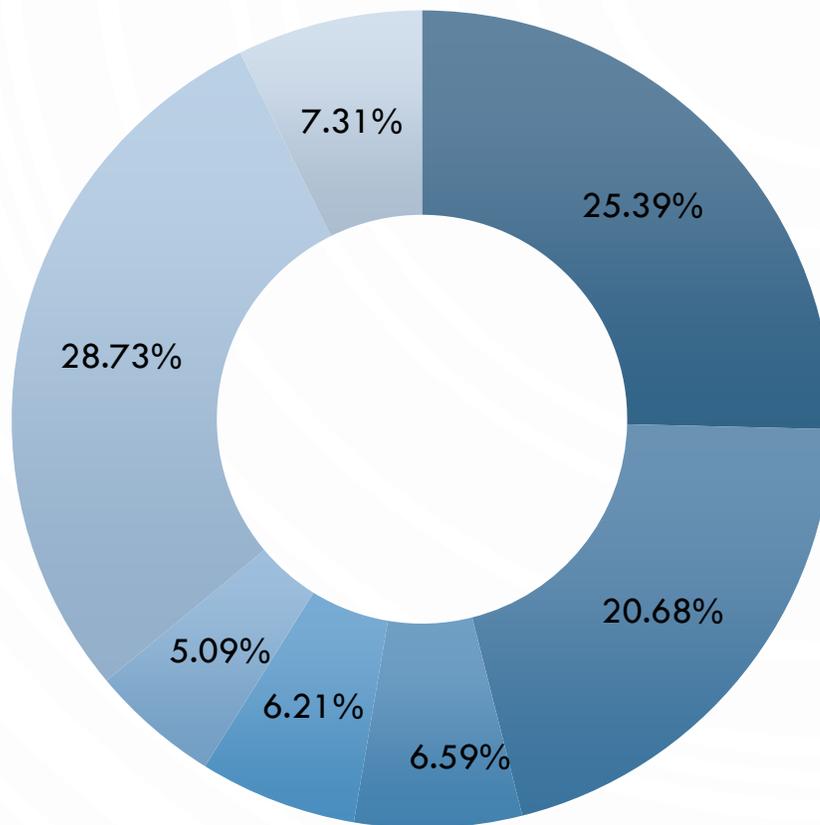
Sopharma AD



- 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.



Shareholder structure as at 30 June 2019



- Donev Investments Holding AD
- Telecomplex invest AD
- Sopharma AD (treasury shares)
- Rompharm company OOD
- CUPF Allianz Bulgaria
- Other companies
- Physical persons

Sopharma Board of Directors



**Ognian Donev,
PhD**

Chairman of the Board of Directors and Executive Director

He studied in Hamburg, Vienna, and graduated in "International Economic Relations" in Sofia University of Economics. Mr. Donev obtained a Doctor's degree in Economics in 1986 in Berlin. Ognian Donev is a Chairman and Managing director of Sopharma AD.



Vessela Stoeva

Deputy-chairman

Completes her high school degree in the French Language in Sofia. Afterwards she completes her higher education in the Economic University in Sofia with "Finance and credit". She is at Sopharma AD since 2000 as an economic advisor to the CEO and Deputy-chairman of the Board of directors. Mrs. Stoeva is also Deputy-chairman of the Board of Directors of Elpharma AD.



**Alexandar
Tchaouchev**

Independent Member

He graduated from the English Language School in Sofia and later completed his higher education at the Moscow State Institute of International Relations. Mr. Chaushev is a member of the Board of Directors of Sopharma AD since 2011.



**Ognian
Palaveev**

Independent Member

Mr. Palaveev completed his economic education in Germany and has over 37 years of experience in the fields of economics and trade. In the last 15 years he has been an executive director of Unipharm AD and for more than 8 years he is member of the Board of Directors of Sopharma AD.



Ivan Badinski

Member of the Board of Directors

Mr. Badinski graduated with Master Degree in Pharmacy. He owns an "Organization and Economics of Distribution and Pharmacy Practice" and professional qualification as a "Health manager". In 2000 Mr. Badinski worked in the company as a director of co-operation and licenses. From September 2015, he is a procurator of Sopharma AD.

Personnel

- The average number of employees for 2019 in Sopharma AD is 2 278 workers and employees.
- The training programs offered to employees of the Company aim to develop employee competencies.
- The training policy is specifically aimed at providing professional competences and information concerning the requirements for health and safety at work.
- Employees are entitled to higher additional remuneration required by applicable law for overtime, night shifts and work on Saturdays, Sundays and holidays.



		
Number of employees as at 30 June 2019	30.06.2019	Rel. Share %
	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%

Production activity and major products



Product	Description
Carsil	Traditional product used for the treatment of gastrointestinal diseases (liver diseases).
Tempalgin	Traditional analgesic drug used as a painkiller
Tabex	Traditional product and is used for the treatment of nicotine dependence
Tribestan	Traditional plant-based product that stimulates the functions of the sexual system
Broncholitin	Traditional product used for treatment of diseases affecting respiratory system and causing coughing and catarrhal changes
Analgin	Generic painkiller
Nivalin	Traditional plant-based product used for diseases of the peripheral nervous system
Methyl-prednisolon	Generic lyophilized sterile hospital product used for handling cases of severe allergies and certain life threatening conditions
Vitamin C	Widely used nutritional supplement
Valerian	Generic non-prescriptional herbal medicine used to reduce stress

- The company is **the largest** Bulgarian manufacturer of ampoules and suppositories.
- **10** manufacturing plants in line, which are located in Bulgaria.
- More than **200** products: incl. nearly **190** medicinal products and **11** groups of medical devices.
- **15** traditional products, **12** of the products are plant-based.
- **Tabex, Carsil and Tempalgin** make a major contribution to its export market income
- Domestic sales are of major importance to the company's generic products is **Analgin**.
- The **production activity** of the company:
 1. Phytochemical activity;
 2. Ready-to-use formulations;
 3. Medical devices and cosmetics, incl.:
 - Plasters;
 - Bandages;
 - Sanitary-hygiene products;
 - Medicinal cosmetics;
 - Concentrates for hemodialysis.

Key financial indicators

- Sales from revenues increase with 0.8%
- EBITDA decrease with 3.8%
- Operating profit decrease with 6.6%
- Net profit increase with 0.3%
- Capex increase with 12.3%

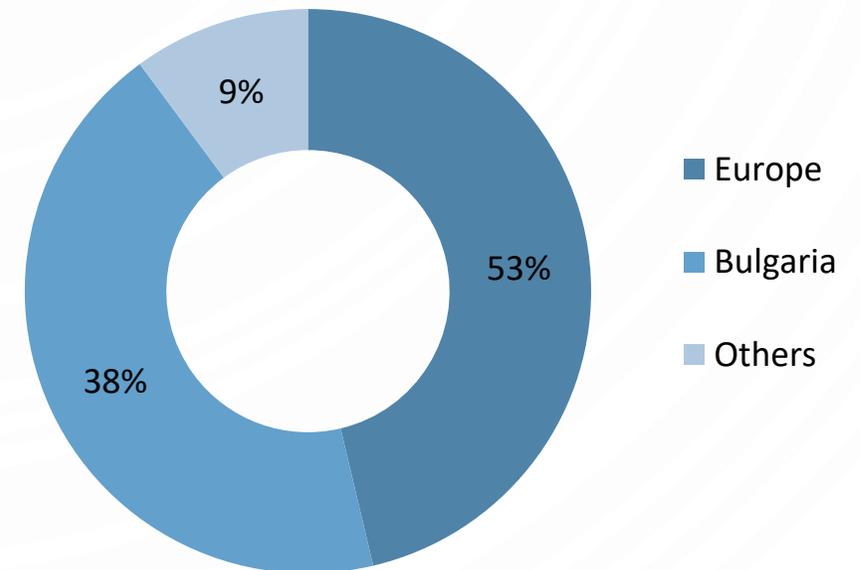
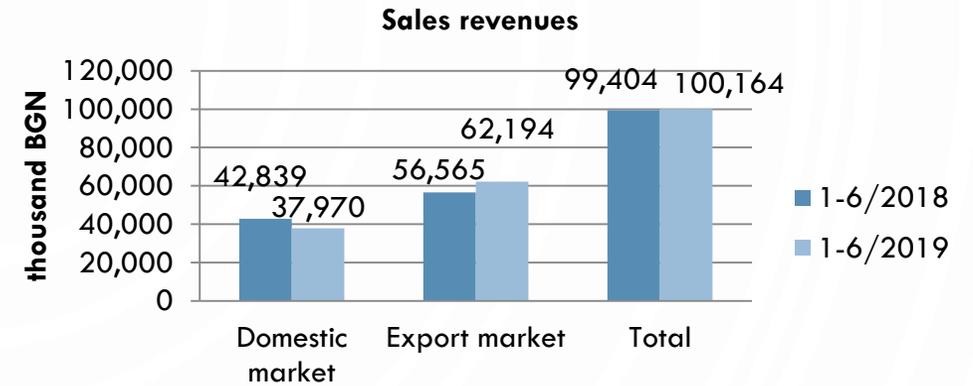


Indicators	1-6/2019	1-6/2018*	
	BGN '000	BGN '000	
Sales revenues	100 951	100 140	
EBITDA	26 105	27 134	
Operating profit	16 971	18 171	
Net profit	24 981	24 907	
CAPEX**	6 639	5 911	
	30.06.2019	31.12.2018	
Non-current assets	485 571	410 609	
Current assets	200 586	197 617	
Owners' equity	513 654	489 219	
Non-current liabilities	26 869	25 606	
Current liabilities	145 634	93 401	
	Ratios	1-6/2019	1-6/2018*
EBITDA / Sales revenues	25,9%	27,1%	
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	

Sales revenues from products



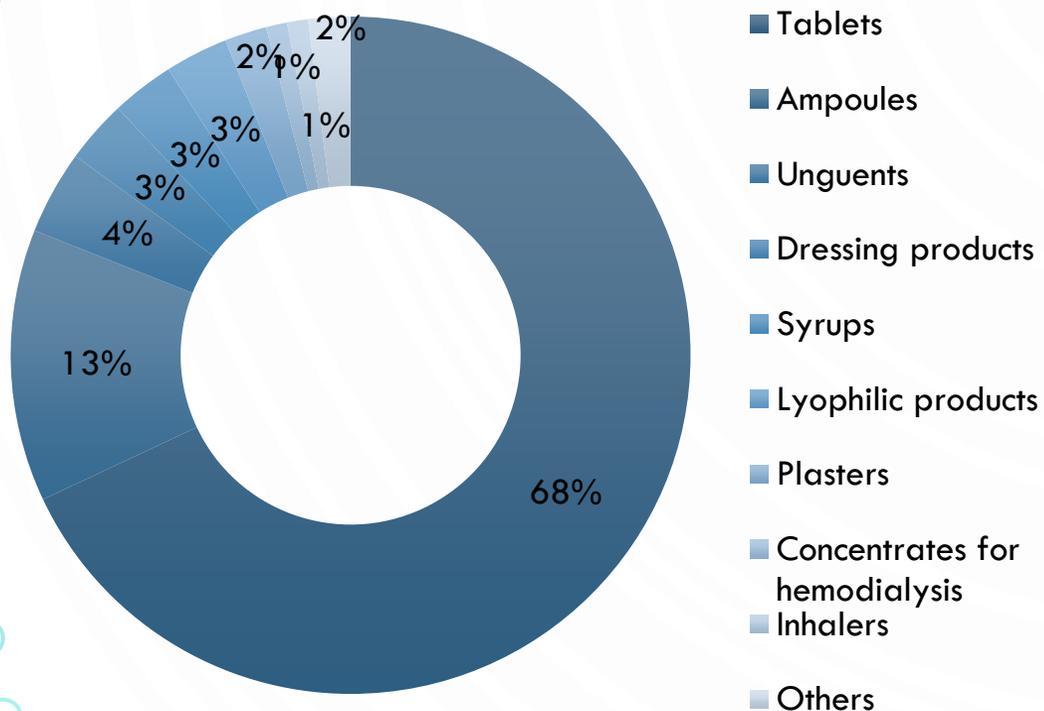
- **Sales revenues from products** - for the first half of 2019 increase by BGN 0,8 million or 1%, to BGN 100,2.
- **Europe** - for the first half of 2019 increased by 13% due to the increase of sales in Ukraine with 35% and Russia with 7%.
- **Bulgaria** - the sales on the domestic market increase with 11% to BGN 38 million. Sopharma AD has a 3% share of the total Bulgarian pharmaceutical market in value and 10% of sales in volume.
- **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

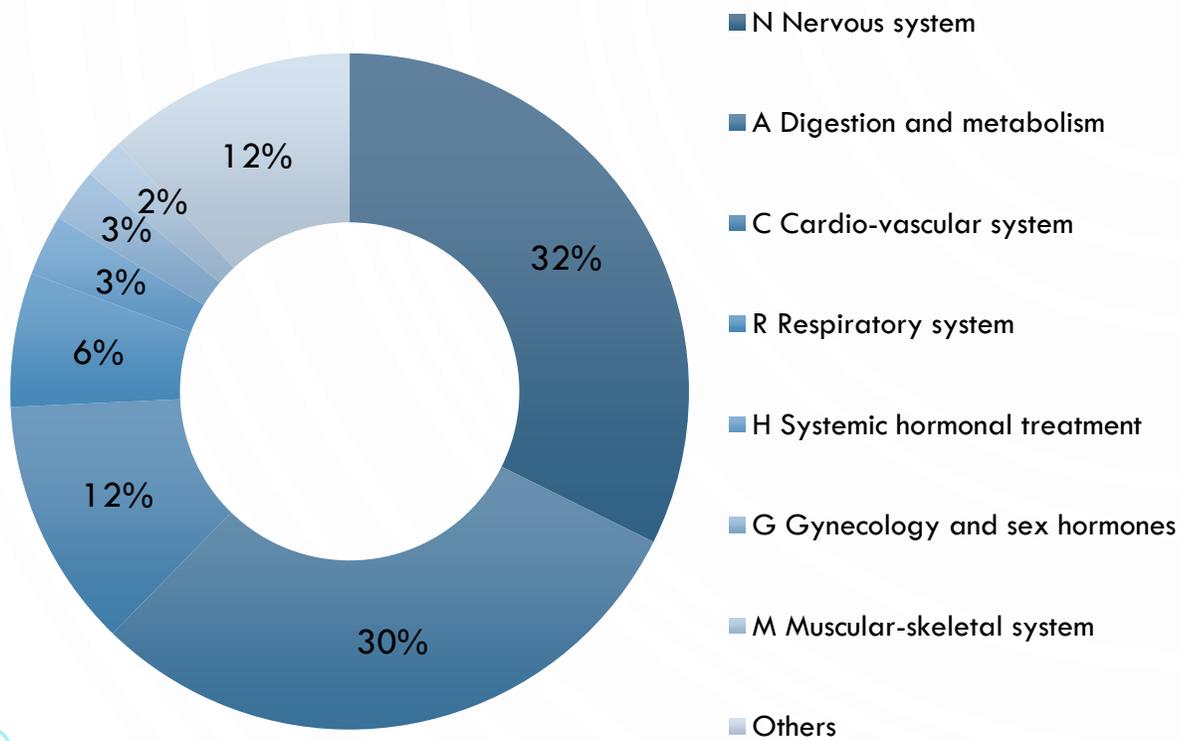


- The types of formulation with the highest share in the volume of sales are tablet forms, followed by ampoules, lyophilic products, unguents, dressing products, lyophilic products, syrups, plasters and others.



Revenues by type of formulation	1-6/2019 BGN '000	1-6/2018 BGN '000	Change %
Tablets	68 082	65 215	4%
Ampoules	13 436	16 899	-20%
Ointments	3 964	4 216	-6%
Dressing products	3 520	2 635	34%
Syrups	3 053	2 085	46%
Lyophilic products	2 970	2 879	3%
Plasters	1 789	1 636	9%
Concentrates for hemodialysis	850	959	-11%
Inhalers	649	589	10%
Others	1 851	2 291	-19%

Sales by therapeutic group



Revenues by therapeutic group	1-6/2019 BGN '000	1-6/2018 BGN '000	Change %
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



- 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.



Other operating revenues	1-6/2019	1-6/2018	Change %	Rel. share
	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%

Expenses for:



- **operating** increase by BGN 2,4 million to BGN 86 million in the first half of 2019;
- **materials** decrease by BGN 1,9 million or 5% to BGN 35,5 million in the first half of 2019;
- **services** expenses account decreased by BGN 2,9 million or 15% to BGN 16,1 million in the first half of 2019;
- **personnel** decrease by BGN 1,4 million or by 5% to BGN 25,5 million in the first half of 2019;
- **other operating expenses** 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** increase of BGN 0,2 million or by 2% 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.

Operating expenses	1-6/2019 BGN '000	1-6/2018 BGN '000	Change %	Rel. share
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%

Financial income and expenses



- **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 income	1-6/2019 BGN '000	1-6/2018 BGN '000	Change %	Rel. share
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%

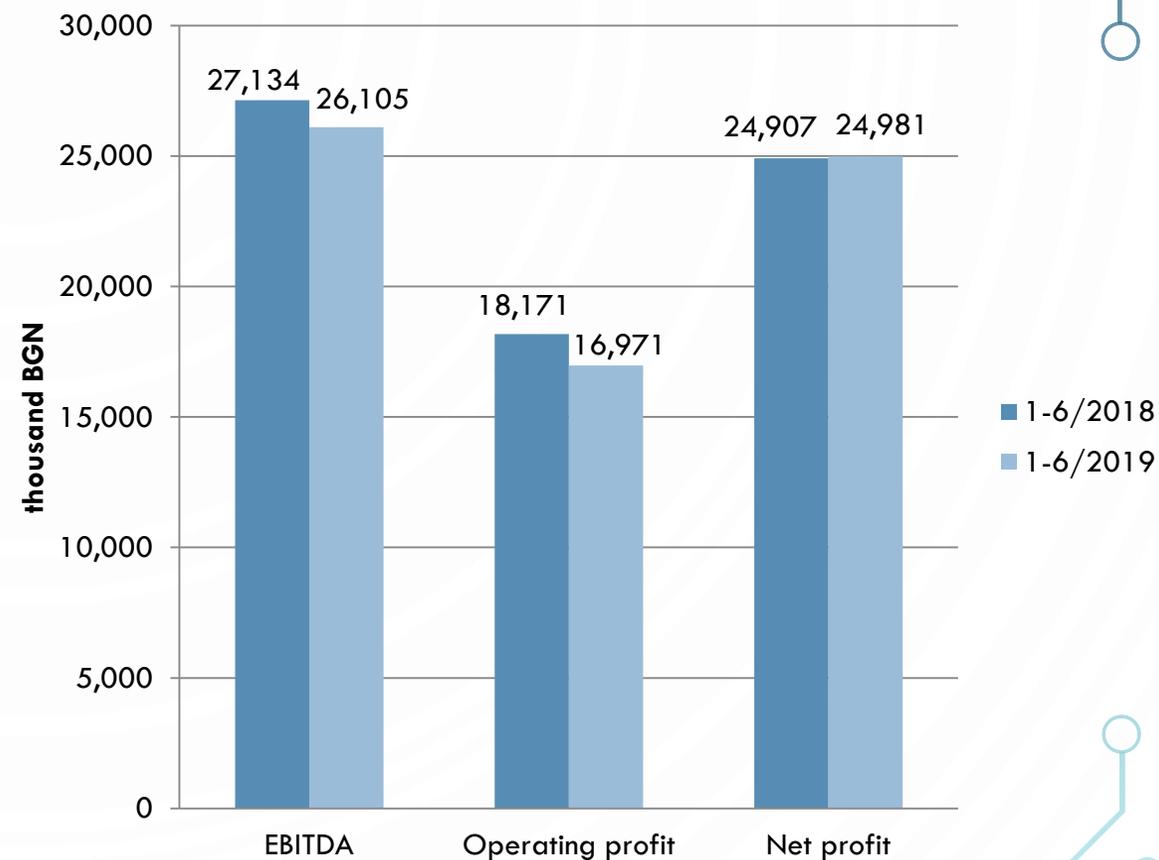
- **Financial expenses** decrease by BGN 0,1 million or by 14% to BGN 0,9 million in the first half of 2019, due to the decrease of impairment for credit losses on receivables from commercial loans granted.

Financial expenses	1-6/2019 BGN '000	1-6/2018 BGN '000	Change %	Rel. share
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 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

- **Total assets** increase to BGN 686,2 million.
- **Non-current assets** increase by 18% to BGN 75 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.
- **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.

Non-current assets	30.06.2019	31.12.2018	Change %	Rel. share
	BGN '000	BGN '000		
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%

Owner`s equity and liabilities - non-current liabilities

- **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 5% to BGN 26,9 million mainly due to:
 - increase of operating lease liabilities to related parties by BGN 2,4 million;
 - operating lease liabilities to third parties by BGN 2,5 million;
 - decrease of long-term bank loans by BGN 3,6 million.

OWNERS' EQUITY	30.06.2019	31.12.2018	Change %	Rel. share
	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%
LIABILITIES				
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

- **Increase:**
 - 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;
 - 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.

Current liabilities	30.06.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
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%	

Cash flow and ratios

- 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;
 - 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.

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

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

New developments and products



- 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;
- Received **23** Authorizations for the use of medicinal products for new destinations;
- **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;
- **16** medical devices are registered in Bulgaria;
- Agency submissions for re-registrations/changes to **35** medicinal products;
- Agreements approved by the agencies **699** for medicinal products;
- Submissions to agencies **715** changes for medicinal products;
- 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.



Significant events for the first half of 2019

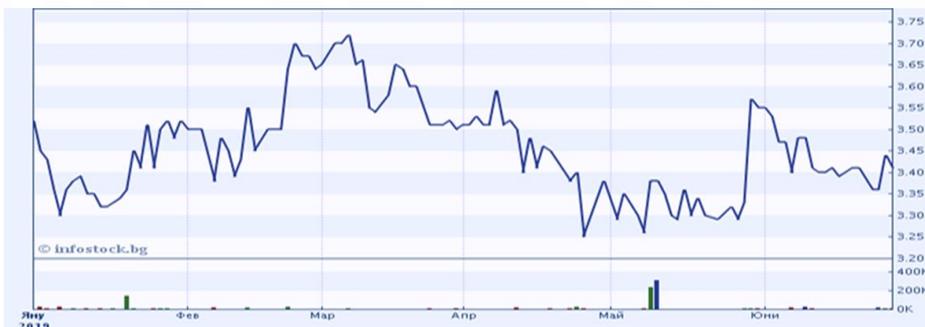


- As at 30.01.2019 the share participation of CUPF Allianz Bulgaria in the capital of Sopharma AD reached 5.09%.
- On 31.01.2019 the Company received a valid production / import license for medicinal products № BG / MIA - 0081 from the Bulgarian Drug Agency, in which the unincorporated subsidiary Unipharm 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% to 71.11%.
- On 07.06.2019 a regular General Meeting of Shareholders of Sopharma AD took place.



Information about the shares

- The total number of shares is 134 797 899.
- Nominal value – BGN 1 per share.
- All issued shares are registered, dematerialized, ordinary and indivisible.
- Each share entitles one vote to the General Meeting of Shareholders, a right to dividend and a liquidation 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.



- Sopharma AD is one of the three Bulgarian companies included in the Central and Eastern European (CEE) index. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

	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
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

Review the main risks:

1. The Company faces significant competition.
2. The Company is dependent on regulatory approvals.
3. The Company's ability to pay dividends depends on a number of factors and there can be no assurance that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.
4. Operational risk, which is inherent to its business activities.
5. The macroeconomic environment has a significant effect on the Group's operations and position.
6. Currency risk - The Company supplies part of its raw and other materials in USD. The currency risk is related to the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.



Thank you for your time and attention!

Investor Relations Department

Sopharma AD

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