

SOPHARMA AD

PRESENTATION FOR THE FIRST QUARTER OF
2019

INDIVIDUAL



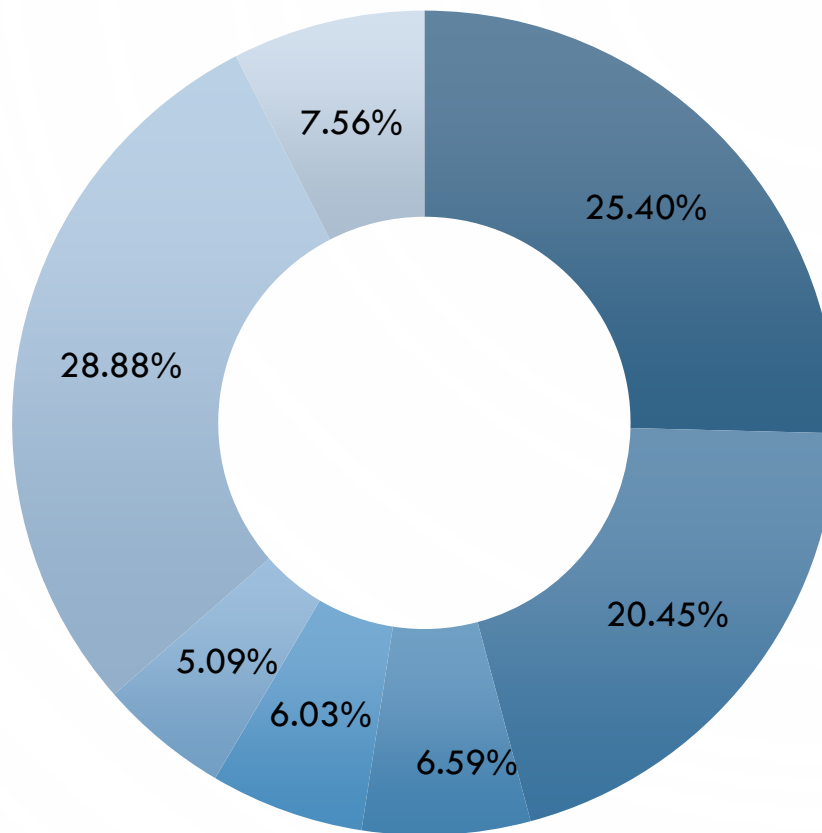
Sopharma AD



- 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 31 March 2019



- Donev Investments Holding AD
- Telecomplex invest AD
- Sopharma AD (treasury shares)
- Rompharm company OOD
- CUPF Alianz 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 in Q1 2019 in Sopharma AD is 2 284 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.

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Number of employees as at 31 March 2019			31.03.2019	Rel. share %
Higher education			2 284	100%
College education			945	41%
Secondary education			50	2%
Primary education			1253	55%
Employees under 30 years			36	2%
Employees 31 - 40 years			239	10%
Employees 41 - 50 years			440	19%
Employees 51 - 60 years			697	31%
Employees over 60 years			730	32%
Women			178	8%
Men			1410	62%

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
Broncholitín	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 **210** 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 Tempagine** 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 decrease with 2%
- EBITDA decrease with 7.2%
- Operating profit decrease with 10%
- Net profit increase with 3.9%
- Capex decrease with 18.6%

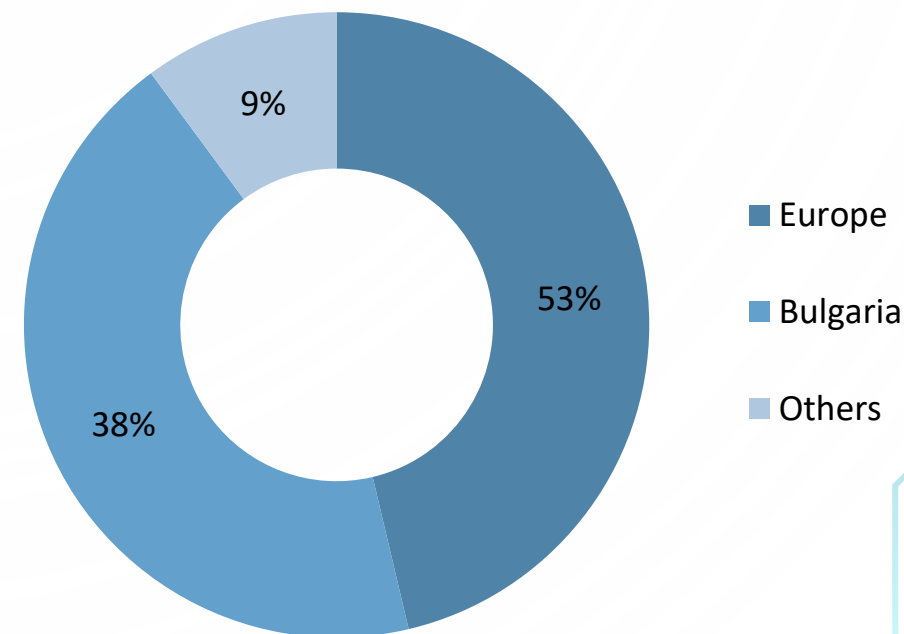
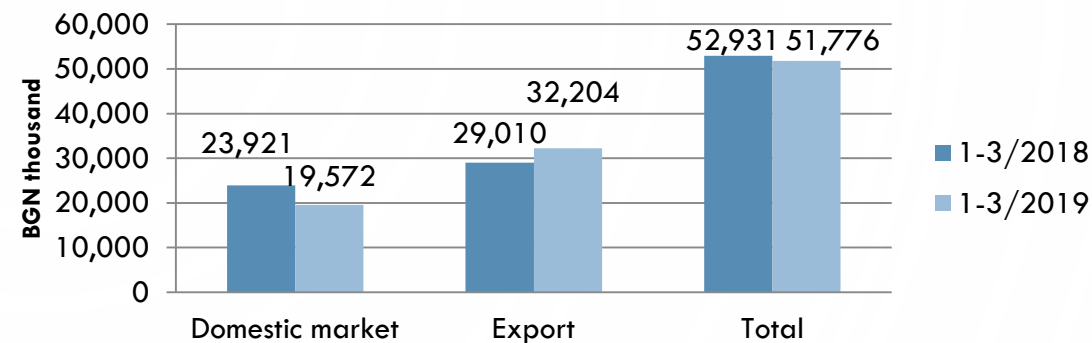


Indicators	1-3/2019 <i>BGN '000</i>	1-3/2018* <i>BGN '000</i>
Sales revenues	52 174	53 291
EBITDA	16 673	17 971
Operating profit	12 133	13 487
Net profit	12 894	12 414
CAPEX**	2 906	3 568
	31.03.2019 <i>BGN '000</i>	31.12.2018 <i>BGN '000</i>
Non-current assets	479 691	410 609
Current assets	192 605	197 617
Owners' equity	502 166	489 219
Non-current liabilities	27 298	25 606
Current liabilities		
Ratios	1-3/2019	1-3/2018*
EBITDA / Sales revenues	32,0%	33,7%
Operating profit/ Sales revenues	23,3%	25,3%
Net profit/ Sales revenues	24,7%	23,3%
	31.03.2019	31.12.2018
Borrowed capital/Owners' equity	0,34	0,24
Net debt**/ EBITDA	3,0x	1,6x
Net bank debt***/ EBITDA	32,0%	33,7%

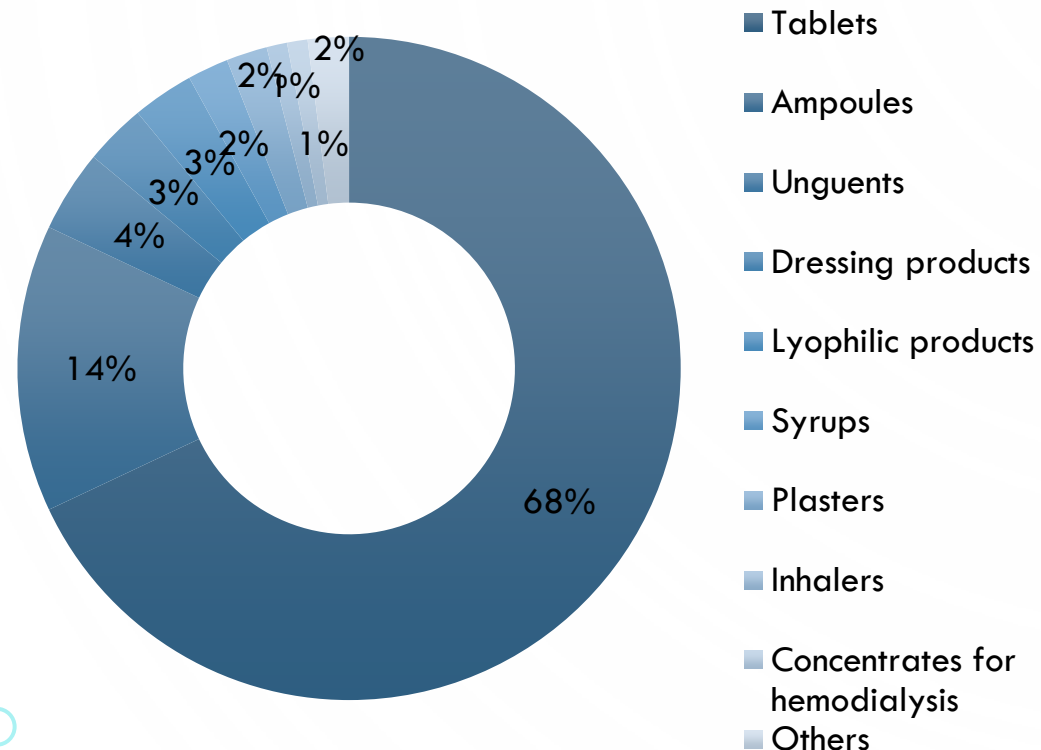
Sales revenues from products



- **Sales revenues from products** - decrease by BGN 1,1 million or 2%, to BGN 52,9 million in Q1 2019.
- **Europe** - increased by 10% in Q1 2019, due to the increase of sales in Poland with 67%, Ukraine with 13% and Russia with 5%.
- **Bulgaria** - the sales on the domestic market decrease with 18% to BGN 19,6 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 increase with 14% compared in Q1 2018, mainly as a result of an increase of the export for Caucasus and Central Asia with 27%.



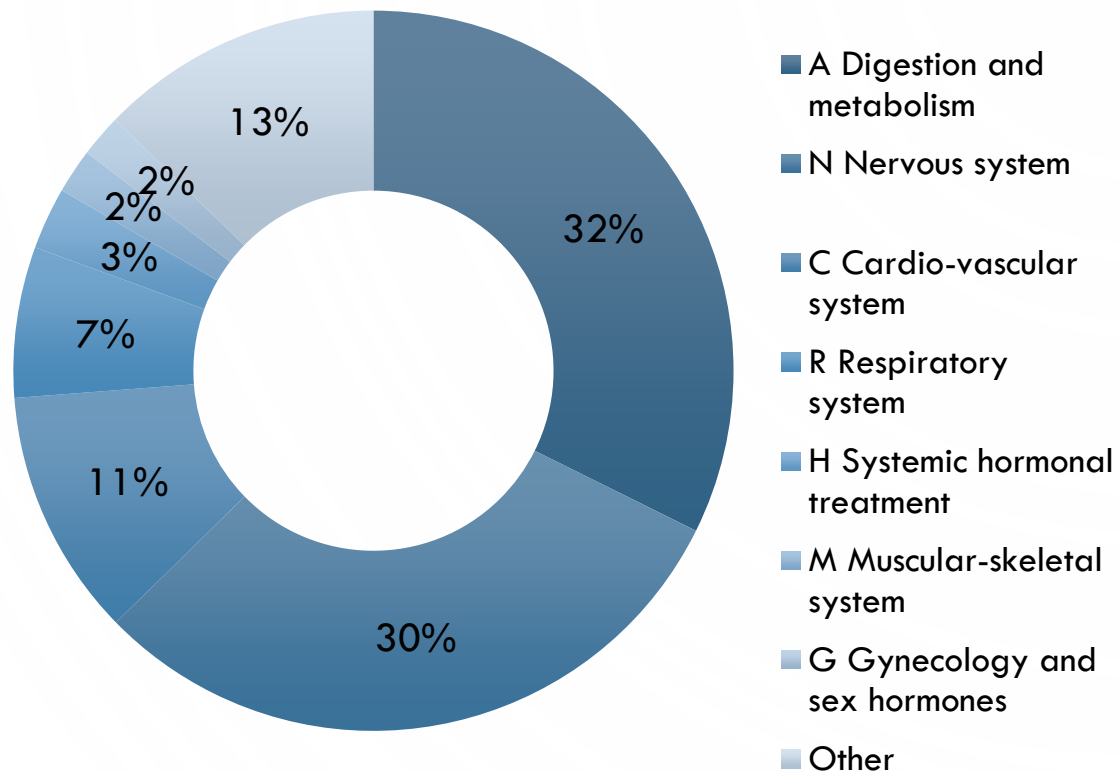
Sales by type of formulation



- 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	1-3/2019 BGN '000	1-3/2018 BGN '000	Change %
Tablets	35 337	35 134	1%
Ampoules	7 080	8 893	-20%
Unguents	2 232	1 852	21%
Dressing products	1 656	1 444	15%
Lyophilic products	1 401	1 994	-30%
Syrups	1 215	900	35%
Plasters	808	738	9%
Inhalers	619	346	79%
Concentrates for hemodialysis	443	462	-4%
Others	985	1 168	-16%
Total	51 776	52 931	-2%

Sales by therapeutic group



Revenues by therapeutic group	1-3/2019 BGN '000	1-3/2018 BGN '000	Change %
A Digestion and metabolism	16 740	14 800	13%
N Nervous system	15 714	15 564	1%
C Cardio-vascular system	5 753	6 709	-14%
R Respiratory system	3 504	2 536	38%
H Systemic hormonal treatment	1 444	1 964	-26%
M Muscular-skeletal system	1 037	853	22%
G Gynecology and sex hormones	993	1 071	-7%
Other	6 590	9 434	-30%
Total	51 776	52 931	-2%

Other operating revenues



- Other operating income increased by BGN 0,4 million in Q1 2019 compared to Q1 2018 mainly in the part of revenue from services rendered.



Other operating revenues	1-3/2019	1-3/2018	Change %	Rel. share
	BGN '000	BGN '000		
Income from services rendered	697	328	113%	76%
Income from financing under European programs	135	166	-19%	15%
Income from sale of goods	44	32	38%	5%
Income from sale of materials	20	9	122%	2%
Income from sale of LTA	7	21	-67%	1%
Net exchange loss on trade receivables and payables and current accounts	(38)	(99)	-62%	-4%
Other (see Notes to the FS)	55	21	162%	6%
Total other operating revenues	920	478	92%	100%

Expenses for:



- **operating** increase by BGN 0,7 million to BGN 41 million in Q1 2019;
- **materials** decrease by BGN 1,4 million or 7% to BGN 19,2 million in Q1 2019;
- **services** expenses account decreased by BGN 1,2 million or 13% to BGN 7,8 million in Q1 2019;
- **personnel** increase by BGN 0,6 million or by 5% to BGN 12,3 million in Q1 2019;
- **other operating expenses** decrease by BGN 0,2 million in Q1 2019 compared to Q1 2018 mainly in the part of costs for raw materials and external services;
- **amortization** increase of BGN 0,05 million or by 1% to BGN 4,55 million in Q1 2019;
- **changes in inventories of finished goods and work in progress** have an impact on the increase in operating expenses by BGN 2,8 million.

Operating expenses	1-3/2019 BGN '000	1-3/2018 BGN '000	Change %	Rel. share
Changes in the finished goods and work-in-progress inventory	(3 337)	(6 176)	46%	-8%
Materials	19 157	20 552	-7%	47%
External services	7 789	8 987	-13%	19%
Personnel	12 316	11 721	5%	30%
Amortization	4 540	4 484	1%	11%
Other operating expenses	496	714	-31%	1%
Total	40 961	40 282	2%	100%

Financial income and expenses



- **Financial revenues** increase by BGN 2,1 million to BGN 2,5 million in Q1 2019 compared to BGN 0,4 million in Q1 2018.
- **Financial expenses** decrease by BGN 0,06 million or by 16% to BGN 0,31 million in Q1 2019.

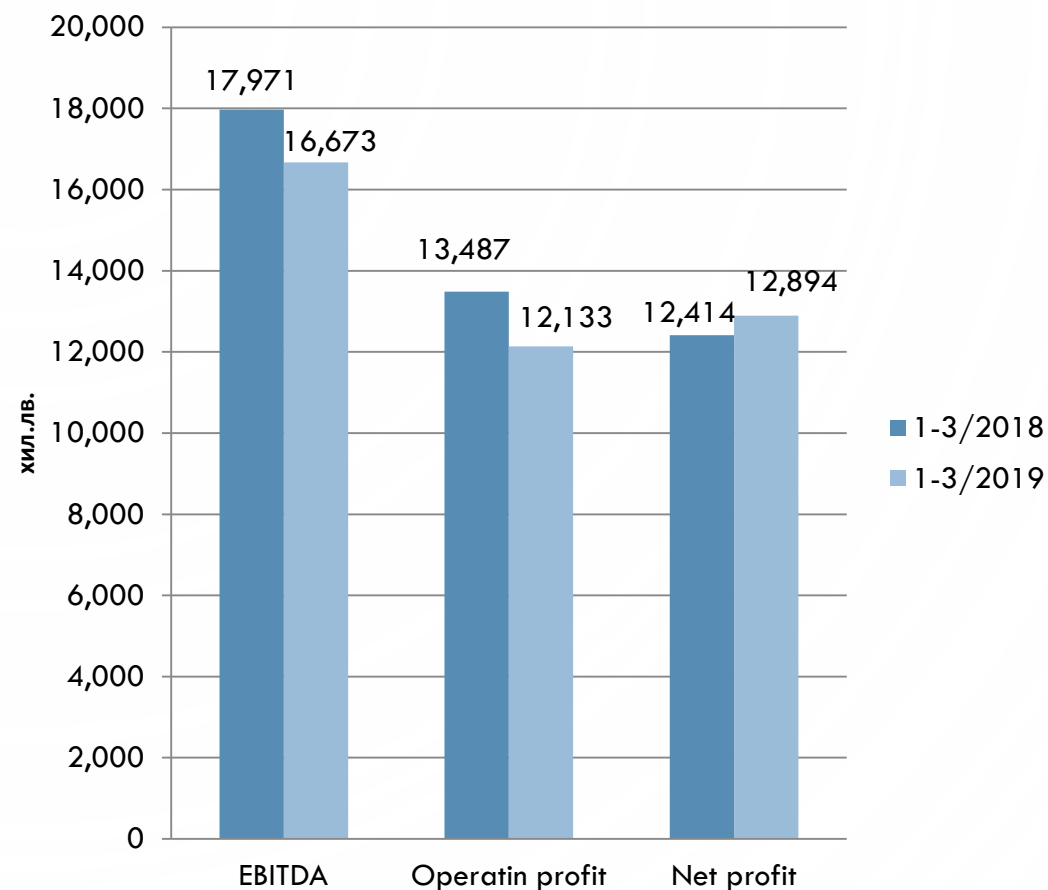
Financial income	1-3/2019 BGN '000	1-3/2018 BGN '000	Change %	Rel. share
Revenue from shareholding	1 293	-	-	53%
Income from interest on loans granted	549	393	40%	22%
Recovered impairment on receivables on commercial loans granted	327	-	-	13%
Net gain on securities and equity investments	228	-	-	9%
Revenue from liquidation of subsidiaries	186	-	-	
Net gain on exchange differences on the disposal of a subsidiary	65	-	-	3%
Total	2 462	393	526%	100%

Financial expenses	1-3/2019 BGN '000	1-3/2018 BGN '000	Change %	Rel. share
Interest expense on loans received	254	244	4%	66%
Bank fees and charges on loans and guarantees	40	36	11%	10%
Interest expense on operating leasing	15			0%
Effects from derivatives	-	2	-100%	1%
Net loss on exchange differences on the disposal of a subsidiary	-	87	-100%	24%
Total	309	369	-16%	100%

Financial result of the activity



- Profit before interest, taxes and depreciation (**EBITDA**) decrease in the first quartet of 2019 by BGN 1,3 million or by 7,2% to BGN 16,7 million compared to BGN 18 million in the first quarter of 2018.
- **Operating profit** decrease by BGN 1,4 million or 10% to BGN 12,1 million in the first quarter of 2019 compared to BGN 13,5 million in the first quarter of 2018.
- **Net profit** increase by BGN 0,5 million or by 3,9%, to BGN 12,9 million in the first quarter of 2019 compared to BGN 12,4 million in the first quarter of 2018.



Assets

- **Total assets** increase to BGN 672,3 million.
- **Non-current assets** increase by 17% to BGN 69,1 million.
- **Intangible assets** decreased by BGN 0,3 million.
- **Current assets** increase to BGN 192,6 million.
- **Receivables from related parties** increase by BGN 6,5 million.
- **Trade receivables** decrease by BGN 4 million.
- **Commercial loans to third parties** increase by BGN 0,2 million.
- **Other receivables and prepaid expenses** decrease by BGN 2 million.
- **Cash and cash equivalents** decrease by BGN 7,3 million.

Non-current assets	31.03.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
	231 084	226 956	2%	48%
Intangible assets	11 592	11 881	-2%	2%
Investment property	37 564	37 451	0%	8%
Investments in subsidiaries	89 294	89 945	-1%	19%
Investments in associated companies	8 049	7 962	1%	2%
Other long - term equity investments	9 015	7 599	19%	2%
Long-term receivables from related parties	86 186	23 055	274%	18%
Other long-term receivables	6 907	5 760	20%	1%
	479 691	410 609	16.8%	71%
Current assets				
Inventories	70 394	68 499	3%	37%
Receivables from related parties	97 990	91 509	7%	51%
Commercial receivables	15 422	19 431	-21%	8%
Loans granted to third parties	1 225	3 270	-63%	1%
Other receivables and prepaid expenses	5 866	5 937	-1%	3%
Cash and cash equivalents	1 708	8 971	-81%	1%
	192 605	197 617	-3%	29%
TOTAL ASSETS	672 296	608 226	11%	100%

Owner`s equity and liabilities - non-current liabilities



- **Owners' equity** increase by 3% to BGN 502,2 million, mainly as a result of the increase in retained earnings with BGN 13,1 million.
- **Non-current liabilities** increase by 7% to BGN 27,3 million mainly due to:
 - increase of operating lease liabilities to related parties by BGN 3,6 million;
 - decrease of long-term bank loans by BGN 1,8 million.

OWNERS' EQUITY	31.03.2019	31.12.2018	Change	Rel.share
	BGN '000	BGN '000	%	2018 %
Share capital	134 798	134 798	0%	27%
Treasury shares	(33 339)	(33 337)	0%	-7%
Reserves	357 190	357 310	0%	71%
Retained earnings	43 517	30 448	43%	9%
TOTAL OWNERS' EQUITY	502 166	489 219	3%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	7 758	9 556	-19%	5%
Liabilities on deferred taxes	6 156	6 235	-1%	4%
Government grants	5 262	5 397	-3%	3%
Operating leasing liabilities	3 634	-	-	2%
Long-term liabilities to personnel	4 488	4 418	2%	3%
	27 298	25 606	7%	16%

Current liabilities

- **Increase:**
 - short-term bank loans increased by BGN 47,8 million;
 - other current liabilities by BGN 1,5 million;
 - liabilities to personnel and for social security by BGN 0,5 million;
 - liabilities to related parties by BGN 0,8 million.
- Total bank loans exposure of the Company as at 31 March 2019 increases with BGN 46 million.

Current liabilities	31.03.2019 BGN '000	31.12.2018 BGN '000	Change %	Rel. share
Short-term bank loans	113 486	65 652	73%	67%
Short-term part of long-term bank loans	7 163	7 168	0%	4%
Commercial liabilities	6 622	8 922	-26%	4%
Liabilities to related parties	1 441	633	128%	1%
Liabilities for taxes	2 832	1 884	50%	2%
Liabilities to the personnel and for social insurance	7 764	7 119	9%	5%
Other current liabilities	3 524	2 023	74%	2%
	142 832	93 401	53%	84%
TOTAL LIABILITIES	170 130	119 007	43%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	672 296	608 226	11%	

Cash flow and ratios

- Net cash flows in the first half of 2019 generated:
 - by operating activities amounted to BGN 8,6 million inflow;
 - from investment activity amounted to BGN 61,4 million outflow;
 - from financial activity were to the amount BGN 45,6 million outflow.
- As a result of these activities, cash and cash equivalents decreased net by BGN 7,3 million and by 31 March 2019 amounted to BGN 1,7 million compared to BGN 9 million as at 1 January 2019.

	31.03.2019	31.12.2018
ROE ¹	6,9%	6,9%
ROA ²	5,4%	5,5%
Asset turnover ³	0,34	0,35
Current liquidity ⁴	1,35	2,12
Quick liquidity ⁵	0,86	1,38
Monetary liquidity ⁶	0,01	0,10
Financial autonomy ⁷	2,95	4,11
	1-3/2019	1-3/2018
	BGN '000	BGN '000
Net cash flow from/ (used in) operations	8 591	8 375
Net cash flow used in investment activities	(61 404)	(3 611)
Net cash flow (used in)/from financial operations	45 550	(6 250))
Net increase/(decrease) of cash and cash equivalents	(7 263)	(1 486)
Cash and cash equivalents on 1 January	8 971	5 764
Cash and cash equivalents on 31 June	1 708	4 278

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 **8** Authorizations for the use of medicinal products for new destinations;
- **6** cosmetic products were notified in Georgia (two), Moldova (two), Poland (two);
- **14** medical devices are registered in Bulgaria;
- Agency submissions for re-registrations/changes to **16** medicinal products;
- Agreements approved by the agencies **387** for medicinal products;
- Submissions to agencies **383** changes for medicinal products;
- There is a pharmaceutical development of **20** new medicinal products;
- Translated and validated/optimized are **14** 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%.

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.

	31.03.2019	31.12.2018
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 836 449	125 798 842
Number of shares outstanding at the end of the period	125 916 249	125 916 563
Net earnings per share in BGN ¹	0,268	0,265
Price per share at the end of the period in BGN	3,451	3,517
Price/Earnings ratio (P/E)	12,88	13,27
Book value per share in BGN ²	3,988	3,885
Price/Book value ratio (P/B)	0,87	0,91
Sales per share in BGN ³	1, 678	1,687
Price per share / Sales per share(P/S)	2,06	2,08
Market capitalization in BGN	465 187 549	474 084 211

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

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