

MANAGEMENT REPORT for the first half of 2020



SOPHARMA GROUP

31.08.2020

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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, food supplements, cosmetics and medical devices.

The Group operates in the following areas:

- production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is mainly done by “Sopharma” AD (the Company);
- production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products focused at 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 and Serbia.
- 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 Law on Public Offering of Securities.

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, production of medical devices and cosmetic products, incl. - plasters,

Sopharma Group

dressings, sanitary- hygienic products, medical cosmetics, concentrates for hemodialysis. “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 its fifty subsidiaries, directly or indirectly controlled by the Company. Additionally, the Group has investments in one associated company.

Company	Interest as at 30.06.2020 in %
“Sopharma Trading” AD, Sofia, Bulgaria*	74.47
“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	63.12
“Phyto Palauzovo” AD, Kazanluk, Bulgaria**	95.00
“Sopharmacy” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 2” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 3” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 4” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 5” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 6” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 7” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 8” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 9” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 10” EOOD, Sofia, Bulgaria**	74.47
“Veta Pharma” AD, Veliko Tarnovo, Bulgaria	99.98
“Aromania” AD, Sofia, Bulgaria	76.00
“Sopharmacy 11” (PharmaStore 1) EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 12” (PharmaStore 2) EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 13” (PharmaStore 3) EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 14” (PharmaStore 4) EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 15” (PharmaStore 5) EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 16” EOOD, Sofia, Bulgaria**	74.47
“Sopharmacy 17” EOOD, Sofia, Bulgaria**	74.47

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“Sopharmacy 18” EOOD, Sofia, Bulgaria**	74.47
PAO “Vitamini”, Uman, Ukraine	100.00
“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**	74.47
“BRIZ SIA”, Riga, Latvia	68.14
Brititrade SOOO, Minsk, Belarus**	54.51
“Tabina” SOOO, Minsk, Belarus **	54.66
OOO “Sopharma” Ukraine, Kiev, Ukraine	100.00
OOO “Pharmacist Plus”, Minsk, Belarus**	40.26
OOO “Bellerofon”, Minsk, Belarus***	58.46
TOO “Sopharma” Kazakhstan, Almaty, Kazakhstan	100.00
ZAO “Interpharm”, Vitebsk, Belarus***	61.33
OOO “Galenapharm”, Pinsk, Belarus**	61.73
ODO “Medjel”, Minsk, Belarus**	55.87
ODO “Alenpharm-Plus”, Belarus**	62.68
ODO “Salius Line”, Grodno, Belarus**	52.47
“Rap Pharma International” OOD, Kishinev, Moldova	80.00
“Sopharma Trading” D.o.o., Sabac, Serbia**	74.47
OOO “Zdorovei”, Minsk, Belarus**	45.55
BOOO “SpetzApharmacia”, Bobruisk, Belarus**	47.70
UAB “Recessus”, Kaunas, Lithuania**	34.74
OOO “Zdorovei Pharm”, Minsk, Belarus**	29.61
“Pharmachim” EOOD, Belgrad, Serbia	100.00

*effective interest in percent

**indirect interest

***joint venture

4. Board of directors

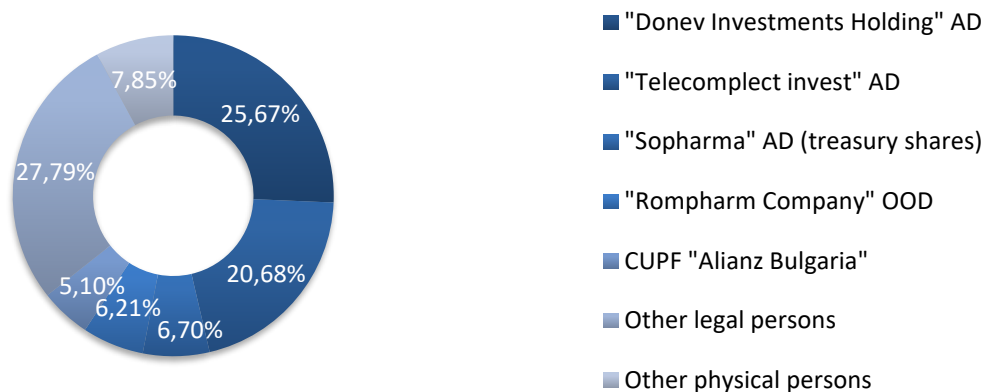
“Sopharma” AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman and members Vessela Stoeva, Alexander Tchaoushev, Ognian Palaveev and Ivan Badinski. As of 16 June 2020 Mr. Simeon Donev, Business Development Director at “Sopharma” AD, was appointed as procurator of the company. The Company is represented and managed by the Executive Director Ognian Donev, PhD. The company is represented and managed by the Executive Director Ognian Donev, PhD.

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5. Shareholder structure as at 30 June 2020



6. Employees

As at 30 June 2020, the average number of employees of Sopharma Group is 5 154 (compared to 5 163 in 2019). The average number of employees of "Sopharma" AD as at 30 June 2020 is 2 195 (at 2 275 in 2019) and of "Sopharma Trading" AD is 773 (compared to 833 in 2019).

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.

The 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 production subsidiaries have 12 pharmaceutical plants in Bulgaria, complied with EU Good Manufacturing Practices (GMP), a factory in the Ukraine, certified by local authorities and recognized in all CIS countries.

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

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- production of pharmaceutical products;
- substances and preparations based on plant 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) make a major contribution to its export market income, while the company's generic products are of major importance for domestic sales, Analgin being the leader among these products.

The product portfolio of “Sopharma” AD focuses on the following therapeutic areas: cardiology, gastroenterology, pain management, cough and cold, immunology and dermatology, respiratory tract and asthma, neurology and psychiatry, urology and gynecology, nephrology, surgery, orthopedics and traumatology.

The most significant products in terms of their contribution to the revenues are:

- Carsil – traditional plant-based product used to treat gastroenterological diseases (liver diseases);
- Tempalgin - traditional analgesic (painkiller);
- Tabex - traditional plant-based smoking cessation drug;
- Tribestan - traditional plant-based product that stimulates the functions of the sexual system;
- Broncholitin - traditional plant-based product used to suppress cough;
- Analgin - generic analgesic (pain reliever);
- Nivalin - 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 - food supplement with wide application;
- 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 facilities and is continuously expanding and modernizing its production capacities. The strategy of “Biopharm Engineering” AD is built upon the market and technological advantages of the company. The company’s production facilities are GMP (Good Manufacturing Practices) certified. It is successfully developing in the following areas:

- Manufacturing of infusion solutions;
- Manufacturing of injection solutions;
- Manufacturing of veterinary medical products;

Main Markets:

The produced infusion solutions are marketed through “Sopharma” AD on both the Bulgarian and the international markets. Veterinary medical products are offered in Bulgaria and other European countries.

PAO “Vitamini”, Ukraine

PAO “Vitamini” manufactures and sells medicines, tablets, powders, oil solutions, syrups and tinctures. Production of medicines by PAO “Vitamini” is highly effective, with excellent quality, affordable prices and is sold successfully not only in the Ukraine, but also in other CIS countries.

The production takes place in the following production facilities:

- for liquid dosage forms;

- two production areas 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 in the pharmaceutical products segment of 21% (according to IQVIA). “Sopharma Trading” is the exclusive distributor on the Bulgarian market of particular pharmaceutical products of several leading international pharmaceutical and other companies in the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The Group has 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” AD cooperates with more than 400 partners and over 3 000 clients.

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

COVID-19

On March 11, 2020, the World Health Organization declared a pandemic of the coronavirus, subsequently the Government of the Republic of Bulgaria, announced various measures to limit the infection. Measures introduced include: work from home, temporary

closure of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers, excluding food retailers, grocery stores and pharmacies.

The management of “Sopharma” AD carefully analyzes the potential effects of the pandemic and the restrictions imposed by the government, and is expected to reduce overall economic activity and liquidity in the country's economy, which is expected to affect the Company's operations.

The effects on the activity of the Company as a result of the occurred events may include: reduction of the revenues, extraordinary expenses, delay with the implementation of projects, planned investments, etc.

Based on publicly available information at the date of the financial statements, Management has taken action to limit the adverse effects of pandemic events, which include:

- Ensuring continuous operation in compliance with measures to limit the spread of COVID-19, including - strict throughput and temperature measurement of employees and visitors, prohibition of crowding and distribution of jobs in the production in an appropriate manner that ensures the absence of close contact between employees, separation of traffic flows in buildings and in the spaces between them, etc .;
- Negotiations with suppliers to maintain the rhythm of receipt of raw materials and materials, as well as to meet the needs of the company for specific raw materials dictated by the demand for specific drugs and medical supplies needed to deal with the pandemic;
- Providing information to customers on how to work in order to maintain delivery schedules of goods;
- Negotiations with the financial institutions, partners of the Company and the provision of adequate information to them in order to allow timely additional financing in case of need or at some enterprises in the Group, postponement of loan payments, if necessary, to guarantee cash flows and others.

Management considers the going concern principle to be appropriate for these consolidated financial statements, as the Company as a whole has sufficient liquid resources to continue in the foreseeable future. As at the date of these consolidated

financial statements, the management of the Company does not intend to discontinue certain activities.

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

- The Group faces significant competition;
- Part of Sopharma Trading's revenues in Bulgaria is generated from 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 in 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 related 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, Belarus and the 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, Belarus and the Ukraine, may negatively impact the Group's operations in these countries;
- Risks relating to exchange rates and the Currency Board in Bulgaria;
- Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Group companies perform 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 sell mainly on local markets, leading to currency risk and against their currencies – the Serbian Dinar and the Polish zloty.

In order to control the currency risk, a system of planning of import deliveries, for foreign currency sales, as well as procedures for daily monitoring of movements in the dollar exchange rate and for control of forthcoming payments is introduced. The exposures of the subsidiaries in Bulgaria in foreign currency is insignificant, as almost all sales are made on the local market in Bulgarian leva.

Imports of goods are fully realized in euro. Borrowings when denominated in foreign currency are mainly denominated in euro.

4. Analysis of the activities

Key financial indicators

Indicator	1-6/2020 BGN '000	1-6/2019 BGN '000	Change %
Revenues from sales	678 997	611 937	11.0%
EBITDA	48 511	49 362	-1.7%
Operating profit	26 746	28 131	-4.9%
Net profit	18 711	24 208	-22.7%
CAPEX*	21 860	22 173	-1.4%
	30.06.2020	31.12.2019	
	BGN '000	BGN '000	
Non-current assets	593 800	626 172	-5.2%
Current assets	590 886	549 100	7.6%
Owners' equity	582 667	575 772	1.2%
Non-current liabilities	113 570	115 448	-1.6%
Current liabilities	488 449	484 052	0.9%

*acquired tangible and intangible fixed asset

Indicator	1-6/2020	1-6/2019
EBITDA/Sales revenues	7,1%	8,1%
Operating profit / Sales revenues	3,9%	4,6%
Net profit/Sales revenues	2,8%	4,0%
	30.06.2020	31.03.2020
Attracted capital / Equity	1,03	1,07
Net debt/EBITDA on annual basis	3,72x	3,75x

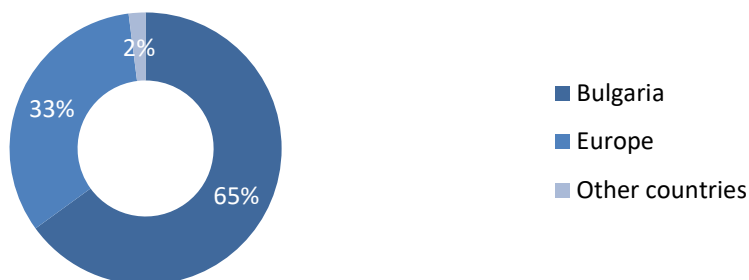
* net debt includes bank loans and leasing and factoring liabilities less cash, taking into account the effects of the adoption of IFRS 16 Leasing, effective from 1 January 2019.

Revenue from sales

Revenue from sales of the Group increase with BGN 67,1 million or 11%, reaching BGN 679 million in the first half of 2020 compared to BGN 611,9 million in the first half of 2019. Sales of goods increased with BGN 57,9 million or 12%, reaching BGN 542,3 million in the first half of

2020 compared to BGN 484,4 million in the first half of 2019. Sales of finished products increase by BGN 9,1 million, or 7%, to BGN 136,6 million in the first half of 2020 compared to BGN 127,5 million in the first half of 2019.

Geographical distribution of sales revenues



The contribution of sales in Bulgaria to the consolidated sales revenue in the first half of 2020 amounted to 65%, increasing by 10% compared to the first half of 2019. Sopharma has a 3% share on 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: Roche – 6.8%(0.3% in units),Novartis—6.6% (3.6% in units), Actavis – 4.3% (9% in units), Merck Sharp Doh– 4.2% (0.8% in units), Pfizer – 4% (1% in units), Abbvie – 3.8% (0% in units), Glaxosmithkline – 2.9% (2.4% in units), Astrazeneca – 2.8% (0.4% in units), Sanofi-Aventis – 2.6% (2% in units).

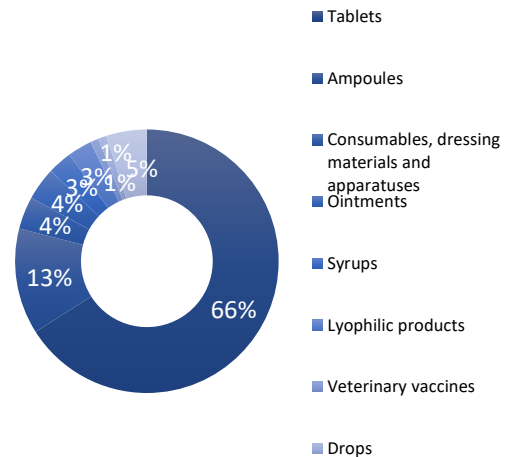
Revenues from sales of the Group in Europe amount to 33% of total consolidated sales revenues for the first half of 2020 and increase with 13% compared to the first quarter of 2019.

Sales by type of formulation

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

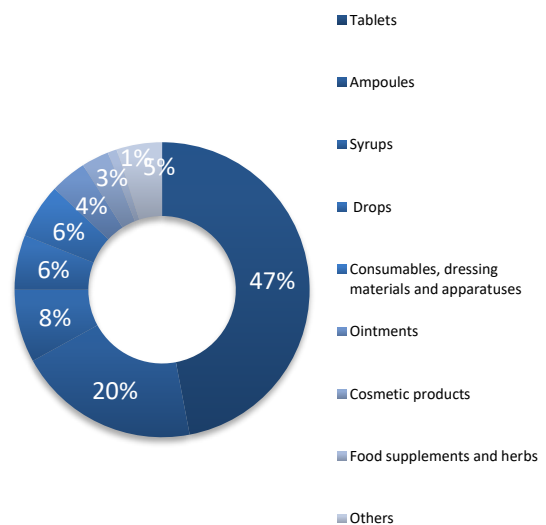
Income from the sale of finished products includes revenues from the sale of products produced by the companies in the Group.

	1-6/2020	1-6/2019	Change
Revenues from products	BGN '000	BGN '000	%
Tablet dosage forms	89 663	86 874	3%
Ampoule dosage forms	18 050	16 071	12%
Consumables, dressing materials and apparatuses	6 208	6 348	-2%
Ointments	5 283	3 875	36%
Syrup dosage forms	4 926	4 445	11%
Lyophilic products	3 734	3 431	9%
Veterinary vaccines	994	111	795%
Drops	715	386	85%
Other	7 083	6 013	18%
Total	136 656	127 554	7.1%



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

Revenue earned from sale of goods	1-6/2020	1-6/2019	Change
	BGN '000	BGN '000	%
Tablet dosage forms	252 895	230 811	10%
Ampoule dosage forms	107 487	92 450	16%
Syrup dosage forms	42 250	40 463	4%
Drops	33 222	26 981	23%
Consumables, dressing materials and apparatuses	30 529	22 564	35%
Ointments	23 618	14 406	64%
Cosmetic products	19 015	27 407	-31%
Food supplements and herbs	7 417	7 158	4%
Others	25 908	22 143	17%
Total	542 341	484 383	12%



Other operating revenues

Sopharma Group

Other revenues	1-6/2020	1-6/2019	Change	Rel. share
	BGN '000	BGN '000		2020
			%	%
Services rendered	2 638	4 509	-41%	50%
Profit from sale of long-term assets	546	108	406%	10%
Rents	500	393	27%	10%
	477	400	19%	9%
Government grants				
Services related to social activities and events	134	470	-71%	3%
Interests on current accounts	93	87	7%	2%
Profit from sale of materials	86	44	95%	2%
Loss on trade receivables and payables and current accounts	(118)	(415)	-72%	-2%
Derecognition of liabilities	55	2	2650%	1%
Other income	826	476	74%	16%
Total other operating income	5 237	6 074	-14%	100%

Other operating income decrease by BGN 0,9 million, reaching BGN 5,2 million in the first half of 2020, compared to BGN 6,1 million in the first half of 2019, mainly as a result of a decrease in the services rendered by BGN 1,9 million.

Operating expenses

Operating expenses	1-6/2020	1-6/2019	Change	Rel. share of
	BGN '000	BGN '000		expenses
			%	2020
			%	%
Changes in inventories of finished goods and work in progress	(5 808)	(289)	-1910%	-1%
Materials	48 348	43 367	11%	7%
External services	37 798	35 342	7%	6%
Personnel	65 979	63 512	4%	10%
Depreciation and amortization	21 765	21 231	3%	3%
Carrying amount of goods sold	486 250	423 227	15%	74%
Other operating expenses	3 156	3 490	-10%	0%
Total operating expenses	657 488	589 880	11%	100%

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Operating expenses increase by BGN 67,6 million or by 11% from BGN 589,9 million in the first half of 2019 to BGN 657,5 million in the first half of 2020. The change is due to an increase in sales and, respectively, to the carrying amount of goods sold of the Group, increase in expenses for personnel, amortization, expenses for external services. The change in inventories of finished goods and work in progress affects the reduction of operating expenses.

Material expenses (with 7% share) increase by BGN 5 million or 11% to BGN 48,3 million in the first six months of 2020 compared to BGN 43,3 million in the same period of 2019. The expenses of basic materials increased by BGN 5,5 million or by 19%, as the most significant impact is reported for the costs of substances and packaging materials. A decrease is reported for the costs of heat, auxiliary materials, advertising materials and others.

External services expenses account for 6% relative share of operating expenses and increase by BGN 2,4 million or by 7% to BGN 37,8 million in the first half of 2020 compared to BGN 35,3 million in the first half of 2019. The largest increase is in expenses for advertising and marketing services by BGN 2 million, manufacture of medicines by BGN 1,9 million and services fees by BGN 2,7 million. Costs for rent and related overheads decreased by BGN 0,6 million, maintenance of buildings and equipment by BGN 0,5 million and others.

Personnel expenses (with a share of 10%) increase by BGN 2,5 million or by 4% to BGN 66 million in the first half of 2020 compared to BGN 63,5 million in the first half of 2019.

Other operating expenses (with a 1% share) decrease by BGN 0,3 million or 9% from BGN 3,5 million in the first half of 2019 to BGN 3,2 million in the first half of 2020.

Depreciation expenses (with a 3% share) increase by BGN 0,5 million or 2% from BGN 21,2 million in the first half of 2019 to BGN 21,7 million in the first half of 2020.

Financial income and costs

Finance income	1-6/2020	1-6/2019	Change	Rel. share
	BGN '000	BGN '000		%
			%	%
Income on loans extended	1 494	1 146	30%	61%
Interest income on overdue trade receivables	804	1 562	-49%	33%
Net profit from operations with investments in securities	92	126	-27%	4%
Income from equity (dividends)	27	165	-84%	1%
Interest on receivables under special contracts	17	24	-29%	1%
Interest income on bank deposits	16	1	1500%	1%
Net change in the impairment adjustment for credit losses on trade receivables	9	243	-96%	0%

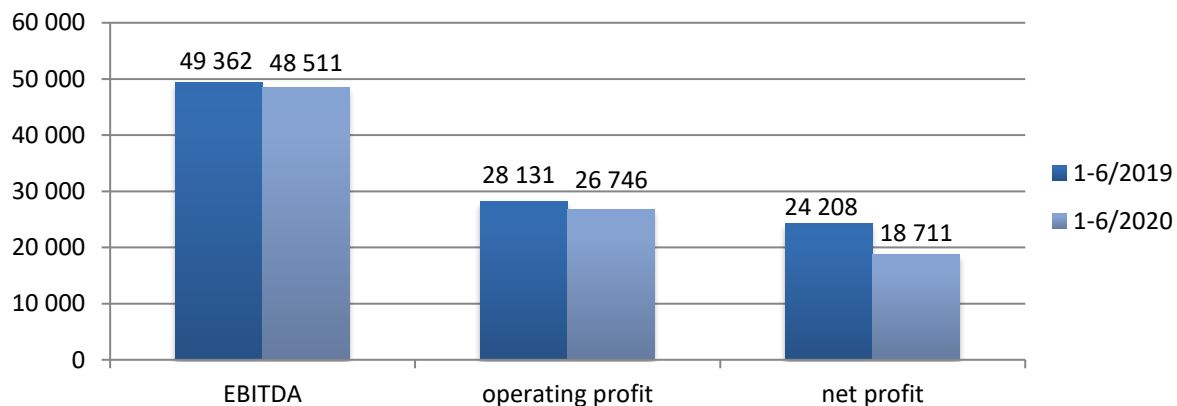
Net foreign exchange gains on foreign currency loans and leases	-	206	-100%	0%
Total	2 459	3 473	-29%	100%
Finance costs			Change	Rel. share of costs in 2020
Interest expenses on loans received	5 504	4 457	23%	58%
Net foreign exchange loss on foreign currency loans and leases	2 607	-	-	28%
Lease interest expenses	751	879	-15%	8%
Bank fees on loans and guarantees	348	454	-23%	4%
Interest expense under factoring agreement	228	221	3%	2%
Net profit from exchange differences on the sale of a subsidiary	9	39	-77%	0%
Expenses for other interest	-	6	-100%	0%
Total	9 447	6 056	56%	100%

Financial revenue decrease by BGN 1 million to BGN 2,5 million in the first half of 2020 compared to BGN 3,5 million in the first half of 2019, mainly due to a decrease in interest income on overdue trade receivables by BGN 0,8 million.

Financial expenses increase by BGN 3,4 million from BGN 6 million in the first half of 2019 to BGN 9,4 million in the first half of 2020, mainly due to an increase in net loss from exchange rate differences on foreign currency loans and lease agreements by BGN 2,6 million and interest expenses on loans received by BGN 1 million.

Net financial revenues (expenses) changed by BGN (4,4) million to BGN (7) million as at 30 June 2020 compared to BGN (2,6) million at 30 June 2019.

Financial result



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Earnings before interest, taxes and depreciation (EBITDA) decrease by BGN 0,9 million or by 2%, while in the first half of 2020 it amounted to BGN 48,5 million compared to BGN 49,4 million in the first half of 2019.

Profit from operating activities decreases by BGN 1,4 million or by 5%, to BGN 26,7 million in the first half of 2020 compared to BGN 28,1 million in the first half of 2019.

Net profit decreased by BGN 5,5 million or 23% to BGN 18,7 million in the first half of 2020 compared to BGN 24,2 million in the first half of 2019, as the main reasons for this are the increased financial expenses as a result of losses from exchange rate differences, as well as the one-time effect of the profits reported in the previous period by associates.

Assets

	30.06.2020	31.12.2019	Change	Rel. share 2020
	BGN '000	BGN '000	%	%
Non-current assets				
Property, plant and equipment	376 441	378 625	-1%	63%
Intangible assets	40 212	42 829	-6%	7%
Goodwill	15 724	15 909	-1%	3%
Investment property	11 277	10 856	4%	2%
Investments in associated companies and joint ventures	65 528	62 985	4%	11%
Other long - term equity investments	13 975	10 079	39%	2%
Long-term receivables from related parties	57 651	91 794	-37%	10%
Other long-term receivables	11 014	10 674	3%	2%
Deferred tax assets	1 978	2 421	-18%	0%
	593 800	626 172	-5.2%	50%
Current assets				
Inventories	242 788	229 873	6%	41%
Trade receivables	288 368	255 660	13%	49%
Receivables from related parties	5 382	7 112	-24%	1%
Assets held for sale	1 462	1 462		
Other short-term receivables and assets	31 782	27 480	16%	5%
Cash and cash equivalents	21 104	27 513	-23%	4%
	590 886	549 100	7.6%	50%
TOTAL ASSETS	1 184 686	1 175 272	0.8%	100%

Total assets increase by BGN 9,4 million or by 1%, from BGN 1 175,3 million as at 31.12.2019 to BGN 1 184,7 million as at 30.06.2020, mainly due to an increase in the current assets.

Non-current assets decrease by BGN 32,4 million or by 5%, mainly due to a decrease in long-term receivables from related companies by BGN 34,1 million, intangible assets by BGN 2,6 million and property, plant and equipment by BGN 2,2 million.

Current assets increase by BGN 41,8 million or 8%, to BGN 590,9 million as at 30.06.2020 compared to BGN 549,1 million as at 31.12.2019 in the part of trade receivables with BGN 32,7 million, inventories by BGN 12,9 million and other short-term receivables and assets by BGN 4,3 million

Cash and cash equivalents decrease by BGN 6,4 million as compared to 31.12.2019 and deposits provided at the end of the period to the amount of BGN 2,8 million and blocked cash to the amount of BGN 0,2 million.

Liabilities and owners' equity

EQUITY	30.06.2020	31.12.2019	Change	From owners' equity 2020
	BGN '000	BGN '000	%	%
Equity attributable to owners of the parent company				
Share capital	134 798	134 798	0%	23%
Reserves	63 739	60 977	5%	11%
Retained earnings	368 255	360 656	2%	63%
	566 792	556 431	2%	97%
NON-CONTROLLING INTEREST	15 875	19 341	-18%	3%
TOTAL EQUITY	582 667	575 772	1%	100%
	30.06.2020	31.12.2019	Change	% total liabilities 2020
	BGN '000	BGN '000	%	
LIABILITIES				
Non-current liabilities				
Long-term bank loans	55 807	56 832	-2%	9%
Deferred tax liabilities	7 409	8 196	-10%	1%
Long-term liabilities to related parties	2 500	2 972	-16%	0%
Long-term liabilities to personnel	6 662	6 626	1%	1%
Finance lease liabilities	26 558	25 840	3%	4%

Government grants	10 687	10 940	-2%	2%
Other non-current liabilities	3 947	4 042	-2%	1%
	113 570	115 448	-2%	19%
Current liabilities				
Short-term bank loans	264 204	274 829	-4%	44%
Short-term of long-term bank loans	22 379	16 730	34%	4%
Trade payables	125 137	116 407	7%	21%
Payables to related parties	11 255	7 668	47%	2%
Payables on contract for factoring	20 369	24 772	-18%	3%
Current portion of finance lease liabilities	9 908	10 012	-1%	2%
Payables to the personnel and for social security	15 988	15 418	4%	3%
Tax payables	6 554	7 217	-9%	1%
Other current liabilities	12 655	10 999	15%	2%
	488 449	484 052	1%	81%
TOTAL LIABILITIES	602 019	599 500	0%	100%
TOTAL EQUITY AND LIABILITIES	1 184 686	1 175 272	0.8%	

The equity of Sopharma Group increases by BGN 6,9 million compared to 31.12.2019, mainly due to an increase in retained earnings and reserves. The equity related to the equity holders of the Company is 48% of the total equity and liabilities and there is improvement in the financial autonomy of the Group. The letter increases by BGN 10,4 million mainly due to the undistributed profit and reserves.

Non-current liabilities decrease by BGN 1,9 million or 2%, from BGN 115,4 million at the end of 2019 to BGN 113,5 million at 30.06.2020, mainly from increase in long-term bank loans by BGN 1 million and deferred tax liabilities by BGN 0,8 million.

Current liabilities increase by BGN 43,4 million or by 1% compared to the end of 2019, mainly due to an increase of trade liabilities by BGN 8,7 million, as well as of short-term part of long-term bank loans by BGN 5,6 million, liabilities to related companies with BGN 3,6 million, payables to personnel and social security by BGN 0,6 million and other current liabilities by BGN 1,6 million. There is a decrease of short-term bank loans by BGN 10,6 million, liabilities under factoring contracts by BGN 4,4 million and tax liabilities by BGN 0,7 million. Total liabilities on bank loans, leasing and factoring of the Group decrease by BGN 9,8 million compared to the end of 2019, with the net debt after deduction of cash and cash equivalents decrease by BGN 3,4 million.

Ratios

	30.06.2020	31.03.2020
ROE ¹	15.7%	15.7%
ROA ²	7.3%	7.1%
Asset turnover ³	1,15	1,16
Current liquidity ⁴	1,21	1,14
Quick ratio ⁵	0,71	0,69
Cash/current liabilities ⁶	0,04	0,05
Owners' equity/liabilities ⁷	0,97	0,93

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

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

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

⁴ Current assets / current liabilities

⁵ Receivables + Cash / Current liabilities

⁶ Cash / Current liabilities

⁷ Own capital / Liabilities

Cash flow

	30.06.2020 BGN '000	30.06.2019 BGN '000
Net cash flow from/ (used in) operations	(110 005)	(78 219)
Net cash flow used in investment activities	16 938	(84909)
Net cash flow (used in)/from financial operations	86 655	155 052
Net increase/(decrease) of cash and cash equivalents	(6 412)	(8 076)
Cash and cash equivalents on 1 January	27 362	24 129
Cash and cash equivalents on 30 June	20 950	16 053

Net cash flows in the first half of 2020 generated from operating activities amounted to BGN 110 million outflow, investment activities amounted to BGN 16,9 million inflow and from financial activities amounted to BGN 86,7 million inflow. As a result of these activities, cash and cash equivalents decreased net by BGN 6,4 million and as of 30.06.2020 amount to BGN 20,4 million, compared to BGN 27,4 million as of 01.01.2020.

Factoring proceeds of BGN 102,8 million are reported as cash flows from financial activities. As a consequence, a significant decrease in net cash flows from operating activities is registered at the expense of an increase in net cash flow from financial activities.

New developments and products

- New Products for the period January - June 2020:
 - During the reporting period, a Marketing Authorization was obtained for a new medicinal product - Solifenax 5 mg film-coated tablet (Bulgaria).
- New medicinal products introduced into production:
 - During the reporting period the following new medicinal products were introduced into the production: - Paracedol Kids 120 mg / 5 ml oral suspension; Antiemetin 5 mg / ml solution for injection; Promerol 1 mg / ml solution for injection and food supplement Alovital oral solution 2.5 mg 5ml.
- New registrations and re-registrations / changes:

New registrations

Received 16 Authorizations for the use of medicinal products for new destinations, namely:

- Pyraminol 800 mg film-coated tablet (Armenia);
- Sophalor 5 mg film-coated tablet (Azerbaijan);
- Indometacin Sopharma 100 mg suppositories (Azerbaijan);
- Deavit Neo 0.5 mg/ml oral drops, solution (Azerbaijan);
- Otofrix 40 mg/g+10 mg/g ear drops, solution (Azerbaijan);
- Sophalor 0.5 mg/ml oral solution (Azerbaijan);
- Sydnopharm 2 mg tablet (Azerbaijan);
- Methadone Sopharma 10 mg/ml oral solution (Bosnia and Herzegovina);
- Valeriana 30 mg film-coated tablet (Kazakhstan);
- Broncholytin Ivy 7 mg/ml syrup (Kyrgyzstan);
- Adrenaline Sopharma 1 mg/ml solution for injection (Malta);
- Carsil Max 110 mg capsules, hard (Mongolia);
- Tuspan 7 mg/ml syrup (Russia);
- Felogel 1 % gel (Serbia);
- Amlodipine Sopharma 5 mg tablet (Serbia);

- Sophamet 850 mg film-coated tablet (Tunisia).
- Documentation for the registration of 21 medicinal products to agencies of new destinations was submitted.

Food additives:

- During the reporting period, 10 food supplements for Bulgaria, Armenia, Azerbaijan, Kazakhstan and Kyrgyzstan was notified.

Medical supplies:

- 18 medical supplies were registered in Ukraine (two) and Macedonia (sixteen).

Re-registrations / changes:

- Updated Authorizations for use of 50 medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for 77 medicinal products to agencies.
- 382 changes for medicinal products approved by agencies.
- 410 changes made for medicinal products to the agencies.

Developments:

- There is a pharmaceutical development of 10 new medicinal products.
- 15 medicinal products/ active substances have been transferred / undergoing transfer and 20 manufacturing processes / technologies have been validated / optimized.

5. Significant events in the first half of 2020 and until the date of the interim consolidated management report

- On 22 January 2020, “Sopharma” AD began to pay the gross dividend of 5 stotinki per share voted at the General Meeting of Shareholders on 13 December 2019. The persons registered in the “Central Depository” AD as shareholders on the 14th day after the day of the General Meeting, namely 27 December 2019 have a right to dividend.
- On 31 January 2020 a merger of SOOO “Brizpharm”, Belarus into OOO “Bellerofon”, Belarus was registered, by merging the assets and liabilities of the two companies. The

activity of the merged company SOOO “Brizpharm”, Belarus is terminated and all its rights and obligations at the time of the merger are assumed by OOO “Bellerofon”, Belarus.

- As of 2 March 2020, OOO “Zdorovey Pharm”, Belarus is a subsidiary through OOO “Zdorovey”, Belarus, as OOO “Zdorovey” owns 65% of the capital of OOO “Zdorovey Pharm”.
- On 19 March 2020, “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the SCS Franchise pharmacy group. The merger of “Soparmacy” and SCS Franchise will provide a stronger market position and an opportunity to even more meet the growing needs of Bulgarian patients for quality health services. The merger will also bring national expansion of the operations of “Sopharma Trading” AD in the retail segment of the pharmacy market. The Commission for Protection of Competition is about to rule on the deal.
- On 22 April 2020, “Sopharma” AD received BGN 30 million, which were paid interest and loans from an associated company and a company controlled by it (“Doverie - Obedinen Holding” AD and “Doverie Invest” AD).
- On 5 June 2020 the Annual General Meeting of “Sopharma” AD was held, at which the following decisions were taken: The AGM approves the Annual Report of the Board of Directors on the company's activities in 2019.; The AGM approves the Annual Report of the Investor Relations Director for 2019; The AGM approves the Audited Annual Financial Statements /Individual and Consolidated/ of the Company for 2019.; The AGM approves the Auditor's Reports on the Audit of the Annual Individual Financial Statements and of the Annual Consolidated Financial Statements of the Company for the year 2019; The AGM approves the proposal of the Board of Directors for the distribution of the Company's 2019 profit of BGN 40 382 210.24 as follows: allocating 10% or BGN 4 038 221.02 to the mandatory reserve, BGN 6 284 221.60 for the 2019 six-month preliminary dividend. After dividing the legal reserve by 10% and dividend paid in advance for the half year of 2019, to distribute a gross dividend of BGN 0.07 per share (seven stotinki). The amount remaining after the distribution above and the retained earnings from previous years in the amount of BGN 1 995 956.93 shall be transferred to additional reserves of the company.; The AGM approves the Audit Committee's report on its activities in 2019.; The AGM re-elects the current members of the Audit Committee of the company for a new term of three years.; The AGM releases the members of the Board of Directors from

responsibility for their activities in 2019.; The AGM selects "Baker Tilly Klitou and Partners" OOD as a registered auditor for 2020; The General Meeting 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 2019.; The AGM decided the constant remuneration of the members of the Board of Directors and the constant remuneration of the Executive Director in 2020 remain unchanged.; 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 profit realized in 2019 according to the approved Annual Financial report.; The General Meeting adopts a decision that of 2% (two percent) of the profit realized in 2019 will 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.; AGM adopts an amendment of the Articles of Association of the Company.; AGM adopts the Substantiated Report of the Board of Directors for transactions within the scope of art. 114, para 1 of the LPOS.; The AGM authorizes the Board of Directors to conclude a transaction within the scope of art. 114, para 1 of the LPOS - under the terms of Section I,II,III, IV, V и VI of the Substantiated Report.

- On 5 June 2020 the Annual General Meeting of "Sopharma Trading" AD was held, at which the following decisions were taken: The AGM approves of the Annual Report of the Board of Directors on the company's activities in 2019; The AGM approves the Annual Report of the Investor Relations Director for 2019; The AGM approves the Auditor's Report on the audit of the Annual Financial Statements of the Company for 2019; The AGM approves the Annual Financial Statements of the Company for 2019; The AGM approves the Auditor's Report on the audit of the Annual Consolidated Financial Statements of the Company for 2019; The AGM approves the Annual Consolidated Financial Statements of the Company for 2019; The AGM accepts the report of the Board of Directors under art. 12, para 1 of Ordinance № 48 of 20 March 2013 on the requirements for remuneration; The AGM approves the Audit Committee's report in 2019; The AGM approves the proposal of the Board of Directors for distribution of the company's profit, realized in 2019: The net financial result in the amount of BGN 20 095 473.97 / twenty million ninety-five thousand four hundred seventy-three levs and ninety-seven stotinki / to be divided as follows: BGN 2 009 547.40 / two million nine thousand five hundred forty-seven levs and forty stotinki / refers to the Reserve Fund as a 10% required reserve, BGN 10 282 815 / ten million two

hundred eighty-two thousand eight hundred and fifteen leva / for distribution of a cash dividend to the shareholders, BGN 7 803 111.57 / seven million eight hundred and three thousand one hundred and eleven leva and fifty-seven stotinki / to be referred as an additional reserve of the company. Dividend amount per gross share - BGN 0.30 / thirty stotinki /. Amount of the dividend per one net share (only for individual shareholders) - BGN 0.285 (only for individual shareholders).; The AGM approves a decision to discharge the members of the Board of Directors for their activity in 2019; The AGM determines a monthly remuneration for each of the members of the Board of Directors for 2020 in the amount of BGN 2,000; The AGM decides to pay the Executive Director of „Sopharma Trading“ AD a variable remuneration in the amount of one percent of the net profit of the company for 2019, according to the approved Annual Financial Statements. The payment of 40% of the remuneration is rescheduled for a period of three years. The payment of the rescheduled part of the variable remuneration is made proportionally, in equal monthly installments; The AGM elects a registered auditor to be appointed for inspection and certification of the Annual Financial Statements of the Company for 2020 and the consolidated Annual Financial Statements for 2020, according to the proposal of the Audit Committee.; The AGM elects members of the Audit Committee of the company consisting of: Vasil Naidenov, Kristina Atanasova, Zvetelina Stanimirova; The AGM approves the Substantiated Report of the Board of Directors on the expediency and conditions of transactions falling within the scope of Art. 114, para 1 of LPOS, to which the company is a party; The AGM authorizes the Board of Directors of the company to conclude a transaction within the scope of Art. 114, para 1 item 3 of LPOS under the conditions and within the terms, according to sections I to LXIII of the Motivated Report prepared by the Board of Directors.

- On 16 June 2020 a Regular General Meeting of the shareholders of “Sopharma Buildings” REIT was held, at which the following decisions were taken: The AGM approves the Annual Report of the Board of Directors on the company's activities in 2019; The AGM approves presented Annual Report of the Investor Relations Director for 2019; The AGM approves the Audit Report for the performed audit of the Annual Financial Statements of the Company for 2019; The AGM approves the audited Annual Financial Statements of the Company for 2019; The AGM approves the report of the Audit Committee on its activities in 2019; The AGM approves the Report of the Board of Directors on the implementation of the Remuneration Policy for the members of the Board of Directors of the Company for

2019; The AGM approves a decision for distribution of the Company's profit realized in 2019.; The AGM accepts the proposal of the Board of Directors that the Company not distribute a dividend for 2019 due to the fact that the Company has ended the reporting year 2019 with a negative financial result in the amount of BGN 80,026.05 (eighty thousand twenty-six levs and five stotinki) and after transformation by the order of art. 10 of the Special Investment Purpose Companies Act - loss in the amount of BGN 74 825.43 (seventy-four thousand eight hundred and twenty-five leva and forty-three stotinki). The formed loss for 2019 in the amount of BGN 80 026.05 (eighty thousand twenty-six levs and five stotinki) to be covered by the accumulated reserves from the Company's Emission Premium Fund; The AGM re-elects the members of the Audit Committee of the Company for a new term; The AGM determines a monthly remuneration of each of the members of the Audit Committee of the Company in the amount of BGN 400; The AGM releases from liability the members of the Board of Directors of the Company for their activities in 2019; The AGM dismisses Ivan Krlev from the position of a member of the Board of Directors of the Company due to the expiration of the term and authorizes Irina Mincheva to sign an annex for termination of the management contract.; The AGM re-elects the members of the Board of Directors Emil Kostov and Irina Mincheva for a new term of 5 years and elects as a new member of the Board of Directors of the Company Stoycho Pangev with a term of 5 years; The AGM decided to keep the current amount of the permanent monthly remuneration of the members of the Board of Directors of the Company in 2020 as well; The AGM assigns a guarantee for the management of each of the members of the Board of Directors in the amount of its respective 3-month gross remuneration, which should be paid within seven days from the date of the AGM meeting in compliance with the requirements of Article 116c of LPOS; The AGM authorizes Irina Mincheva to conclude on behalf and for the account of the Company the contracts for assignment of the management of the Company with the members of the Board of Directors, outside the executive member, as well as any subsequent annexes to them, including the right to negotiate with itself; The AGM selects a specialized auditing company "Baker Tilly Klitou and Partners" OOD as a registered auditor for 2020, according to the recommendation of the Audit Committee.

- On 16 June 2020 the Annual General Meeting of "Momina krepost" AD – Veliko Tarnovo was held, at which the following decisions were taken: The AGM approves the Annual report of the Board of Directors on the activities of the Company in 2019 together with

the Corporate governance declaration for 2019.; The AGM approves the Annual Report of the Investor Relations Director for 2019; The AGM approves the Auditor's Reports on the Audit of the Annual Financial Statements of the Company for the year 2019; The AGM approves the Audited Annual Financial Statements of the Company for 2019.; The AGM approves the Audit Committee's report on its activities in 2019.; The AGM accepts the proposal of the Board of Directors to cover the loss for 2019 in the amount of BGN 546 thousand of the retained earnings of the Company; The AGM releases the members of the Board of Directors from responsibility for their activities in 2019.; The AGM elects a registered auditor for inspection and certification of the Annual Financial Statements of the Company for 2020, according to the proposal of the Audit Committee, included in the materials on the agenda; The AGM approves the Report of the Board of Directors on the implementation of the Remuneration Policy of the Members of the Board of Directors of "Momina Krepost" AD for 2019.; The AGM decided to keep the current amount of the constant monthly remuneration of the Chairman of the Board of Directors and the members of the Board of Directors and in 2020.; The AGM decided the amount of the monthly remuneration under the management contract of the Executive Director to be BGN 3,000.; The AGM dismisses Stoyan Valchinov Garov as a member of the Board of Directors; The AGM elects Valchin Stoyanov Garov as a member of the Board of Directors of the company.

- With Decision № 626 / 23.07.2020 the Commission for Protection of Competition of the Republic of Bulgaria authorized the concentration within the meaning of Chapter V of the Law on Protection of Competition by acquiring sole control by "Sopharma Trading" AD over CSS Franchise AD and Sanita Franchising AD. Immediate execution of the decision was also ordered. A condition for finalizing the acquisition is the authorization by the General Meeting of Shareholders of "Sopharma Trading" AD.
- On 3 August 2020 "Sopharma" AD started the payment of the dividend in the amount of 7 stotinki per share, voted at the Regular General Meeting of Shareholders held on 05.06.2020. The persons eligible for dividend are those present in the register of the Central Depository 14 days after the date of the Annual General Meeting, i.e. June 19, 2020. In accordance with the Regulations of the Central Depository, the dividend shall be paid out as follows: for shareholders with client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary - through the branches of Postbank in the country until October

30, 2020 (after that date, shareholders who have not received their dividend in the appropriate order may do that at the cash desk of the Company in Sofia, 16 Iliensko Shose Str. every business day between 10:00 a.m. - 12:00 p.m. and 14:00 p.m. - 16:00 p.m., tel. 02/ 8134 283).

- On 4 August 2020 a merger of “Sopharma Trading Pharmaceuticals” D.o.o. was registered in “Sopharma Trading” D.o.o., by merging the assets and liabilities of the two companies. The activity of the merged company “Sopharma Trading Pharmaceuticals” D.o.o. is terminated and all its rights and obligations at the time of the merger are assumed by Sopharma Trading” D.o.o.
- On 17 August 2020 “Sopharma” AD presented an invitation to convene an Extraordinary General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 25.09.2020 from 11:00 a.m. (UTC 8:00 a.m.) in Sofia – 1756, 5 Lachezar Stanchev Str., Sopharma Event Center, with the following agenda: 1. Approval of a 6-month financial statement for the first half of 2020; 2. Taking a decision under art. 30, para 5-7 of the Company's Articles of Association for the distribution of profits and the payment of an interim dividend on the basis of the approved 6-month financial statement; 3. Approval of a Policy for formation of the remuneration of the members of the Board of Directors of “Sopharma” AD; 4. Miscellaneous.
- On 20 August 2020 “Sopharma” AD presented an invitation to convene an Extraordinary General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 25.09.2020 from 11:30 a.m. (UTC 8:30 a.m.) in Sofia – 1756, 5 Lachezar Stanchev Str., Sopharma Event Center, with the following agenda: 1. Approval of a Substantiated Report of the Board of Directors for transactions within the scope of art. 114, para. 1 of LPOS; 2. Authorization within the meaning of art. 114, para 1 of the LPOS regarding a transaction between “Sopharma” AD and “Sopharma Trading” AD - Section One of the Substantiated Report; 3. Miscellaneous.
- On 20 August 2020 “Sopharma Trading” AD presented an invitation to convene an Extraordinary General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 25.09.2020 from 14:00 p.m. (UTC 11:00 a.m.) in Sofia – 1756, 5 Lachezar Stanchev Str., Sopharma Business Towers, Ground floor, Sopharma Event Center, with the following agenda: 1. Approval of the Substantiated Report of the Board of Directors under art. 114a, para 1 of LPOS regarding the expediency and conditions of transactions from the scope of art. 114, para. 1 of LPOS; 2. Authorization of

the Board of Directors of the company for concluding a transaction within the scope of art. 114, para 1, item 1 of LPOS; 3. Authorization of the Board of Directors of the company for concluding a transaction within the scope of art. 114, para 1, item 2 of LPOS; 4. Amendments and additions to the Remuneration Policy of the members of the Board of Directors of “Sopharma Trading” AD; 5. Miscellaneous.

- On 20 August 2020 “Sopharma Buildings” REIT presented an invitation to convene an Extraordinary General Meeting of Shareholders, which will be held at the headquarters and at the registered office of the Company in Sofia, 5 Lachezar Stanchev Str. Sopharma Business Towers Complex, Building A, floor 20, on 24.09.2020 from 15:00 p.m. local time (UTC 12:00 p.m.), and in the absence of a quorum on this date - on 12.10.2020 at the same place, at the same starting time and with the following agenda: 1. Adoption of a new Remuneration Policy for the members of the Board of Directors of “Sopharma Buildings” REIT; 2. Miscellaneous.
- On 27 August 2020 “Momina Krepost” AD – Veliko Tarnovo presented an invitation to convene an Extraordinary General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 28.09.2020 from 13:00 in Veliko Tarnovo - 5000, Highway 23, with the following agenda: Making a decision for extension of the mandate of the current composition of the Audit Committee of the company for a new term of 3 / three / years. 2. Adoption of changes in the Remuneration Policy in “Momina Krepost” AD.

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 30.06.2020, 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

	30.06.2020	31.03.2020
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 817 480	125 838 931
Number of shares outstanding at the end of the period	125 769 432	125 684 432
Earnings per share in BGN ¹	0,675	0,654
Price per share at the end of the period in BGN	3,167	2,858
Price/Earnings ratio (P/E)	4,69	4,37
Book value per share in BGN ²	4,507	4,503
Price/Book value ratio (P/B)	0,70	0,63
Sales per share in BGN ³	10,72	10,62
Price per share / Sales per share(P/S)	0,30	0,27
Пазарна капитализация към края на периода в лева	426 904 946	385 772 551

¹ Net profit for the last four quarters belonging to the owners of the Company's equity / weighted average number of outstanding shares for the same period

² Equity other than minority interest / number of outstanding shares at the end of the period

³ Sales revenue for the last four quarters / number of outstanding shares at the end of the period

Sopharma Group

Trade with shares of “Sopharma” AD on “Bulgarian Stock Exchange – Sofia” AD for the period 1 January 2020 – 30 June 2020:



31.08.2020
Sofia

/Signature/

.....

Simeon Donev

/Procurator/