

Sopharma Group

Consolidated annual financial results for 2020





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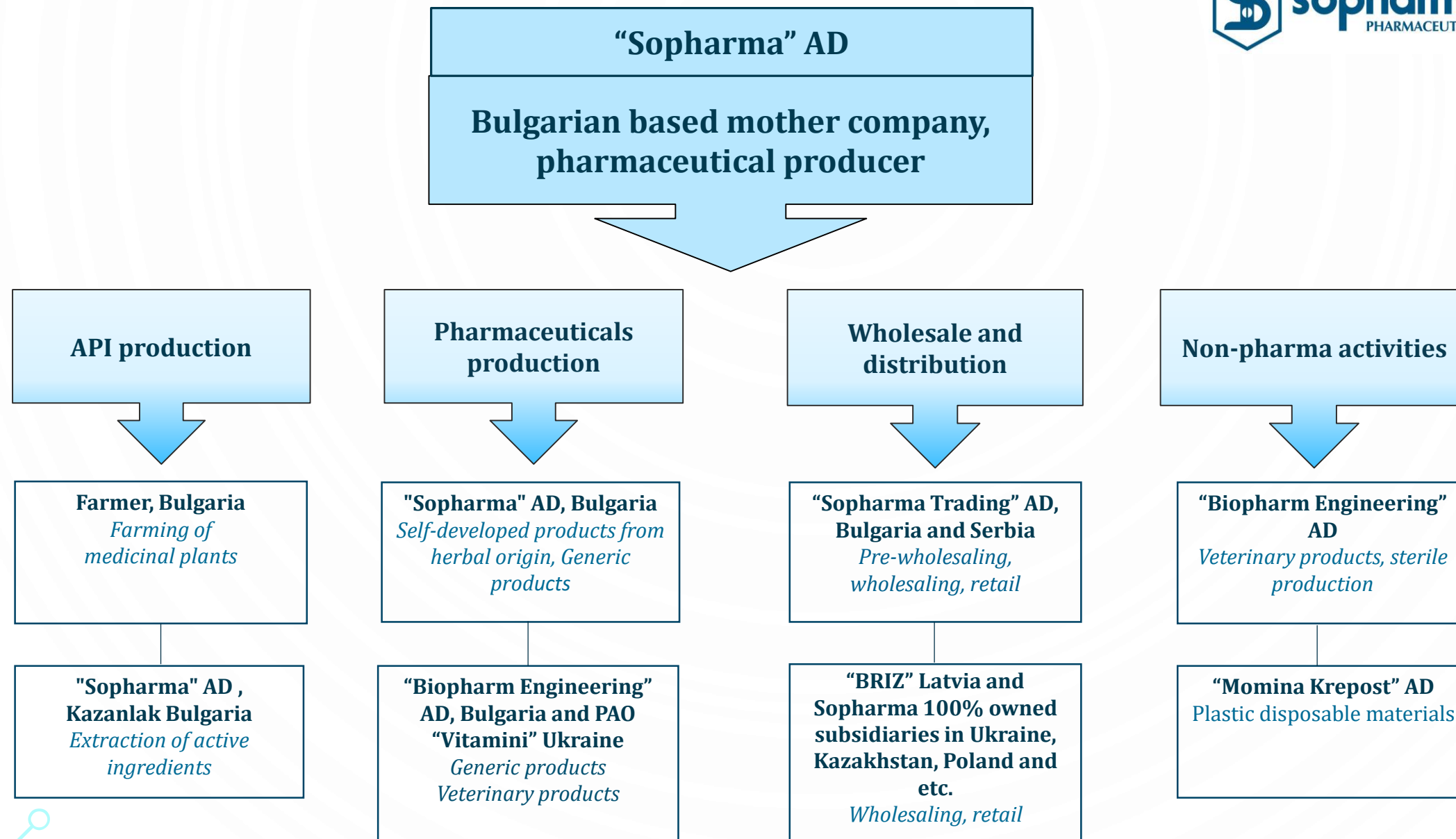
Who are we?

The Group is a leading, **vertically-integrated** Bulgarian **manufacturer**, exporter and **distributor** of pharmaceutical and other health related products with a strong presence in **Southern and Eastern Europe**, offering a wide range of prescription and OTC pharmaceutical products and other health related products and services.

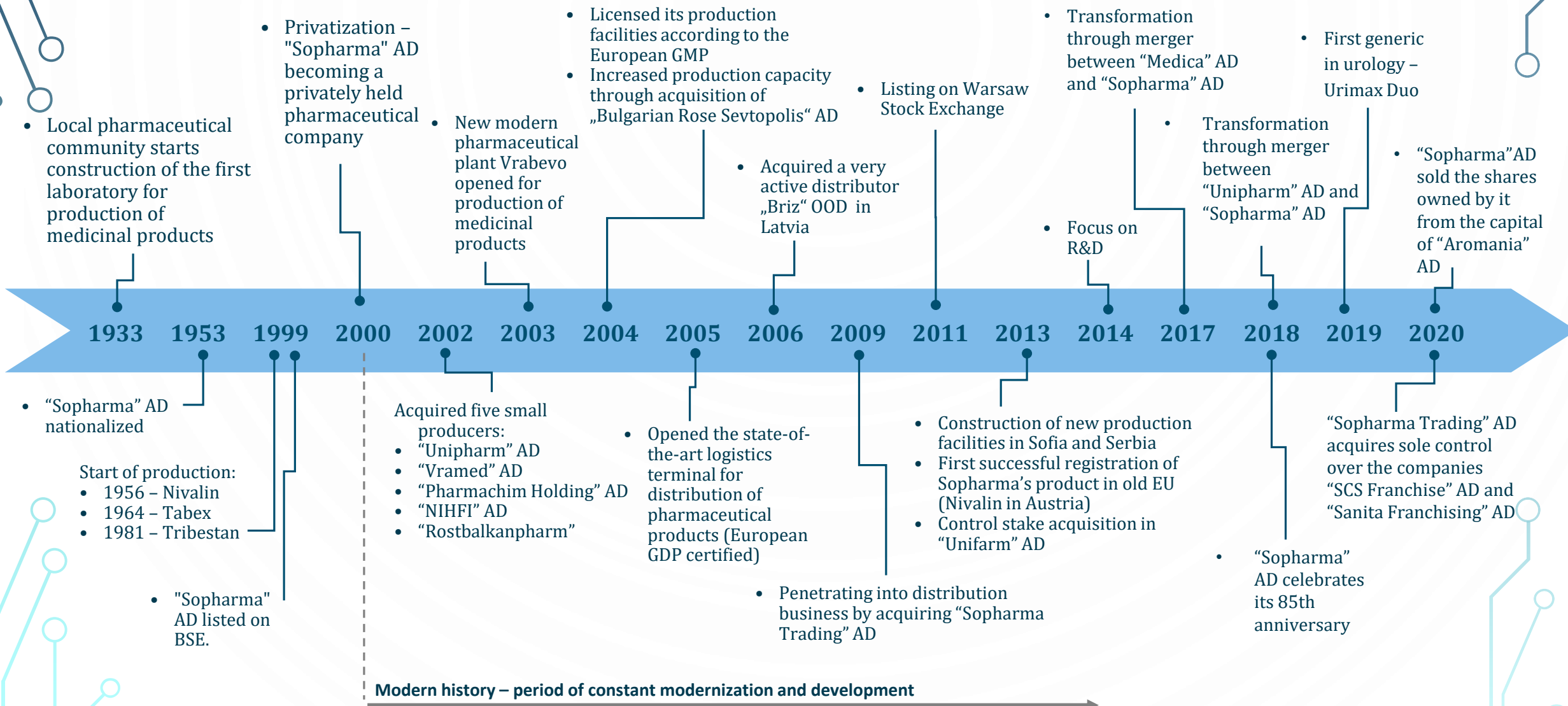
The Group works in the following areas:

- Production of active pharmaceutical ingredients;
- Pharmaceutical production;
- Wholesale and distribution;
- Non-pharmaceutical activities.





Brief history and key milestones:





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Our business

Sopharma Group



**94 subsidiaries and
1 associated company**



**№1 manufacturer of
ampules and suppositories**



**More than 200
products**



**Company with established
traditions and experience**



**10
manufacturing plants**



**employees
5 803**



**Revenues
BGN 1 438 826
thousand**



**EBITDA
BGN 92 433
thousand**



**134 797 899
shares**

Key financial indicators



Sales revenues increased with 12.3%



EBITDA decreased with 10.9%



Operating profit decreased with 23.3%



Net profit decreased with 70%



Capex decreased with 33%

Indicators	1-12/2020 BGN '000	1-12/2019 BGN '000
Revenues	1 438 826	1 281 587
EBITDA	92 433	103 696
Operating profit	45 800	59 692
Net profit	25 280	84 359
CAPEX*	41 720	62 282
	31.12.2020 BGN '000	31.12.2019 BGN '000
Non-current assets	629 935	626 172
Current assets	612 177	549 100
Owners' equity	566 595	575 772
Non-current liabilities	131 066	115 448
Current liabilities	544 451	484 052
Indicators	1-12/2020	1-12/2019
EBITDA/ Revenues	6.4%	8.1%
Operating profit/Sales Revenue	3.2%	4.7%
Net profit/ Sales Revenue	1.8%	6.6%
	31.12.2020	31.12.2019
Debt/ Equity	1,19	1,04
Net debt*/ EBITDA on annual basis	4,3x	4,68x

“Sopharma” AD as a partner



Team work



Experience



Partner in success

Our company offers a large variety of CM services:

- EU-GMP compliant pharmaceutical contract manufacturing;
- EU primary and secondary packaging services for international markets;
- Development of various dosage forms;
- Technological transfer of customer-developed products;
- Cleaning validation, Process validation;
- EU batch release and batch control.

Sopharma offers manufacturing of different dosage forms:

- Solid dosage forms (both sugar and film-coating tablets, hard gelatin capsules);
- Semi-solid dosage forms (creams, gels, ointments, suppositories);
- Sterile dosage forms (terminal sterilization and aseptic preparation, BFS technology);
- Non-sterile solutions (syrups, oral suspensions, ear drops, liquids for external use).

Ecology and environmental protection

The company applies measures to:

- separate collection of waste, minimization, recovery and recycling of production and household waste;
- provide appropriate personnel training on environmental and pollution prevention issues;
- responsibly fulfill the imperative requirements of the Packaging and Waste Ordinance and pays its product tax in accordance with Regulation for Packaging and Wastage from Packaging;
- measure annual emissions of waste gases into the ambient air from the Solid Form Factory;
- once every two years, own periodic measurements (STI) of waste gases in the atmospheric air are carried out at the Steam Power Plant Installation at sites "A" and "B". Emissions are measured and reported in 2020.
- Sofiyska Voda measures on a monthly basis emission in wastewater at production sites A and B.
- every quarter the drinking water from the production plants is given for testing (short chemical and microbiological analysis) in an accredited laboratory;
- twice a year the groundwater and wastewater are given for testing in an accredited laboratory according to the permits for water abstraction and for use of surface water body.

In 2020 the separately collected waste was increased by 40% compared to the previous year.



Personnel



5 803

workers and
employees

- As at 31 December 2020, the average number of employees of Sopharma Group is 5 803 (compared to 5 163 in 2019). The average number of employees of “Sopharma” AD as at 31 December 2020 is 1 991 (at 2 275 in 2019) and of “Sopharma Trading” AD is 799 (compared to 833 in 2019).



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Management, shares and dividends

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 Executive director of "Sopharma" AD since 2000.



**Vessela
Stoeva**

**Deputy-chairman of the
Board of directors**

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.



**Ivan
Badinski**

**Member of the Board of
directors**

Mr. Badinski 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.



**Ognian
Palaveev**

**Independent Member
of the BoD**

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.



**Alexandar
Tchaoushev**

**Independent Member
Of the BoD**

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.

Shareholder structure at 31 December 2020

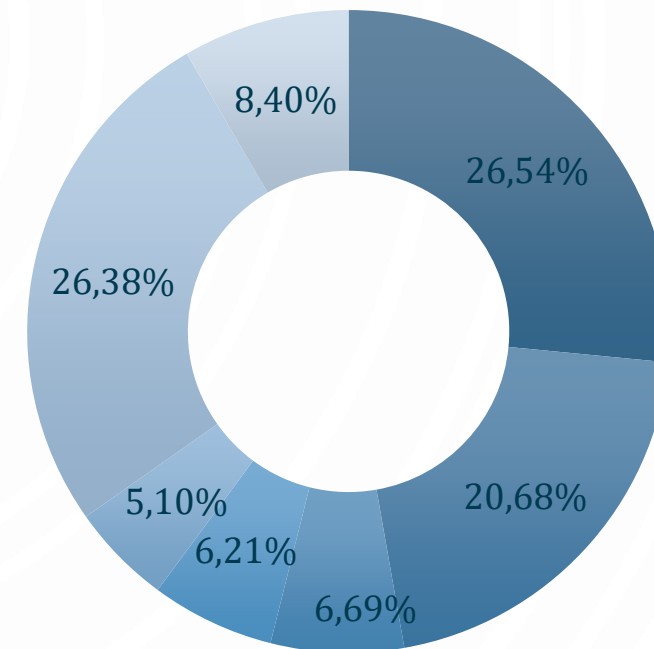


134 797 899 shares with nominal value BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – directly **3 038 940** shares, **2.25%** of capital and indirectly **35 779 516** shares, **26.54%** through “Donev Investments Holding” AD
- Ognian Palaveev – **187 520** shares, **0.14%** of capital
- Alexander Tchaoushev – **111 142** shares, **0.08%** of capital
- Vessela Stoeva – **150** shares
- Ivan Badinski – **350** shares



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

Information about the shares



134 797 899 shares with nominal value BGN 1 per share.



The shares of the Company are traded on the Bulgarian Stock Exchange - Sofia AD, the Main Market (BSE), the PREMIUM segment and on the official market of the Warsaw Stock Exchange.



Key indicators of the shares of "Sopharma" AD	31.12.2020	31.12.2019
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 754 274	125 896 515
Number of shares outstanding at the end of the period	125 786 432	125 684 432
Net earnings per share in BGN ¹	0,237	0,691
Price per share at the end of the period in BGN	3,194	3,406
Price/Earnings ratio (P/E)	13,48	4,93
Book value per share in BGN ²	4,398	4,427
Price/Book value ratio (P/B)	0,73	0,67
Market capitalization at the end of the period in BGN	430 544 489	459 741 536

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

Information on the acquisition of own shares



- In the current year 151 748 shares were purchased and 253 748 shares were sold.
- The treasury shares purchased during the year amount to 0.11% of the Company's share capital and the average acquisition price is BGN 3,04 per share.

	Shares		Equity, net of treasury shares
	Number		BGN '000
Balance at 1 January 2020	125,684,432		100,656
Sold back Treasury shares	253,748		949
Treasury shares repurchased	(151,748)		(461)
Expense on treasury shares	-		(2)
Balance at 31 December 2020	125,786,432		101,142

Dividend policy



- “Sopharma” AD is a pioneer in the payment of a 6-month dividend and after the introduction of this legislative opportunity in 2018 the Company has been taking advantage of it for the third year.
- “Sopharma Trading” AD has a solid dividend policy, the payment is still over 50% from the achieved positive financial result.

Dividend per share in BGN

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
"Sopharma" AD	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.05 0.07	0.04
"Sopharma Trading" AD	0.15	0.17	0.20	0.23	0.27	0.30	0.30	0.30	0.30	0.30	

Dividend payout ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
"Sopharma" AD	28%	23%	23%	27%	none	37%	36%	30%	28%	16%
"Sopharma Trading" AD	75%	85%	91%	91%	82%	82%	74%	70%	55%	51%



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Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



2016 2017 2018 2019 2020*

* Preliminary data

Preliminary data show a decrease of GDP for 2020 in real terms by 4.2% compared to 2019.

GDP per capita

BGN 17.146 (€ 8.748)

Currency

BGN fixed to the euro from 1998
(€ 1 = BGN 1.96)

Health budget 2021

BGN 6,5 billion

Pharmaceutical industry

99% private



Area

111.000 km²

Population

6.951 million

Member of EU

since 2007

Source: NSI 2020

Sales revenues from products

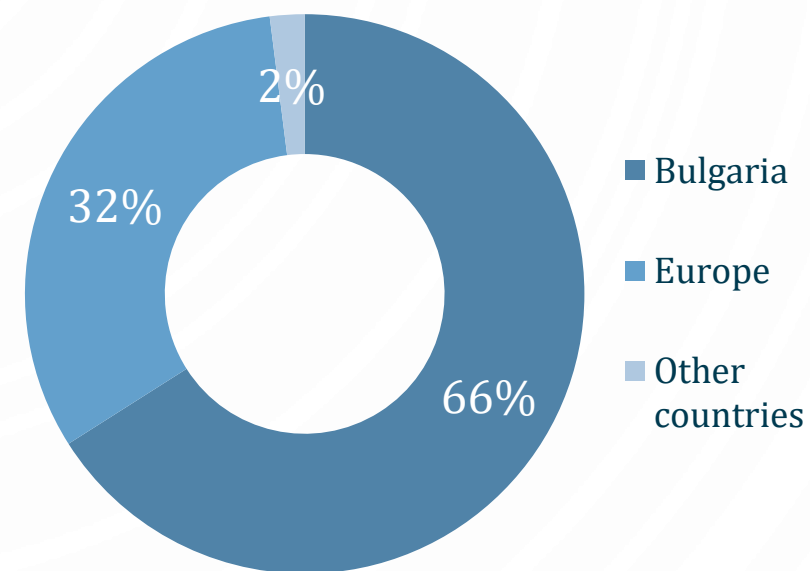
- **Sales revenues of the Group** increased by BGN 157,2 million or 12%, reaching BGN 1 438,8 million in 2020 compared to BGN 1 281,6 million in 2019.

- **Europe**

Sales revenues of the Group on European markets amount to 32% of total consolidated sales revenues for 2020 and increase with 6% compared to 2019.

- **Bulgaria**

The contribution of sales in Bulgaria to the consolidated sales revenues in 2020 amounted to 66%, increasing by 16% compared to 2019. “Sopharma” AD has a 3% share on the Bulgarian pharmaceutical market in terms of value and a 11% share in terms of solid quantity -units.





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Key financial indicators of Sopharma Group

Other operating revenues

- Other operating revenues** increased by BGN 0,3 million, to BGN 12,7 million in 2020, compared to BGN 12,4 million in 2019 due to increase in written-off liabilities and released provisions for liabilities by BGN 1,8 million, profit from sale of fixed assets by BGN 0,5 million, government grants by BGN 0,5 million and others. A decrease was recorded from exchange rate differences on trade receivables and payables and current accounts by BGN 2,7 million and social services and events by BGN 0,7 million.



Other operating revenues	2020	2019	Change	rel. share
	BGN '000	BGN '000	%	2020 %
Services rendered	5 845	5 648	3%	46%
Liabilities written off and provisions for liabilities released (Loss)/Profit from exchange rate differences under trade receivables and payables and current accounts	2 640	847	212%	21%
Government grants	(1 650)	1 052	-257%	-13%
Rents	1 298	842	54%	10%
Profit on sale of long-term assets	1 014	1 059	-4%	8%
Profit from change in the fair value of investment property	729	272	168%	6%
Revenue from fines and penalties	387	407	-5%	3%
Services related to social activities and events	293	-	-	2%
Interests on current accounts	219	918	-76%	2%
Profit on sale of materials	181	87	108%	2%
Other revenue	167	39	328%	1%
	1 554	1 250	24%	12%
Total other operating revenues	12 677	12 421	2%	100%

Operating expenses



- Operating expenses in 2020 increased by BGN 171,4 million or by 14% from BGN 1 234,3 million in 2019 to BGN 1 405,7 million in 2020. The change is a consequence of growth of sales and, respectively, of the carrying amount of goods sold of the Group, an increase in the cost of external services, personnel costs, amortization and other operating expenses.

Operating expenses	2020	2019	Change	rel. share of expenses 2020
	<i>BGN '000</i>	<i>BGN '000</i>	%	%
Changes in inventories of finished goods and work in progress	(2 124)	3 479	-161%	0%
Materials	89 324	93 234	-4%	6%
Hired services	80 869	75 239	7%	6%
Personnel	133 547	127 087	5%	10%
Depreciation and amortization	46 633	44 004	6%	3%
Carrying amount of goods sold	1 041 687	878 504	19%	74%
Other operating expenses	15 767	12 769	23%	1%
Total operating expenses	1 405 703	1 234 316	14%	100%

Financial income



Financial income and expenses in 2020 changed significantly as a result of the registered net foreign exchange loss on foreign currency loans and leases with BGN 5,5 million, which is mainly due to the depreciation of the Belarusian ruble and its effect on the debt exposure in EUR and USD of the Group companies in Belarus. The decrease in financial income is due to the registered profit from operations with investments in the amount of BGN 4 million in the previous period, as well as to reported income from interest for arrears, which are BGN 1,3 million less than in 2019.

Finance income	2020	2019	Change	rel. share of income in 2020
	BGN '000	BGN '000	%	%
Interest income on granted loans	2 641	2 803	-6%	52%
Interest income on overdue trade receivables	1 594	2 876	-45%	31%
Income from equity share (dividends)	510	188	171%	10%
Net change in the impairment adjustment for credit losses on trade receivables	132	481	-73%	3%
Net gain from investment operations in securities and shares	93	3 955	-98%	2%
Interest on receivables under special contracts	77	69	12%	2%
Interest income on bank deposits	22	1	-	0%
Recovered impairment for credit losses of cash	12	-	-	0%
Net gain from exchange rate differences from lease contracts	-	506	-100%	0%
Net gain from exchange rate differences on receivables from securities transactions	-	47	-100%	0%
Others	-	27	-100%	0%
Total	5 081	10 953	-54%	100%

Financial expenses

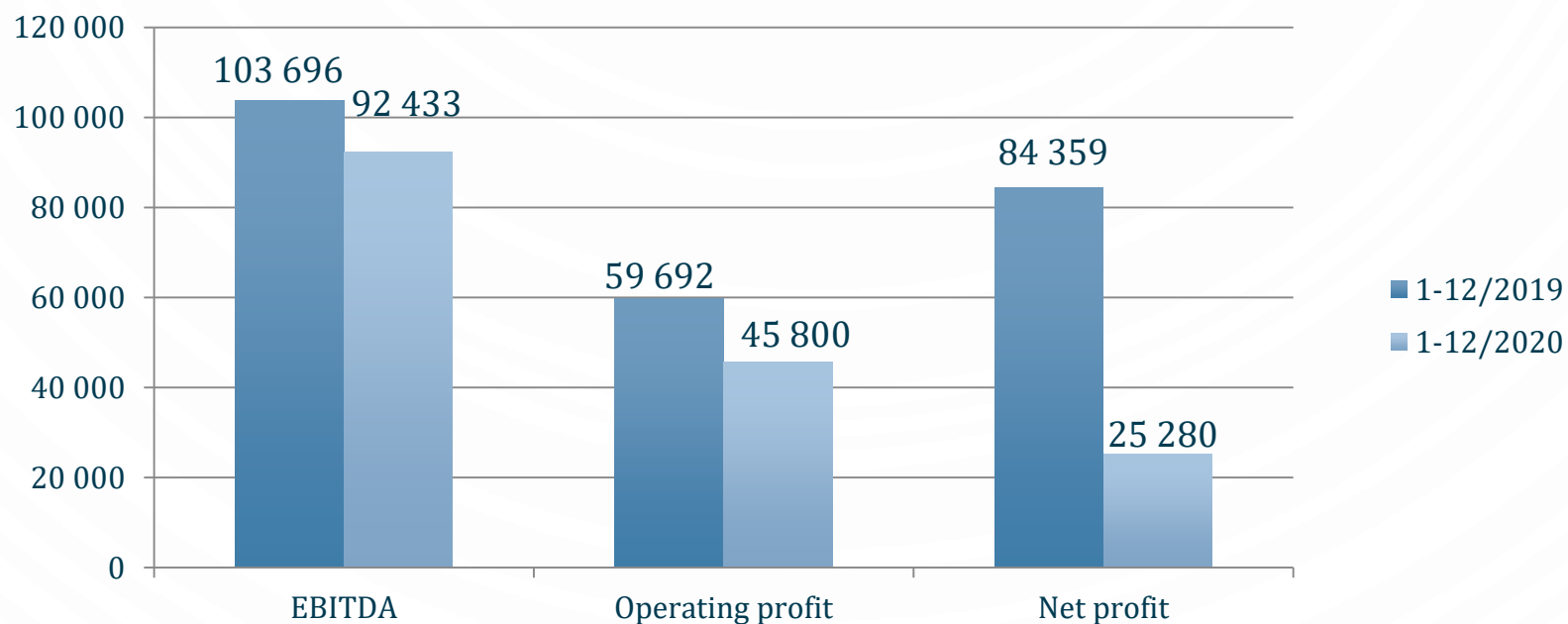
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Financial expenses	2020	2019	Change	rel. share of expenses in 2020
	<i>BGN '000</i>	<i>BGN '000</i>	%	
Interest expenses on loans received	10 061	9 264	9%	53%
Net foreign exchange loss on foreign currency loans and leases	5 469	-	100%	29%
Interest expense on lease contracts	1 648	1 736	-5%	9%
Bank fees and charges on loans and guarantees	813	935	-13%	4%
Interest expense on factoring	582	449	30%	3%
Net loss from exchange rate differences on receivables				
from securities transactions	294	-	100%	2%
Other interest expenses	117	7	100%	1%
Other	115	-	100%	1%
Total	19 099	12 391	54%	100%

Financial result of the activity



- **EBITDA** decreased by BGN 11,3 million or 11%, reaching BGN 92,4 million in 2020, compared to BGN 103,7 million in 2019. The main factor is the lower profit margin of the sold goods, as in 2020 this indicator is 10.9%, compared to 11.5% for the previous period, as a result of which the negative effect amounts to BGN 7,7 million.
- **The operating profit** decreased by BGN 13,9 million or 23% to BGN 45,8 million in 2020 compared to BGN 59,7 million in 2019.
- **Net profit** decreased by BGN 59,1 million or by 70% to BGN 25,3 million in 2020 compared to BGN 84,4 million in 2019, as a negative impact had the increased financial costs as a result of exchange rate losses, as well as the one-time effect of the profits reported in the previous period by associates.



Assets

- **Total assets** increased by BGN 66,8 million or by 6%, from BGN 1 242,1 million as at 31 December 2020 to BGN 1 175,3 million as at 31 December 2019, due to an increase in non-current and current assets.
- **Non-current assets** increased by BGN 3,8 million or 1%, mainly due to an increase in property, plant and equipment and intangible assets, while long-term receivables from related companies decreased by BGN 32,1 million as a result of partial repayment of loans by companies from the Group of “Doverie - Obedinen Holding” AD.
- **Current assets** increased by BGN 63,1 million or 11%, to BGN 612,2 million as of 31.12.2020, compared to BGN 549,1 million as of 31.12.2019, as the growth is most significant in the part of trade inventories by BGN 57,7 million and other short-term receivables and assets by BGN 14,4 million.

Assets	31.12.2020	31.12.2019	Change	rel. share
	BGN '000	BGN '000	%	2020
				%
Non-current assets				
Property, plant and equipment	395 872	378 625	5%	63%
Intangible assets	58 272	42 829	36%	9%
Goodwill	13 269	15 909	-17%	2%
Investment property	11 691	10 856	8%	2%
Investments in associated companies and joint ventures	62 811	62 985	0%	10%
Other long-term capital investments	14 294	10 079	42%	2%
Long-term receivables from related parties	59 726	91 794	-35%	9%
Other long-term receivables	11 951	10 674	12%	2%
Deferred taxes	2 049	2 421	-15%	0%
	629 935	626 172	1%	51%
Current assets				
Inventories	287 569	229 873	25%	47%
Trade receivables	250 707	255 660	-2%	41%
Receivables from related parties	6 682	7 112	-6%	1%
Assets held for sale	-	1 462	-100%	0%
Other receivables and prepayments	41 926	27 480	53%	7%
Cash and cash equivalents	25 293	27 513	-8%	4%
	612 177	549 100	11%	49%
TOTAL ASSETS	1 242 112	1 175 272	6%	100%

Owner's equity and liabilities – non-current liabilities



- **The equity of Sopharma Group** decreased by BGN 9,2 million compared to 31 December 2019, mainly due to a decrease of non-controlling interest by BGN 6 million, as a result of the negative financial results of the subsidiaries in Latvia and Belarus, mainly due to the depreciation of the local currency.
- **Non-current liabilities** increased by BGN 15,6 million, or 14%, from BGN 115,5 million at the end of 2019 to BGN 131,1 million at the end of 2020, mainly from an increase in leasing liabilities by BGN 23,7 million and other non-current liabilities related to the purchase of shares by BGN 8,4 million, and decreased in the part of long-term bank loans by BGN 22,3 million.

EQUITY	31.12.2020	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%	24%
Reserves	57 701	60 977	-5%	10%
Retained earnings	360 770	360 656	0%	64%
	553 269	556 431	-1%	98%
NON-CONTROLLING INTEREST	13 326	19 341	-31%	2%
TOTAL EQUITY	566 595	575 772	-2%	100%
LIABILITIES				rel. share compared to total liabilities 2020
Non-current liabilities	BGN '000	BGN '000	%	%
Long-term bank loans	34 567	56 832	-39%	5%
Deferred tax liabilities	7 937	8 196	-3%	1%
Long-term liabilities to related parties	8 783	2 972	196%	1%
Long-term liabilities to personnel	7 339	6 626	11%	1%
Lease liabilities	49 593	25 840	92%	7%
Government grants	10 422	10 940	-5%	2%
Other non-current liabilities	12 425	4 042	207%	2%
	131 066	115 448	14%	19%

Current liabilities

- Increase:**

- trade liabilities by BGN 48,5 million;
- short-term part of long-term bank loans by BGN 14,4 million;
- obligations under factoring contracts with BGN 11,8 million;
- short-term part of leasing liabilities by BGN 7,9 million.

- Decrease:**

- short-term bank loans by BGN 19,5 million;
- liabilities to related companies by BGN 5,3 million.

Total liabilities on bank loans, leasing and factoring of the Group increased by BGN 11,3 million compared to the end of 2019, with the net debt after deduction of cash and cash equivalents increased by BGN 13,5 million to BGN 400,2 million.

Current liabilities	31.12.2020	31.12.2019	Change %	rel. share compared to total liabilities 2020
	BGN '000	BGN '000		
Short-term bank loans	255 281	274 829	-7%	38%
Short-term part of long-term bank loans	31 172	16 730	86%	5%
Trade liabilities	164 919	116 407	42%	24%
Liabilities to related parties	2 367	7 668	-69%	0%
Liabilities on contract for factoring	36 591	24 772	48%	5%
Current portion of finance lease liabilities	17 951	10 012	79%	3%
Liabilities to the personnel and for social insurance	17 996	15 418	17%	3%
Tax payables	6 590	7 217	-9%	1%
Other current liabilities	11 584	10 999	5%	2%
	544 451	484 052	12%	81%
TOTAL LIABILITIES	675 517	599 500	13%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	1 242 112	1 175 272	6%	

Cash flows and ratios

- The free cash flow (normalized with the revenues from factoring and payments under lease contracts), generated for 2020, amounts to BGN 22,9 million compared to BGN 20,3 million in 2019.

Ratios	31.12.2020	31.12.2019
ROE ¹	5.4%	15.6%
ROA ²	2.4%	7.4%
Asset turnover ³	1,16	1,15
Current liquidity ⁴	1,12	1,09
Quick ratio ⁵	0,60	0,58
Cash/current liabilities ⁶	0,05	0,05
Owners' equity/liabilities ⁷	0,84	0,96
Cash flows	31.12.2020	31.12.2019
	BGN '000	BGN '000
Net cash flows from operating activities	(179 411)	(128 444)
Proceeds of amounts by factoring	243 935	200 845
Purchases of property, plant and equipment, intangible assets, net	(24 814)	(38 971)
Payments under lease contracts	(16 790)	(13 095)
Free cash flow (normalized)	22 920	20 335

1 Net profit on an annual basis attributable to owners of the parent /equity attributable to owners of the parent

2 Net profit on an annual basis / total assets

3 Revenues from sales on an annual basis /total assets

4 Current assets / current liabilities

5 Receivables + Cash and cash equivalents / Current liabilities

6 Cash and cash equivalents / Current liabilities

7 Equity / Liabilities



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Production activity: "Sopharma" AD

Production activity and major products – "Sopharma" AD



10 manufacturing facilities.



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 the company's export revenues.



The generic product **Analgin** is of major importance to the company's domestic sales.

Product	Description
Carsil	Traditional phyto-product used for the treatment of gastrointestinal diseases (liver diseases).
Tempalgin	Traditional drug used as a painkiller.
Tabex	Traditional phyto-product used for the treatment of nicotine dependence.
Tribestan	Traditional phyto-product that stimulates the sexual functions.
Broncholitín	Traditional product used for treatment of diseases affecting the respiratory system and causing coughing and catarrhal changes.
Analgin	Generic painkiller.
Nivalín	Traditional phyto-based product used for the treatment of 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 .
Valeriana	Generic non-prescription herbal medicine used to reduce stress.



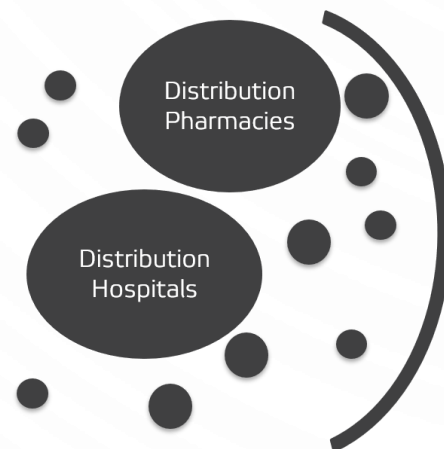
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Major subsidiaries

Distribution – „Sopharma Trading“ AD

- The company was established and registered in 1993 as "Sanita Trading" Ltd.
- In 1998 it was transformed into a joint-stock company.
- In 2005 the name of the company became “Sopharma Trading” AD.
- The subject of activity is wholesale and retail trade of medicines and sanitary materials; transport and forwarding activities; purchase, construction and furnishing of real estate for sale; all other commercial transactions not prohibited by law.
- The company strives to diversify its operations so that from a purely distribution company to become a fully integrated provider of comprehensive, innovative and quality healthcare services on the market.

2006 PHARMA DISTRIBUTOR



2020 HEALTHCARE PROVIDER



“Sopharma Trading” AD offers:



15 000 pharmaceuticals products.



Turnkey solutions for hospitals.



100% coverage on the territory of Bulgaria and access to any point of the country within 4 hours.

Distribution service through our own fleet of **more than 130 vehicles**.

Complete logistics solutions for import, storage and distribution of goods to end customers.



More than **3000 clients**.

Key highlights



- **100%** national distribution coverage in Bulgaria and Serbia with four regional distribution centers.
- Daily deliveries to **3,500 pharmacies and 350 medical establishments**.
- The company also offers a **pre-distribution service** - warehousing and logistics services for pharmaceutical products.
- The national logistics coverage in Bulgaria is implemented through **three** bases in Sofia, Varna and Veliko Tarnovo.
- The warehouse of “Sopharma Trading” AD in Sofia is the **most modern** pharmaceutical logistics terminal in Bulgaria.

Indicators	2020	2019
Revenues from sales (<i>BGN '000</i>)	877 811	776 528
Net profit (<i>BGN '000</i>)	23 171	20 095
Net profit per share	0.68	0.59
Assets (<i>BGN '000</i>)	482 876	414 606
Owners' equity (<i>BGN '000</i>)	112 055	99 230
Shares (<i>BGN '000</i>)	34 276	34276

Management and shares



BGN **34 276 050** share capital



Ordinary registered shares with value of BGN 1 per share.

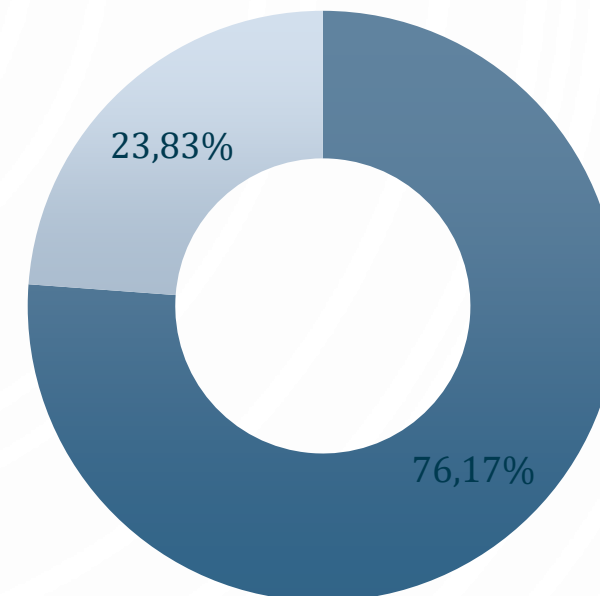


Shareholder participation of the members of the Board of Directors:

- Ognian Donev – Chairman – **767 100** shares, **2.24%** of capital.
- Dimitar Dimitrov – member and Executive Director – **233 439** shares, **0.68%** of capital.



Shareholder structure as at 31 December 2020



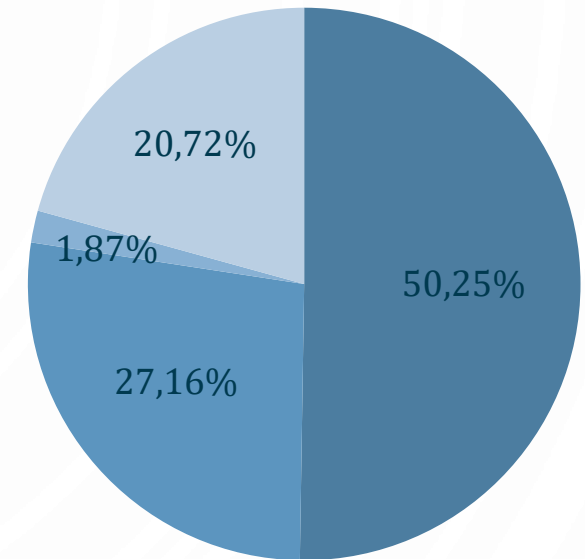
- "Sopharma" AD
- Physical persons, under 5%

Development

- “Sopharma Trading” AD is actively working to expand its market positions in the various segments in which it operates - hospital and pharmacy.
- In 2015, the Company started the development of its retail chain of pharmacies under the SOpharmacy brand.
- The annual average market growth rate in Europe will be 2-5%.
- The market for medicinal products in developed countries in the EU will grow at a very slow pace (an average of 0.8% annually).
- Major trends in the „wholesale drug industry“:
 1. Consolidation of participants in this market;
 2. Expanding our own portfolio of products focused on cosmetics and OTC;
 3. Cost minimization in supply chain management;
 4. Digitalization the sector and analyzing Big Data based processes.



Sales by clients group



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler



Consolidated annual financial results for 2020

New products, significant events and risks

New developments and products



- **5** Marketing Authorization was obtained for a new medicinal product - Solifenax 5 mg film-coated tablet (Bulgaria)), Ambrolitin 30 mg/5 ml syrop (Bulgaria, Latvia, Estonia), Ketoprofen 100 mg/ 2 ml solution for injection (Bulgaria), Sofazolon 40 mg powder and solvent for solution for injection (Bulgaria), Dexketoprofen 50 mg/2ml solution for injection (Latvia, Lithuania, Estonia).
- The following new medicinal products were introduced in 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.
- Until the end of 2021 it is expected that **3 to 5** new products will be implemented.
- Received **28** Authorizations for the use of medicinal products for new destinations.
- During the reporting period **17** food supplement for Bulgaria, Armenia, Azerbaijan, the Ukraine, Kazakhstan and Kyrgyzstan were notified.
- **48** medical supplies were registered in the Ukraine (two), Moldova (thirty) and Macedonia (sixteen);
- Renewed Marketing Authorizations for 85 medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **119** medicinal products to agencies.
- **854** changes for medicinal products approved by agencies.
- **949** changes made for medicinal products to the agencies.
- There is a pharmaceutical development of **11** new medicinal products;
- **18** medicinal products have been transferred / undergoing transfer and **30** manufacturing processes / technologies have been validated / optimized.



Significant events occurring after the date of preparation of the annual financial statements



- On 10 March 2021 the Company sold 396,600 of its shares in the capital of “Momina Krepost” AD, as a result of which the share of ownership of “Sopharma” AD became 37.46%. On 15 March 2021 an agreement was concluded between “Sopharma” AD and “Medical Consumables” OOD for a common policy in the management of Momina Krepost” AD through joint exercise of voting rights.
- On 23 March 2021 a notification under Art. 151, para 3 of LPOS was received, accompanied by a draft Tender Offer under Art. 149, para 6 of the LPOS for purchase of all shares from the other shareholders of “Momina Krepost” AD, Veliko Tarnovo city by the majority shareholder “Medical Consumables” OOD, Sofia city. “Medical Consumables” OOD offers to buy the shares of the other shareholders in “Momina Krepost” AD at a price of one share in the amount of BGN 3,16. Authorized investment intermediary for the tender offer is “Sofia International Securities” AD, Sofia city. The Financial Supervision Commission is expected to comment on the tender offer.
- At the Extraordinary General Meeting of Shareholders of “Sopharma” AD, held on 2 April 2021, the amendments to the Articles of Association of the Company proposed by the Board of Directors were adopted by a majority of 85.93% of the presented capital.
- At the Extraordinary General Meeting of Shareholders of “Sopharma Trading” AD, held on 2 April 2021, the amendments to the Articles of Association of the Company proposed by the Board of Directors were adopted.



Future development of “Sopharma” AD

- On the local market, the Company aims to provide patients with more affordable treatment by registering new generic products in shorter terms.
- On the foreign markets, efforts are focused on preserving and increasing the share of the Company in the main markets (Russia, Ukraine and Poland), as well as establishing and expanding market positions in other countries (Middle and Eastern Europe and Caucasus region).
- The Company continues the policy of active partnership with established international pharmaceutical companies, with new companies, as well as expanding the product range of already established collaborations.
- Optimization of product portfolio.



Review the main risks

1. The COVID19 pandemic.
2. Significant competition.
3. The Company is dependent on regulatory approvals.
4. The Company's ability to pay dividends depends on a number of factors and there can be no guarantee that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.
5. Operational risk, which is inherent to its business activities.
6. The macroeconomic environment has a significant effect on the Company's operations and position.
7. 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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