

Sopharma Group

Consolidated financial results for the first half of 2020





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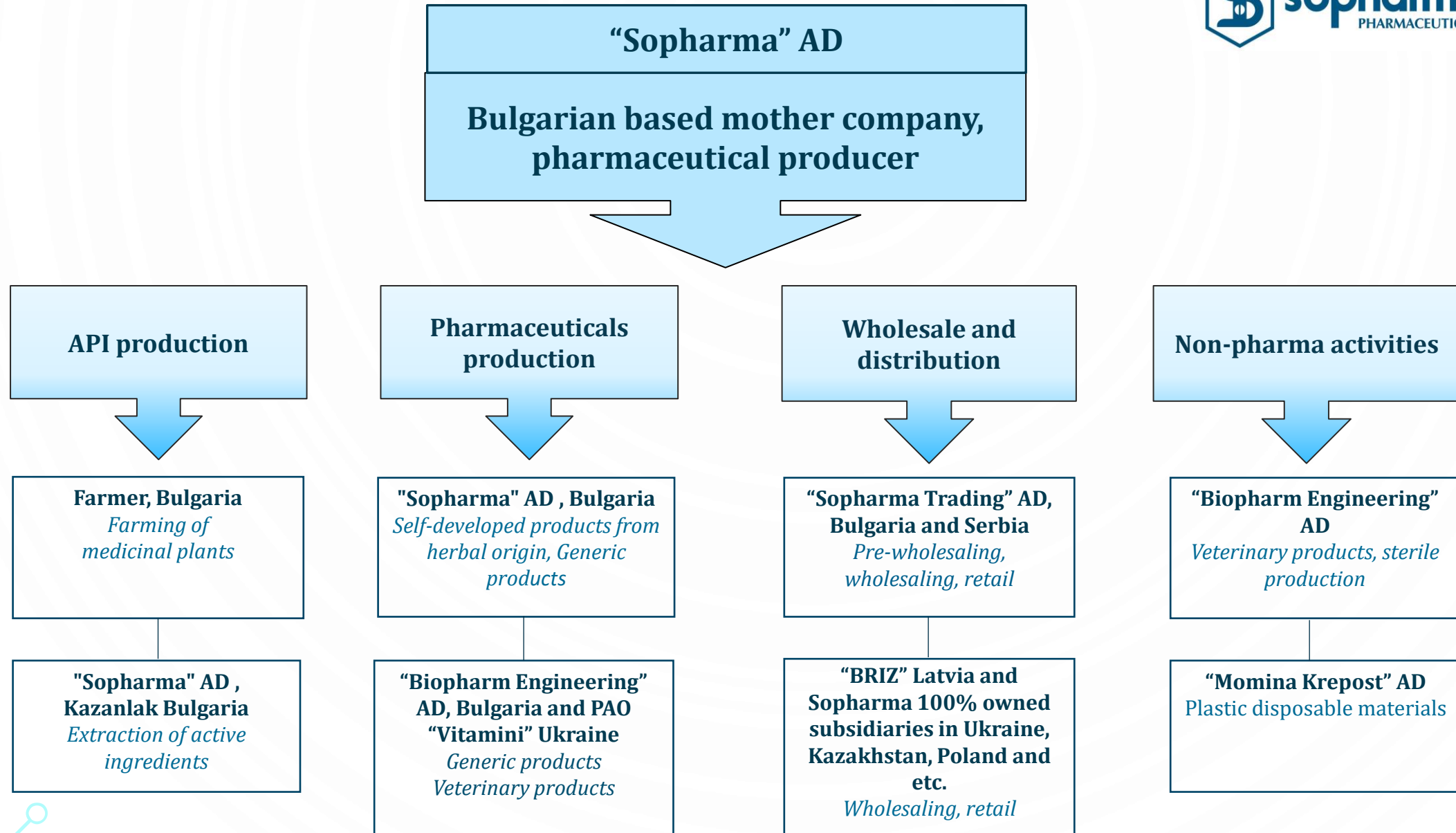
Who are we?

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.

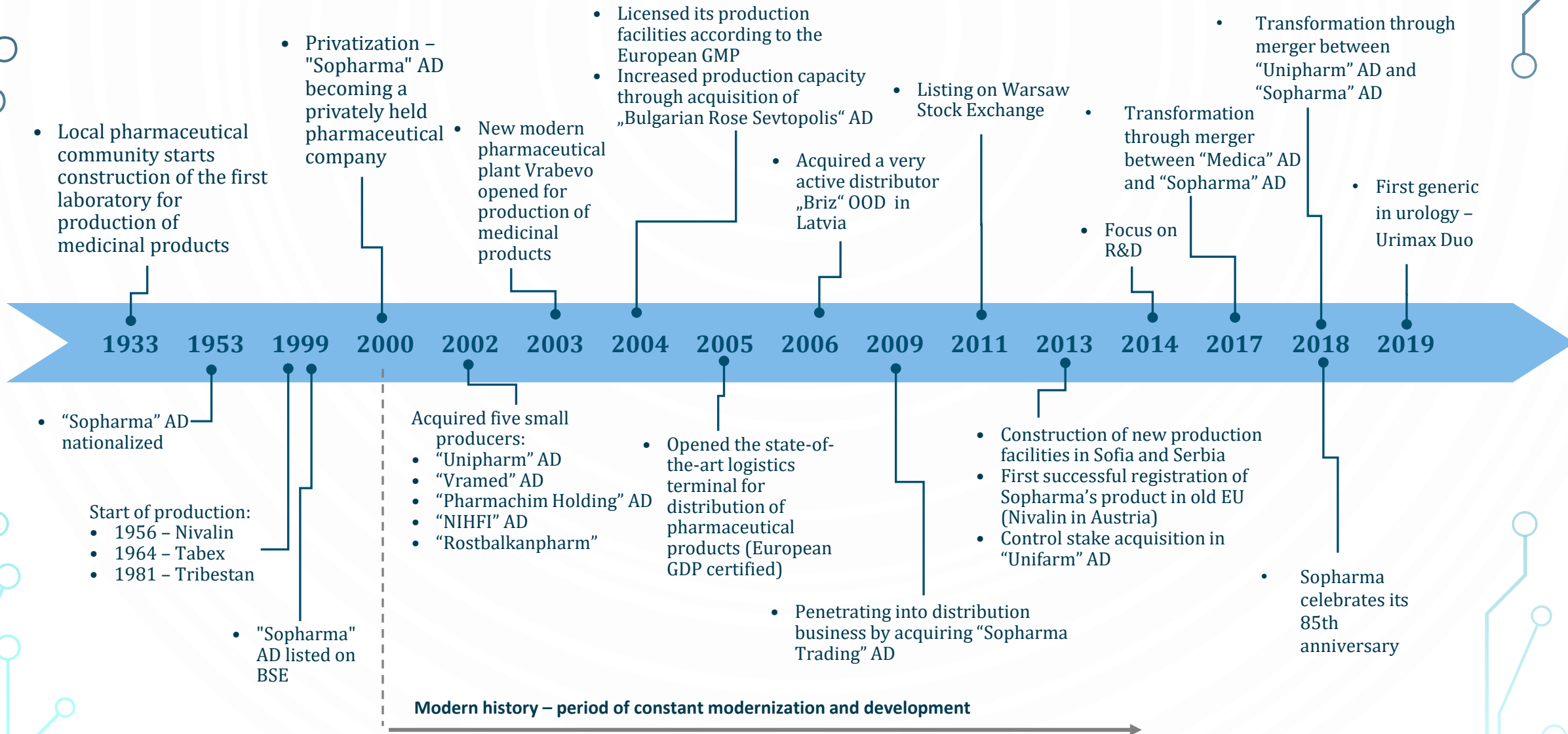
The Group works in the following areas:

- 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



50 subsidiaries and
1 associated company



№1 manufacturer of
ampules and suppositories



Revenues
BGN 678 997
thousand



More than 200
products



Company with established
traditions and experience



EBITDA
BGN 48 511
thousand



12
manufacturing plants



134 797 899
shares



employees
5 154

Key financial indicators



Sales revenues increase with 11%



EBITDA decreases with 1.7%



Operating profit decreases with 4.9%



Net profit decreases with 22.7%



Capex decreases with 1.4%

Indicators	1-6/2020	1-6/2019
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenues	678 997	611 937
EBITDA	48 511	49 362
Operating profit	26 746	28 131
Net profit	18 711	24 208
CAPEX**	21 860	22 173
	30.06.2020	31.12.2019
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	593 800	626 172
Current assets	590 886	549 100
Owners' equity	582 667	575 772
Non-current liabilities	113 570	115 448
Current liabilities	488 449	484 052

“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).

Personnel



5 154

workers and
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).



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Management, shares and dividends

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 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 June 30, 2020

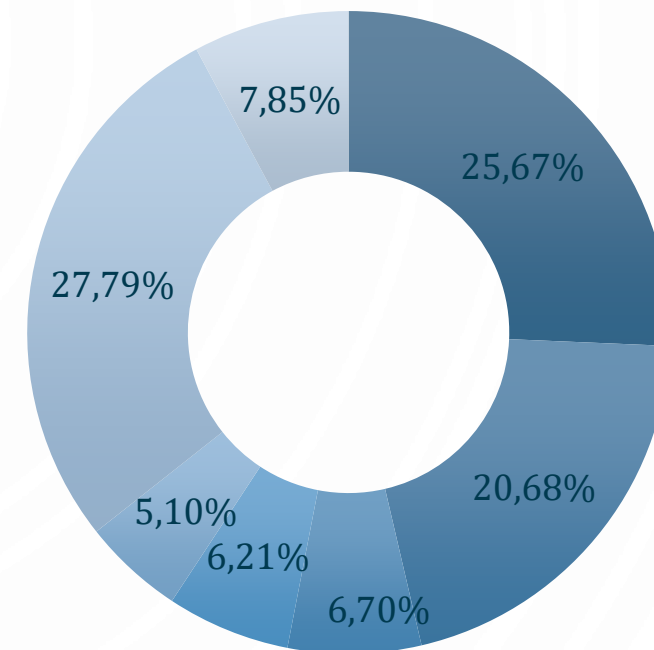


134 797 899 shares with nominal value BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – directly **1 970 130** shares, **1.46%** of capital and indirectly **34 596 910** shares, **25.67%** 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	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
Market capitalization at the end of the period in BGN	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

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.
- 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.

Dividend per share in BGN

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
"Sopharma" AD	0.085	0.07	0.07	0.07	none	0.07	0.10	0.11	0.05	0.05 0.07
"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%



Consolidated financial results for the first half of 2020

Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



GDP per capita

BGN 17,008 (€ 8,678)

GDP growth 2019 and 2018

3.4% growth

Currency

BGN fixed to the euro from 1998
(€ 1 = BGN 1,96)

Health budget 2020:
BGN 5 billion

Pharmaceutical industry:
99% private



Area

111.000 km²

Population

6.951 million

Member of EU

since 2007

Source: NSI 2019

Sales revenues from products

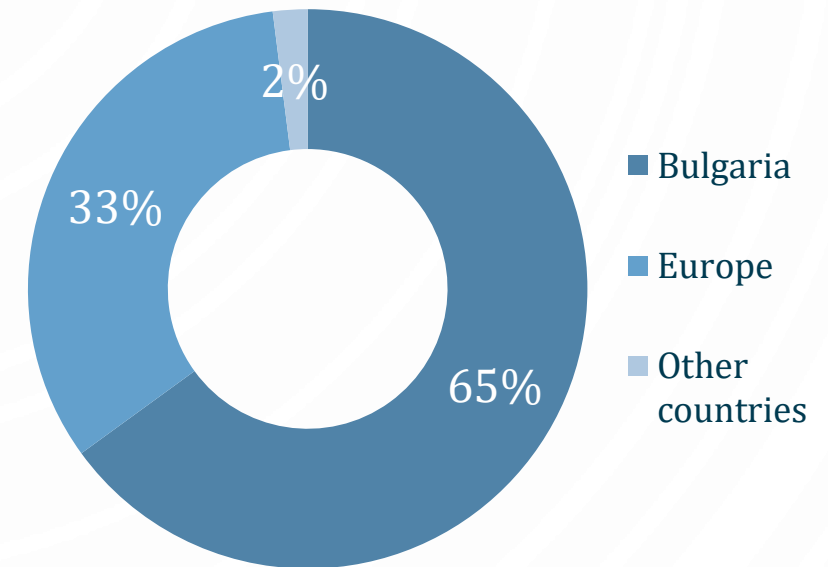
- **Sales revenues of the Group** increase with BGN 67,1 million or 11%, reaching BGN 679 million in the first half of 2020 compared to BGN 611,9 million in the first half of 2019.

- **Europe**

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 half of 2019.

- **Bulgaria**

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.

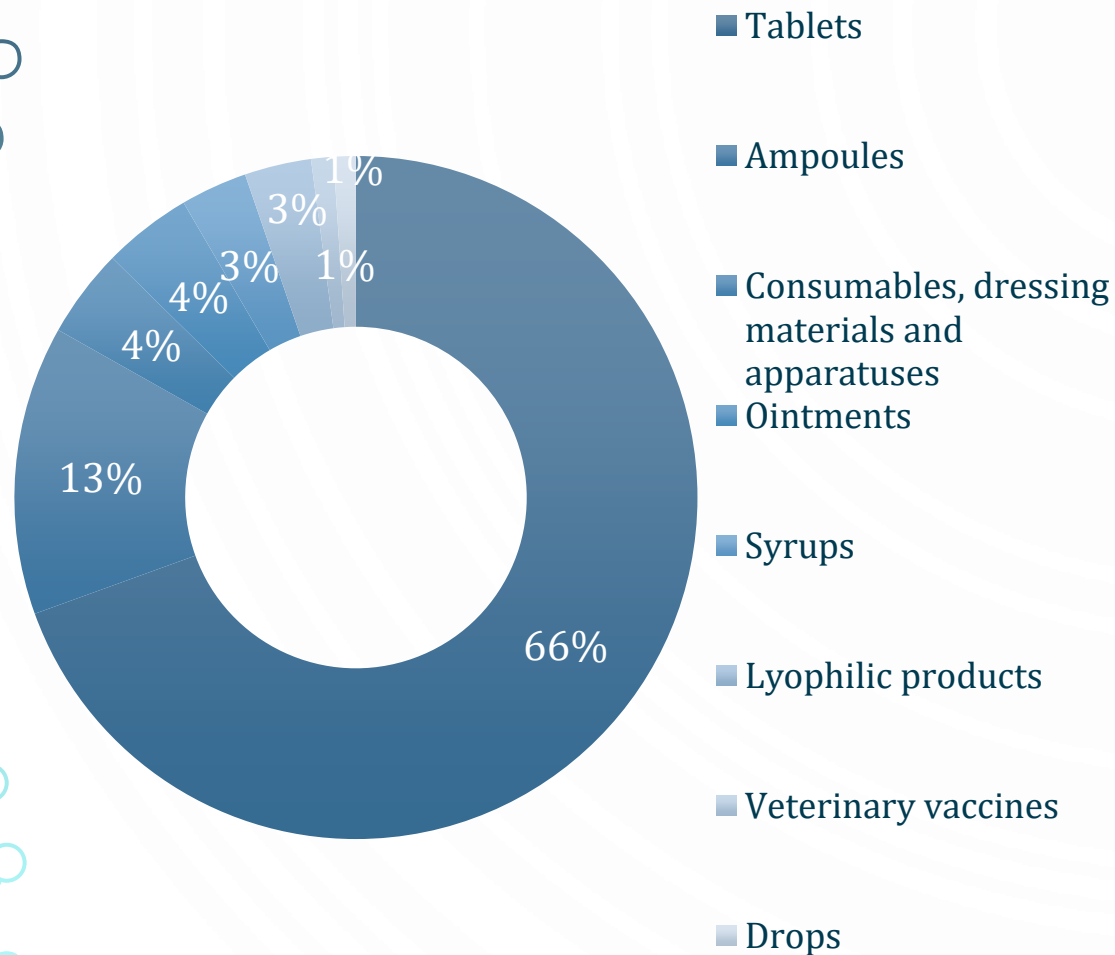




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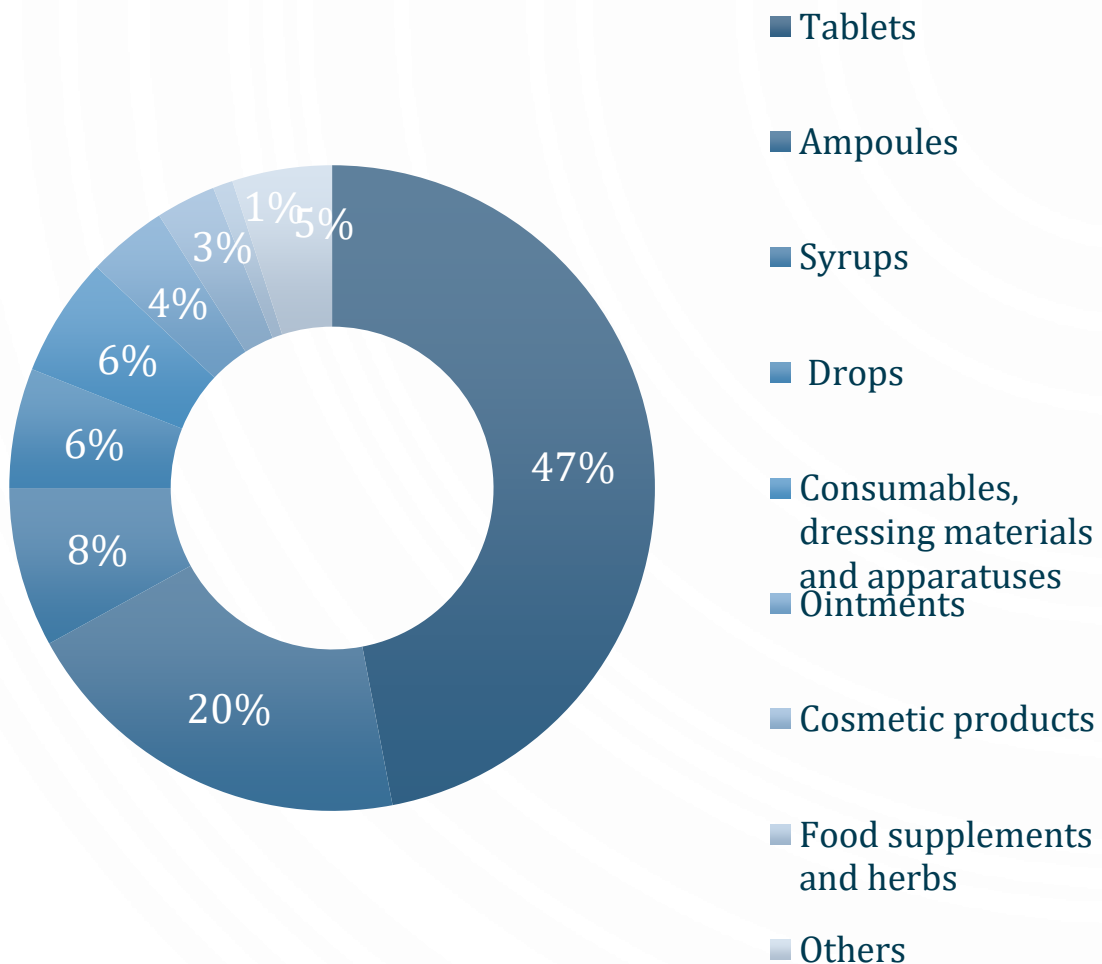
Key financial indicators of Sopharma Group

Sales by type of formulation



Revenues from sales of finished products	1-6/2020	1-6/2019	Change %
	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%

Revenue earned from sale of goods



Revenues earned from sale of goods	1-6/2020 BGN '000	1-6/2019 BGN '000	Change %
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 income

- **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.



Other operating income	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%
Government grants	477	400	19%	9%
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%

Operating expenses



- **Operating expenses** increase to BGN 67,6 million or 11% in the first half of 2020;
- The expenses of **materials** increase by BGN 5 million or 11% to BGN 48,3 million in the first half of 2020;
- **External services** expenses increase by BGN 2,4 million or by 7% to BGN 37,8 million in the first half of 2020;
- **Personnel** expenses increase by BGN 2,5 million or by 4% to BGN 66 million in the first half of 2020;
- **Other operating expenses** decrease by BGN 0,3 million or 9% to BGN 3,2 million in the first half of 2020;
- **Depreciation** expenses increase by BGN 0,5 million or 2% to BGN 21,7 million in the first half of 2020.

Operating expenses	1-6/2020	1-6/2019	Rel. share	
	BGN '000	BGN '000	Change of 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%

Financial income



Financial income 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 decreases in interest income on overdue trade receivables by BGN 0,8 million.

Financial income	1-6/2020 BGN '000	1-6/2019 BGN '000	Change %	Rel. share
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%

Financial expenses



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)

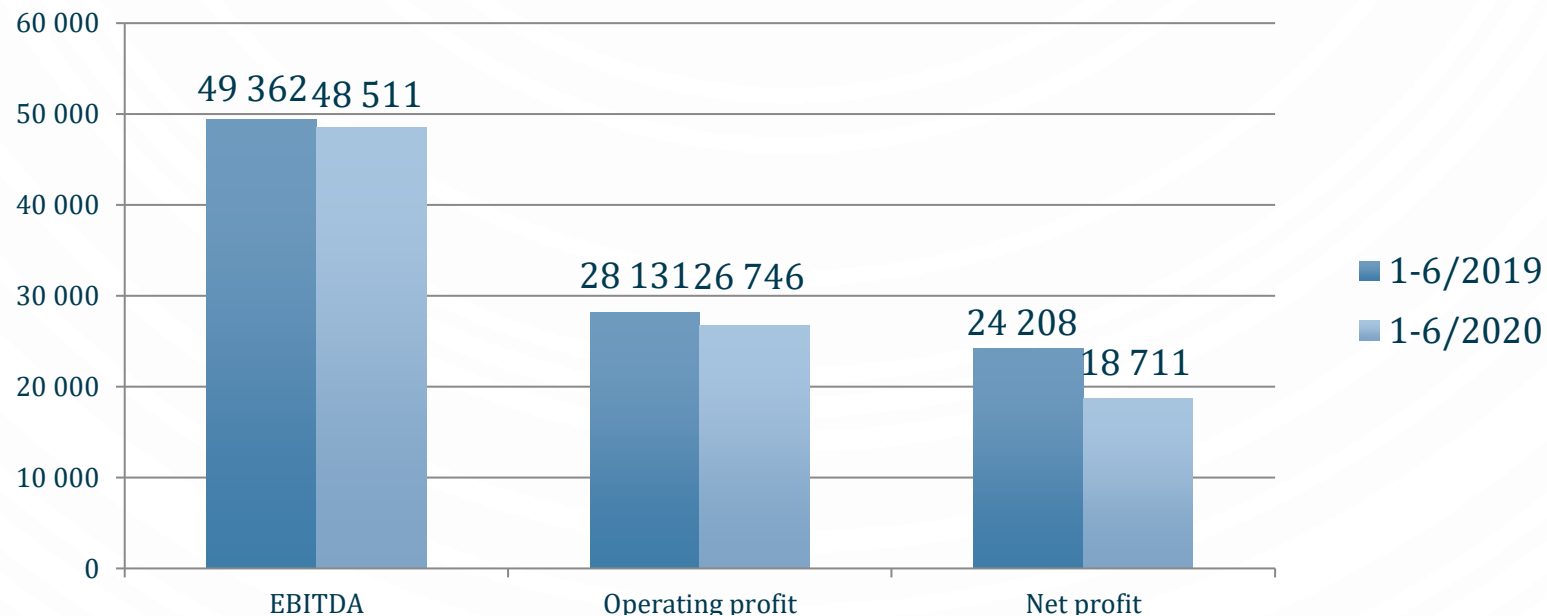
- changed by BGN (4,4) million to BGN (7) million as at 30 June 2020 compared to BGN (2,6) million at 30 June 2019.

Financial expenses	1-6/2020	1-6/2019	Change %	Rel. share
	<i>BGN '000</i>	<i>BGN '000</i>		
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 result of the activity



- **EBITDA** decreases 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** decreases 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

- **Total assets** increase by BGN 9,4 million or by 1% 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.

Assets	30.06.2020 BGN '000	31.12.2019 BGN '000	Change %	Rel. share 2020 %
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		
Assets held for sale				
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%

Owner`s equity and liabilities – non-current liabilities



- **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.

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%
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



- Increase:**

- trade liabilities by BGN 8,7 million;
- 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;
- other current liabilities by BGN 1,6 million.

- Decrease:**

- short-term bank loans by BGN 10,6 million;
- liabilities under factoring contracts by BGN 4,4 million;
- 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.

Current liabilities	30.06.2020	31.12.2019	Change	Rel. share
	BGN '000	BGN '000	%	
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%	

Cash flow and ratios



- Net cash flows in the first half year of 2020 generated:
 - from operating activities - BGN 110 million outflow;
 - investment activities - BGN 16,9 million inflow;
 - from financial activities - BGN 86,7 million inflow.
- As a result of these activities, cash and cash equivalents decrease 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.

	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
	30.06.2020	30.06.2019
	BGN '000	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

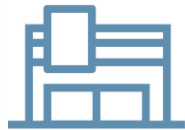
1 Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of non-minority interest for the last five half years
 2 Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of total assets for the last five half years
 3 Revenue from sales on an annual basis / arithmetic mean of total assets over the last five half years
 4 Current assets / current liabilities
 5 Receivables + Cash / Current liabilities
 6 Cash / Current liabilities
 7 Own capital / Liabilities



Consolidated financial results for the first half of 2020

Production activity: "Sopharma" AD

Production activity and major products – "Sopharma" AD



12 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.
Broncholitin	Traditional product used for treatment of diseases affecting the respiratory system and causing coughing and catarrhal changes.
Analgin	Generic painkiller.
Nivalin	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.



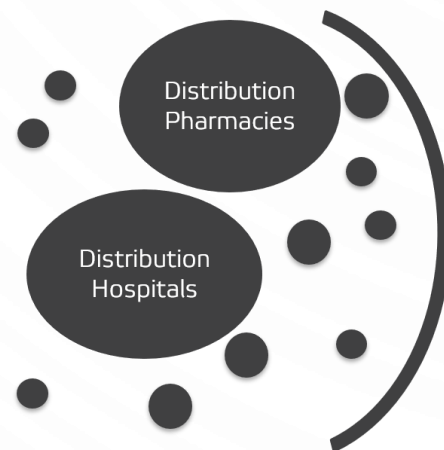
Consolidated financial results for the first half of 2020

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	1-6/2020 <i>BGN '000</i>	1-6/2019 <i>BGN '000</i>
Revenues from sales	420 907	379 596
Net profit	11 261	9 434
Net profit per share	0.33	0.29
Assets	443 327	414 606
Owners' equity	100 205	99 230
Shares	34 276	34 276

Management and shares



BGN **34 276 050** share capital.



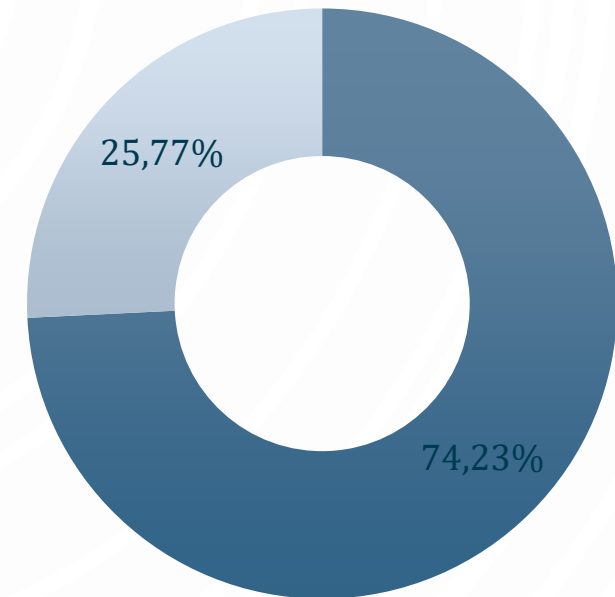
Ordinary registered shares with value of BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – Chairman – **927 654** shares, **2.71%** of capital.
- Dimitar Dimitrov – member and Executive Director – **233 439** shares, **0.68%** of capital.

Shareholder structure at 30.06.2020



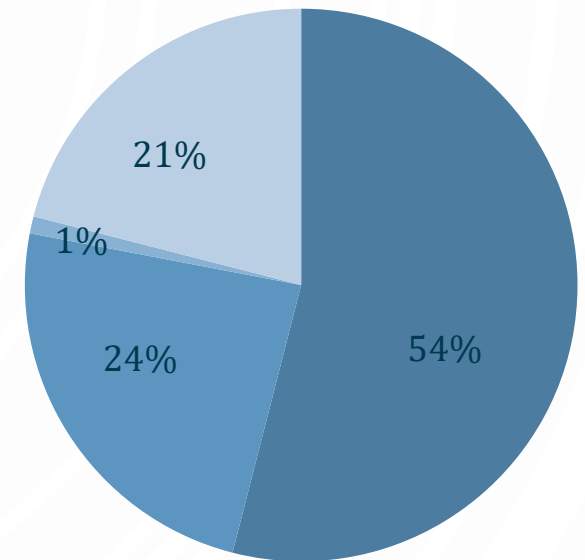
- "Sopharma" AD
- Physical persons, under 5%

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.



Revenues by market



- Pharmacy market
- Hospital market
- Apparatus
- Wholesaler

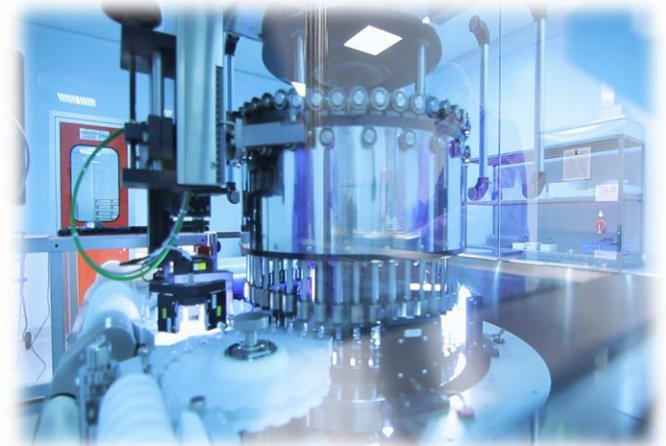


Consolidated financial results for the first half of 2020

New products, significant events and risks

New developments and products

- Marketing Authorization was obtained for a new medicinal product - **Solifenax 5 mg film-coated tablet (Bulgaria)**.
- 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.**
- During the reporting period **10** food supplement for Bulgaria, Armenia, Azerbaijan, Lithuania and Kyrgyzstan were notified.
- **18** medical supplies were registered in the Ukraine (two) and Macedonia (sixteen);
- 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.
- There is a pharmaceutical development of **10** new medicinal products;
- **15** medicinal products have been transferred / undergoing transfer and **20** manufacturing processes / technologies have been validated / optimized.



Significant events during the reported period

- On 22 January 2020, “Sopharma” AD began to pay the gross dividend of 5 cents per share voted at the General Meeting of Shareholders on December 13, 2019.
- On 31 January 2020 a merger of S000 “Brizpharm”, Belarus into 000 “Bellerofon”, Belarus was registered, by merging the assets and liabilities of the two companies.
- As of 2 March 2020, 000 “Zdorovey Pharm”, Belarus is a subsidiary through 000 “Zdorovey”, Belarus, as 000 “Zdorovey” owns 65% of the capital of 000 “Zdorovey Pharm”.
- On 19 March 2020, “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the SCS Franchise pharmacy group.
- 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 Meetings of “Sopharma” AD and “Sopharma Trading” were held.
- On 16 June 2020, the Annual General Meetings of the shareholders of “Sopharma Buildings” REIT and “Momina Krepost” AD – Veliko Tarnovo were held.
- 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.



Significant events during the reported period

- 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.
- 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.
- On 25 September 2020 “Sopharma” AD will hold two Extraordinary General Meetings of Shareholders, respectively from 11:00 a.m. (UTC 8:00 a.m.) and 11:30 a.m. (UTC 8:30 a.m.) in Sofia, as the invitations to convene the meetings and the materials were presented on 17.08.2020 and 20.08.2020.
- 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).
- 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 of the Company on 24.09.2020 from 15:00 p.m. (UTC 12:00 p.m.).
- 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.



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 assurance that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.
4. Operational risk, which is inherent to its business activities.
5. The macroeconomic environment has a significant effect on the Group's operations and position.
6. Currency risk - The Company supplies part of its raw and other materials in USD. The currency risk is related to the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.



Thank you for your time and attention!

Investor Relations Department
"Sopharma" AD

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