

Sopharma Group

Consolidated financial results for the nine months of
2020





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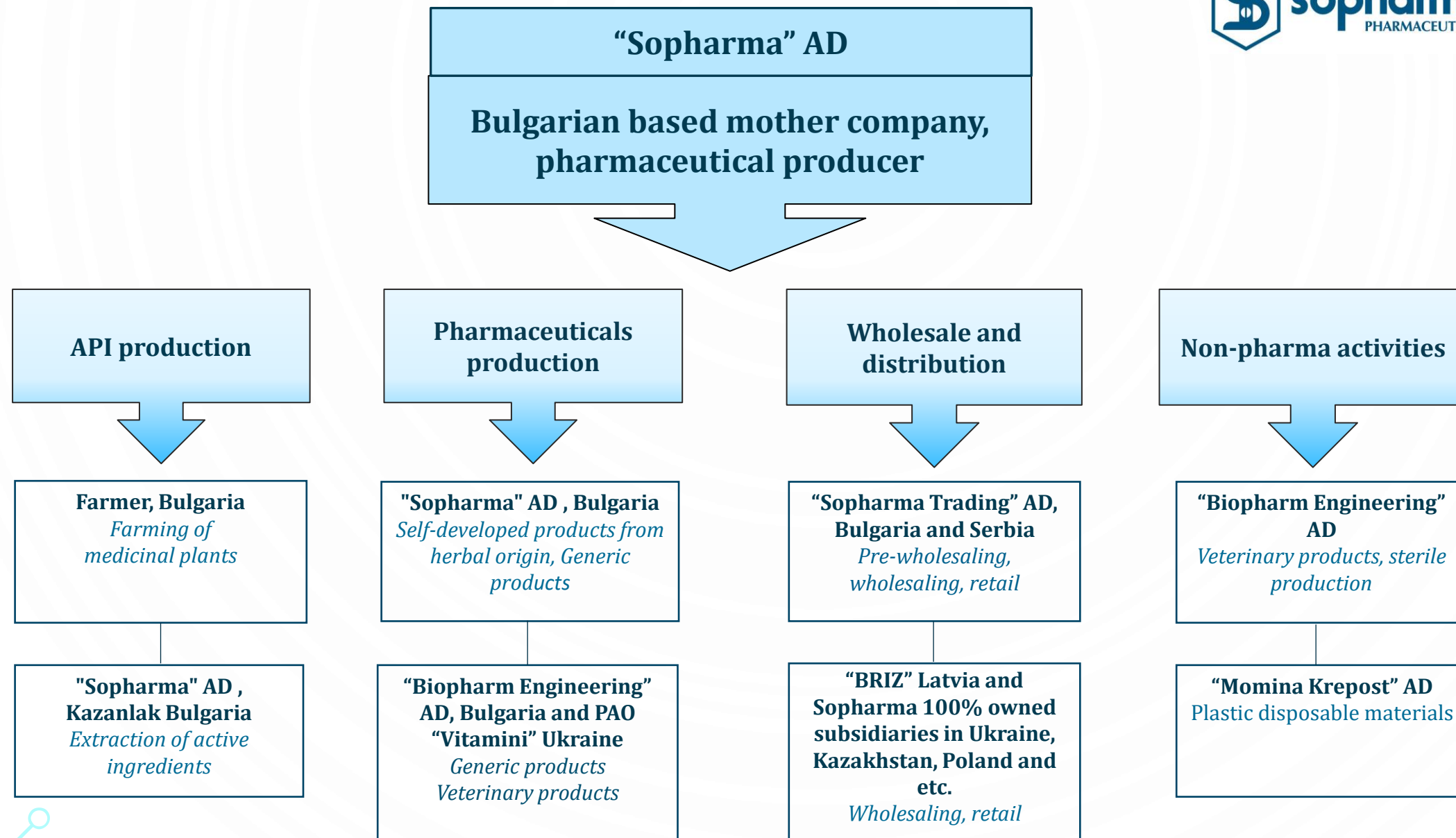
Who are we?

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.

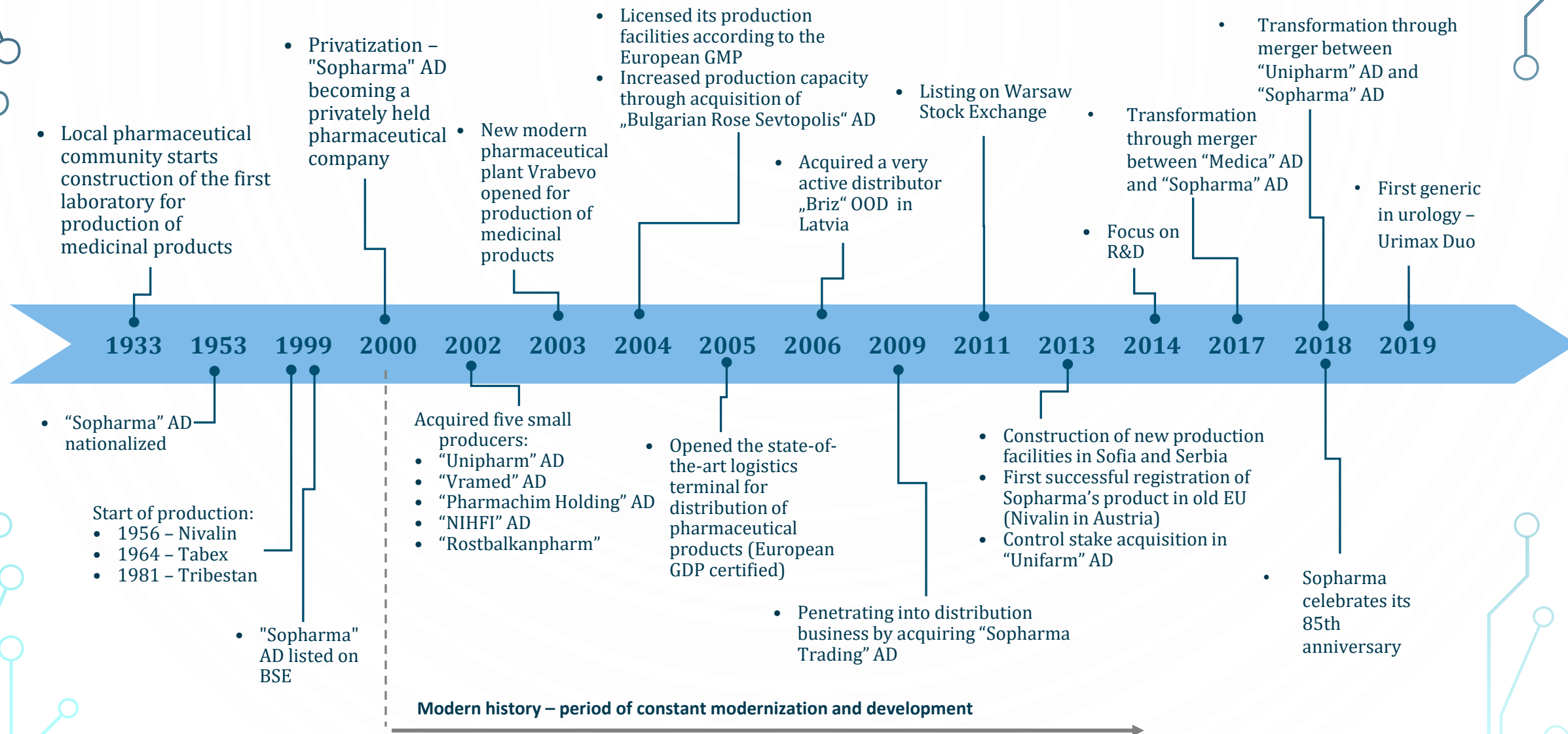
The Group works in the following areas:

- 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



49 subsidiaries and
1 associated company



№1 manufacturer of
ampules and suppositories



More than 200
products



12
manufacturing plants



Company with established
traditions and experience



employees
5 097



Revenues
BGN 1 018 446
thousand



EBITDA
BGN 65 559
thousand



134 797 899
shares

Key financial indicators



Sales revenues increase with 10.1%



EBITDA decreases with 10.9%



Operating profit decreases with 19.9%



Net profit decreases with 52.5%



Capex decreases with 25.9%

Indicators	1-9/2020	1-9/2019
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenues	1 018 446	924 776
EBITDA	65 559	73 603
Operating profit	32 818	40 989
Net profit	17 514	36 867
CAPEX**	32 081	43 297
	30.09.2020	31.12.2019
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	583 066	626 172
Current assets	599 859	549 100
Owners' equity	575 705	575 772
Non-current liabilities	94 428	115 448
Current liabilities	512 792	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



5 097

workers and
employees

- As at 30 September 2020, the average number of employees of Sopharma Group is 5 097 (compared to 5 163 in 2019). The average number of employees of “Sopharma” AD as at 30 September 2020 is 2 098 (at 2 275 in 2019) and of “Sopharma Trading” AD is 757 (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 September 30, 2020

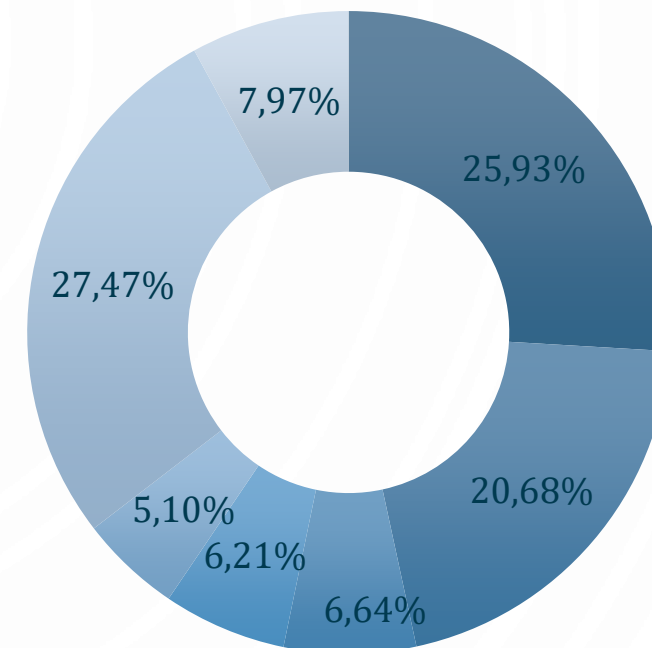


134 797 899 shares with nominal value
BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – directly **2 230 000** shares, **1.65%** of capital and indirectly **34 948 892** shares, **25.93%** 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
- "Telecomplect 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

	30.09.2020	30.06.2020
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	125 767 240	125 817 480
Number of shares outstanding at the end of the period	125 851 432	125 769 432
Earnings per share in BGN ¹	0,597	0,285
Price per share at the end of the period in BGN	3,08	3,167
Price/Earnings ratio (P/E)	5,16	11,11
Book value per share in BGN ²	4,464	4,246
Price/Book value ratio (P/B)	0,69	0,75
Market capitalization at the end of the period in BGN	415 177 529	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

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 November 23, 2020 “Sopharma” AD started the payment of the 6-month dividend for the first half of 2020 in the amount of 4 stotinki per share, voted at the Extraordinary General Meeting of Shareholders held on September 25, 2020.

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%

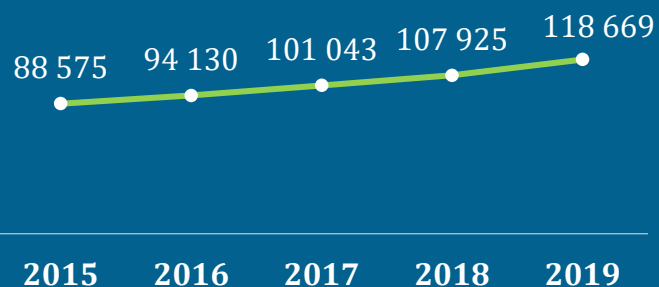


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Key markets

Republic of Bulgaria: Demography and key economic indicators

GDP (BGN million)



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



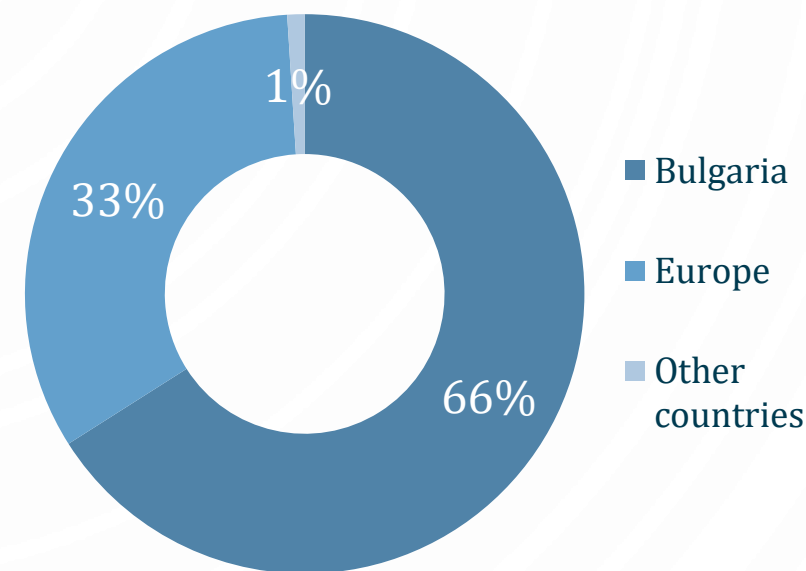
- **Sales revenues of the Group** increase with BGN 93,7 million or 10%, reaching BGN 1 018,5 million in the nine months of 2020 compared to BGN 924,8 million in the nine months of 2019.

- **Europe**

Revenues from sales of the Group in Europe amount to 33% of total consolidated sales revenues for the nine months of 2020 and increase with 7% compared to the nine months of 2019.

- **Bulgaria**

The contribution of sales in Bulgaria to the consolidated sales revenue in the nine months of 2020 amounted to 66%, increasing by 12% compared to the nine months of 2019. Sopharma has a 3% share on the Bulgarian pharmaceutical market in terms of value and a 11% share in terms of solid quantity -units.

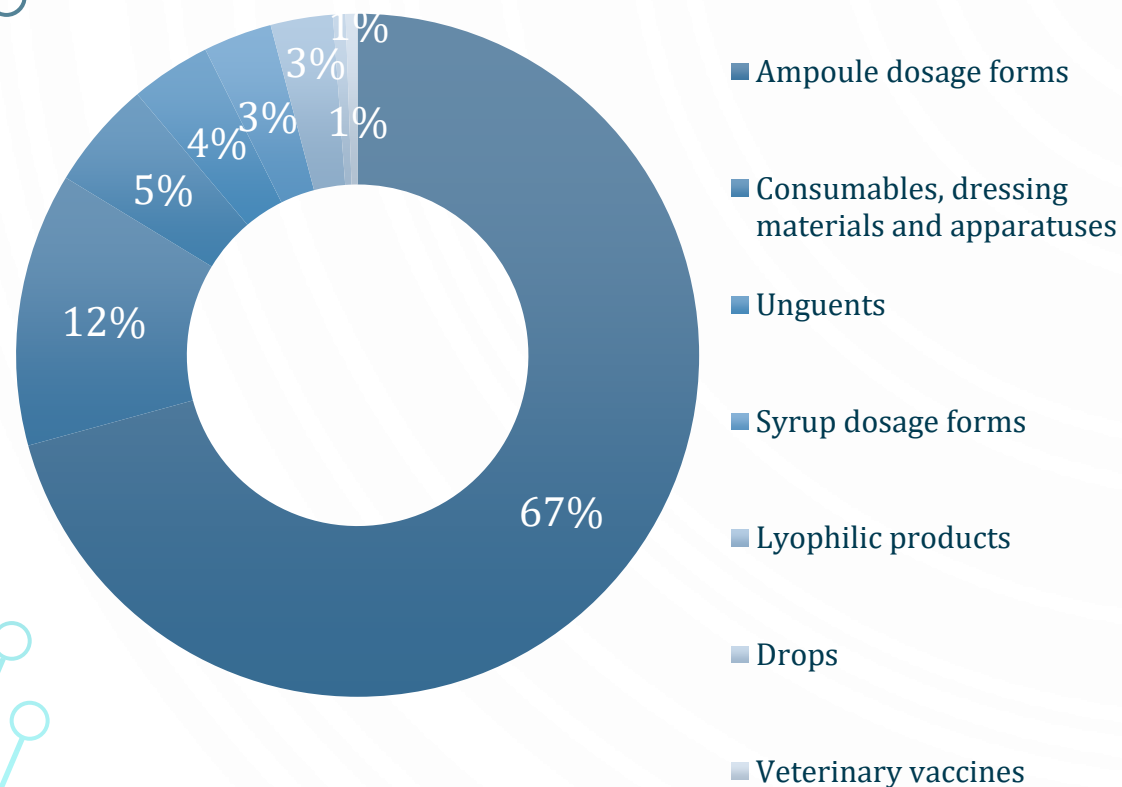




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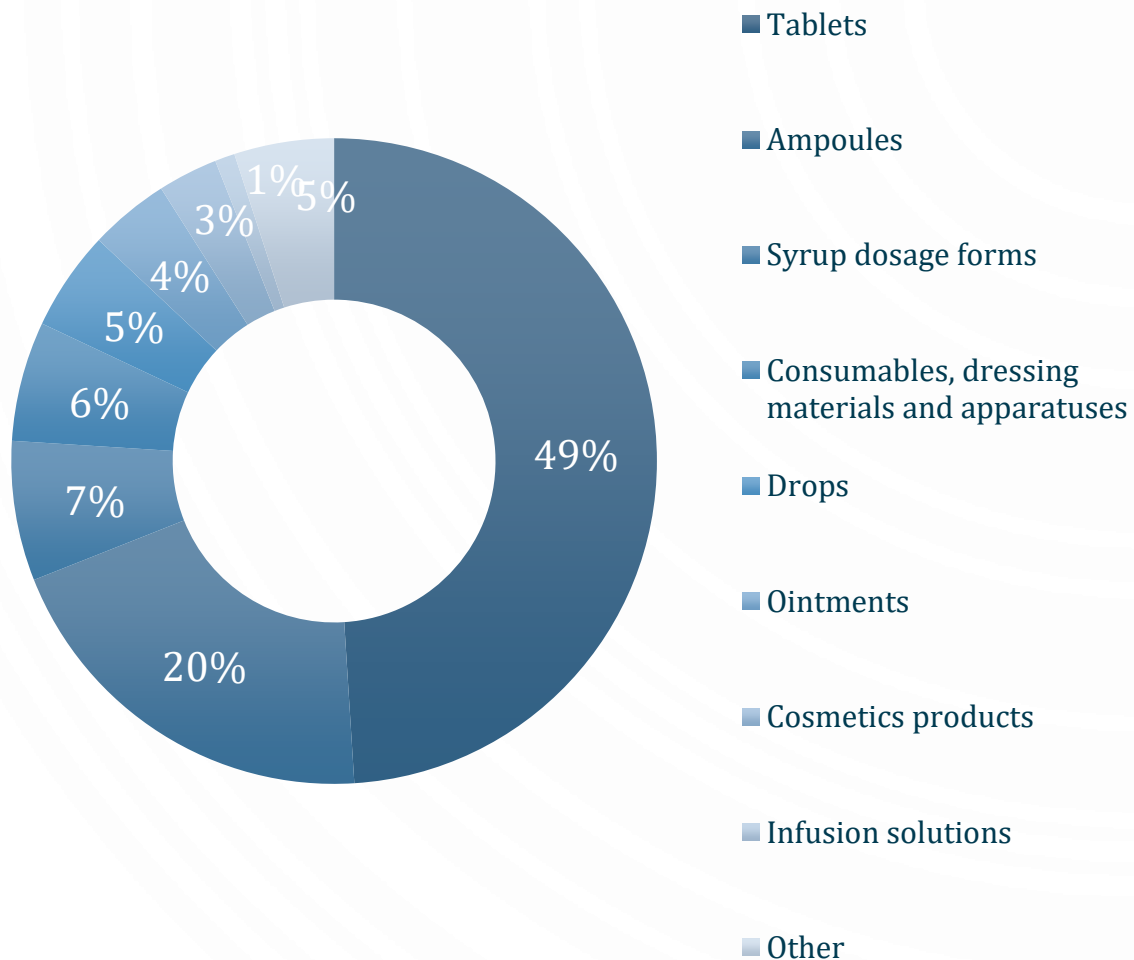
Key financial indicators of Sopharma Group

Sales by type of formulation



Revenues from sales of finished products	1-9/2020 <i>BGN '000</i>	1-9/2019 <i>BGN '000</i>	Change %
Tablet dosage forms	129 622	135 241	-4%
Ampoule dosage forms	23 747	22 263	7%
Consumables, dressing materials and apparatuses	9 426	9 158	3%
Unguents	6 973	6 443	8%
Syrup dosage forms	5 955	7 069	-16%
Lyophilic products	5 397	4 688	15%
Drops	1 089	735	48%
Veterinary vaccines	1 032	560	84%
Hemodialysis concentrates	1 017	1 205	-16%
Other	9 393	7 999	17%
Total	193 651	195 361	-1%

Revenue earned from sale of goods



Revenue earned from sale of goods	1-9/2020 BGN '000	1-9/2019 BGN '000	Change %
Tablet dosage forms	399 317	345 034	16%
Ampoule dosage forms	166 132	145 082	15%
Syrup dosage forms	61 894	62 261	-1%
Consumables, dressing materials and apparatuses	43 508	42 395	3%
Drops	37 191	43 820	-15%
Unguents	36 793	26 743	38%
Cosmetic products	28 489	19 984	43%
Infusion solutions	9 858	6 275	57%
Other	41 613	37 821	10%
Total	824 795	729 415	13%

Other operating income

- Other operating income** decrease by BGN 4 million to BGN 7,6 million in the nine months of 2020 compared to BGN 11,6 million in the nine months of 2019, mainly as a result of a decrease in the services rendered by BGN 1,7 million, as well as the losses from exchange rate differences on trade receivables and payables and current accounts in the amount of BGN 0,4 million in the nine months of 2020, as the net decrease is BGN 2,2 million compared to the nine months of 2019. The losses from currency differences are a result of the devaluation of local currencies in Belarus and Kazakhstan.



Other operating income	1-9/2020	1-9/2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
Services rendered	3 959	5 622	-30%	52%
Government funding	713	594	20%	9%
Rents	675	541	25%	9%
Profit from sale of fixed assets	582	227	156%	8%
(Losses) / gains on foreign exchange from trade receivables and payables and current accounts	(397)	1 805	-122%	-5%
Revenues from fines and penalties	293			4%
Services related to social activities and events	199	772	-74%	3%
Interests on current accounts	126	67	88%	2%
Profit from sale of materials	123	40	208%	2%
Derecognition of liabilities	92	761	-88%	1%
Other income	1 234	1 155	7%	16%
Total other operating income	7 599	11 584	-34%	100%

Operating expenses



- Operating expenses increase by BGN 97,9 million or by 11% from BGN 895,4 million in the nine months of 2019 to BGN 993,2 million in the nine months of 2020.
- The book value of goods sold has the largest share in operating expenses (75%) and its increase by 16% exceeds the growth of revenues from goods sold, which amounts to 13%. For the other operating expenses there is no significant change in absolute values compared to the previous period, as the change in the stocks of finished products and work in progress indicate optimization of operating costs, respectively in the cost of finished products.
- For the current period more significant changes are reported in the structure of expenses for external services, where the expenses for advertising and marketing services decreased by BGN 4,2 million, and the expenses for service charges increased by BGN 5 million for the activity the change is due to a reported by BGN 3 million more marriage of tangible fixed assets.
- For other operating expenses, the change is due to a reported more waste of tangible fixed assets with BGN 3 million.

Operating expenses	1-9/2020	1-9/2019	Change	Rel. share
	<i>BGN '000</i>	<i>BGN '000</i>	%	of expenses 2020 %
Changes in inventories of finished goods and work in progress	(9 357)	1 207	-875%	-1%
Materials	67 016	66 766	0%	7%
External services	55 823	54 290	3%	6%
Personnel	95 200	94 691	1%	10%
Depreciation and amortization	32 741	32 614	0%	3%
Carrying amount of goods sold	742 556	639 664	16%	75%
Other operating expenses	9 248	6 139	51%	1%
Total operating expenses	993 227	895 371	11%	100%

Financial income:



Financial income and expenses in the nine months of 2020 change most significantly as a result of the registered net foreign exchange loss on foreign currency loans and lease agreements of BGN 5,4 million, which is mainly due to the impairment of the Belarusian rubles and its effect on the debt exposure in euros and dollars of the Group companies in Belarus.

Finance income	1-9/2020	1-9/2019	Change	Rel. share of expenses in 2020
	BGN '000	BGN '000	%	%
Income on loans extended	2 060	1 962	5%	59%
Interest income on overdue trade receivables	1 163	1 964	-41%	33%
Net profit from operations with investments in securities	91	269	-66%	3%
Interest on receivables under special contracts	70	58	21%	2%
Income from equity (dividends)	66	192	-66%	2%
Interest income on bank deposits	16	1	1500%	0%
Recovered impairment for credit losses of cash	12	-	-	0%
Net profit from exchange differences on receivables from the sale of a subsidiary	-	171	-100%	0%
Net change in the impairment adjustment for credit losses on trade receivables	-	85	-100%	0%
Net foreign exchange gains on foreign currency loans and leases	-	871	-100%	0%
Total	3 478	5 573	-38%	100%

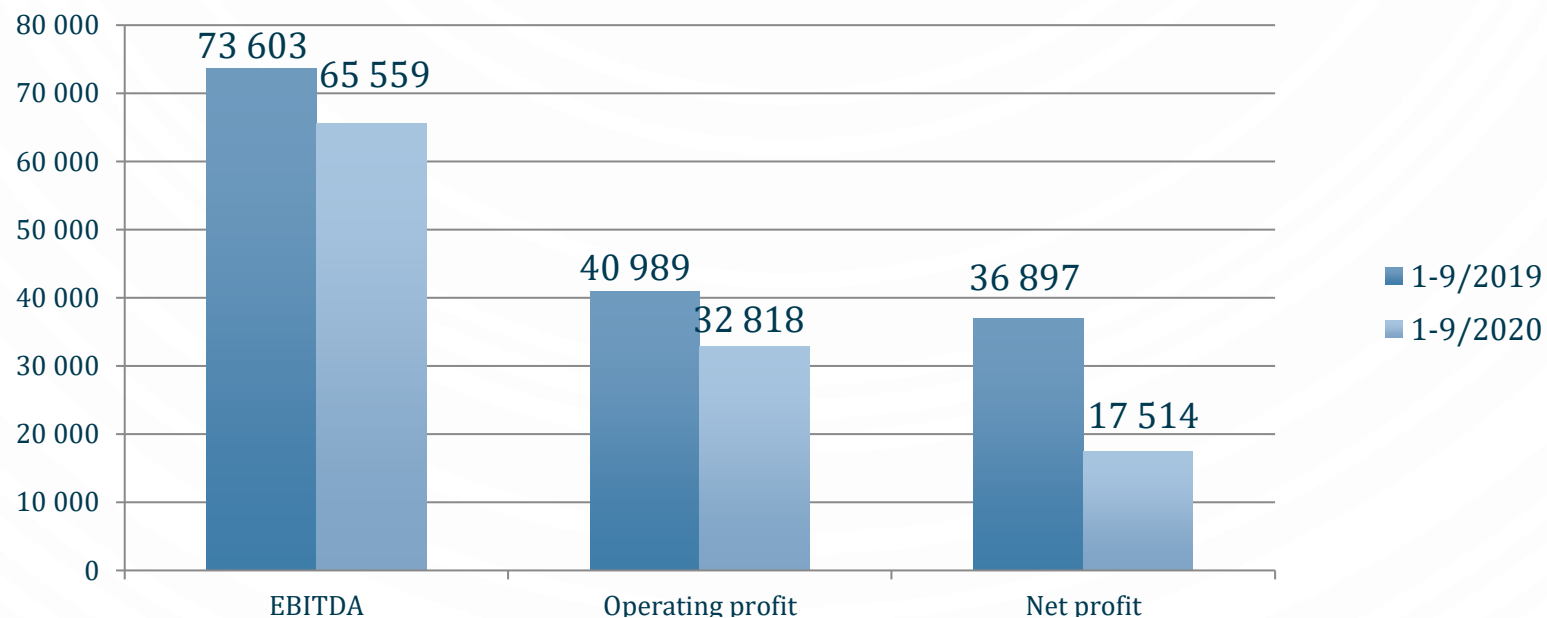
Financial expenses:

Financial income and expenses in the nine months of 2020 change most significantly as a result of the registered net foreign exchange loss on foreign currency loans and lease agreements of BGN 5,4 million, which is mainly due to the impairment of the Belarusian rubbles and its effect on the debt exposure in euros and dollars of the Group companies in Belarus.

Financial expenses	1-9/2020 BGN '000	1-9/2019 BGN '000	Change %	Rel. share
Interest expenses on loans received	7 640	6 811	12%	49%
Net foreign exchange loss on foreign currency loans and leases	5 448	-	-	35%
Lease interest expenses	1 139	1 456	-22%	7%
Bank fees on loans and guarantees	610	739	-17%	4%
Interest expense under factoring agreement	433	342	27%	3%
Provision for financial guarantees	250	231	8%	2%
Deregistered capital of a company in the scope of long-term capital investments	25	-	-	0%
Net change in the impairment adjustment for credit losses on trade receivables	8	-	-	0%
Expenses for other interest	-	6	-100%	0%
Total	15 553	9 585	62%	100%

Financial result of the activity

- **EBITDA** decreases by BGN 8 million or by 11%, while in the nine months of 2020 it amounted to BGN 65,6 million compared to BGN 73,6 million in the nine months of 2019. The main reason is the decrease in the gross profit margin of goods sold, which decreased to 10% for the nine months of 2020 compared to 12.3% for the nine months of 2019.
- **Profit from operating activities** decreases by BGN 8,2 million or by 20%, to BGN 32,8 million in the nine months of 2020.
- **Net profit** decreases by BGN 19,4 million or 53% to BGN 17,5 million in the nine months of 2020 compared to BGN 36,9 million in the nine months of 2019, as in addition to the stated factors at the operational level, the increased financial expenses as a result of losses from exchange rate differences have a negative impact, as well as the one-time effect of the profits reported in the previous period from associates.



Assets

- **Total assets** increase by BGN 7,6 million or by 1%, from BGN 1 175,3 million as at 31.12.2019 to BGN 1 182,9 million as at 30.09.2020, mainly due to an increase in the current assets.
- **Non-current assets** decrease by BGN 43,1 million or by 7%, mainly due to a decrease in long-term receivables from related companies by BGN 32,6 million as a result of partial repayment of loans from companies from the group of “Doverie - Obedinen Holding” AD.
- **Current assets** increase by BGN 50,8 million or 9%, to BGN 599,9 million as at 30.09.2020 compared to BGN 549,1 million as at 31.12.2019 in the part of trade receivables with BGN 29,4 million, inventories by BGN 11,8 million and other short-term receivables and assets by BGN 16,1 million.

Assets	30.09.2020 BGN '000	31.12.2019 BGN '000	Change %	Rel. share 2020 %
Non-current assets				
Property, plant and equipment	361 548	378 625	-5%	62%
Intangible assets	43 193	42 829	1%	7%
Goodwill	15 589	15 909	-2%	3%
Investment property	11 277	10 856	4%	2%
Investments in associated companies and joint ventures	65 340	62 985	4%	11%
Other long - term equity investments	13 810	10 079	37%	2%
Long-term receivables from related parties	59 241	91 794	-35%	10%
Other long-term receivables	11 382	10 674	7%	2%
Deferred tax assets	1 686	2 421	-30%	0%
	583 066	626 172	-6.9%	49%
Current assets				
Inventories	241 683	229 873	5%	40%
Trade receivables	285 088	255 660	12%	48%
Receivables from related parties	6 058	7 112	-15%	1%
Assets held for sale	1 462	1 462		
Other short-term receivables and assets	43 602	27 480	59%	7%
Cash and cash equivalents	21 966	27 513	-20%	4%
	599 859	549 100	9.2%	51%
TOTAL ASSETS	1 182 925	1 175 272	0.7%	100%

Owner's equity and liabilities – non-current liabilities



- **The equity of Sopharma Group** decreases by BGN 0,1 million compared to 31.12.2019, mainly due to a decrease of non-controlling interest by BGN 5,5 million, as a result of the negative financial results for the nine months of the subsidiaries in Latvia and Belarus, mainly due to the depreciation of the local currency.
- **Non-current liabilities** decrease by BGN 21 million or 18%, from BGN 115,4 million at the end of 2019 to BGN 94,4 million at 30.09.2020, mainly from decrease in long-term bank loans by BGN 18,3 million and long-term liabilities to related parties by BGN 3 million.

EQUITY	30.09.2020	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	64 199	60 977	5%	11%
Retained earnings	362 856	360 656	1%	63%
	561 853	556 431	1%	98%
NON-CONTROLLING INTEREST	13 852	19 341	-28%	2%
TOTAL EQUITY	575 705	575 772	0%	100%
LIABILITIES				
Non-current liabilities	BGN '000	BGN '000	%	%
Long-term bank loans	38 523	56 832	-32%	6%
Deferred tax liabilities	7 281	8 196	-11%	1%
Long-term liabilities to related parties		2 972	-100%	0%
Long-term liabilities to personnel	6 735	6 626	2%	1%
Finance lease liabilities	27 398	25 840	6%	5%
Government grants	10 558	10 940	-3%	2%
Other non-current liabilities	3 933	4 042	-3%	1%
	94 428	115 448	-18%	16%

Current liabilities

- Increase:**

- trade liabilities by BGN 18,7 million;
- short-term part of long-term bank loans by BGN 15,8 million;
- obligations under factoring contracts with BGN 13,9 million.

- Decrease:**

- short-term bank loans by BGN 18,5 million.

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

Current liabilities	30.09.2020	31.12.2019	Change %	Rel. share
	BGN '000	BGN '000		
Short-term bank loans	256 366	274 829	-7%	42%
Short-term of long-term bank loans	32 563	16 730	95%	5%
Trade payables	135 139	116 407	16%	22%
Payables to related parties	4 644	7 668	-39%	1%
Payables on contract for factoring	38 685	24 772	56%	6%
Short-term part of leasing liabilities	12 236	10 012	22%	2%
Payables to the personnel and for social security	14 858	15 418	-4%	2%
Tax payables	7 330	7 217	2%	1%
Other current liabilities	10 971	10 999	0%	2%
	512 792	484 052	6%	84%
TOTAL LIABILITIES	607 220	599 500	1%	100%
TOTAL EQUITY AND LIABILITIES	1 182 925	1 175 272	0.7%	

Cash flow and ratios



- The free cash flow (normalized with factoring revenues) generated for the nine months of 2020 amounts to BGN 18,8 million compared to BGN 6,8 million in the nine months of 2019.

	30.09.2020	30.06.2020
ROE ¹	12.2%	15.7%
ROA ²	5.7%	7.3%
Asset turnover ³	1,16	1,15
Current liquidity ⁴	1,17	1,21
Quick ratio ⁵	0,70	0,71
Cash/current liabilities ⁶	0,04	0,04
Owners' equity/liabilities ⁷	0,95	0,97
	30.09.2020	30.09.2019
	BGN '000	BGN '000
Net cash flows from operating activities	(141 077)	(114 951)
Proceeds of amounts by factoring	178 341	(149 945)
Purchases of property, plant and equipment and intangible assets	(24 430)	(27 369)
Free cash flow (normalized)	18 834	6 826

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



Consolidated financial results for the nine months 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.
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.



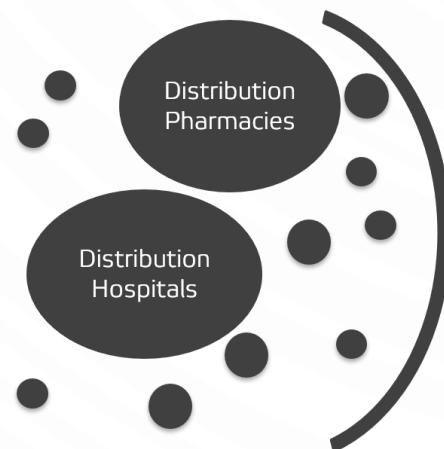
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Major subsidiaries

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	1-9/2020 <i>BGN '000</i>	1-9/2019 <i>BGN '000</i>
Revenues from sales	638 991	572 152
Net profit	16 125	14 140
Net profit per share	0.47	0.43
Assets	451 435	414 606
Owners' equity	105 072	99 230
Shares	34 276	34 276

Management and shares



BGN **34 276 050** share capital



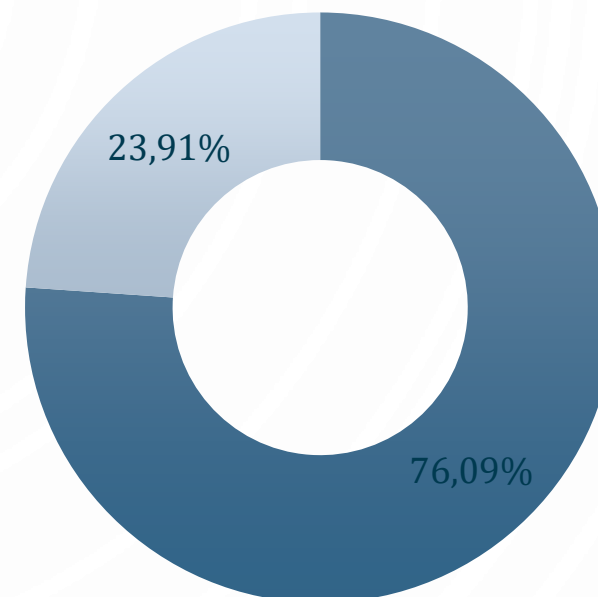
Ordinary registered shares with value of BGN 1 per share.



Shareholder participation of the members of the Board of Directors:

- Ognian Donev – Chairman – **910 000** shares, **2.65%** of capital.
- Dimitar Dimitrov – member and Executive Director – **233 439** shares, **0.68%** of capital.

Shareholder structure at 30.09.2020



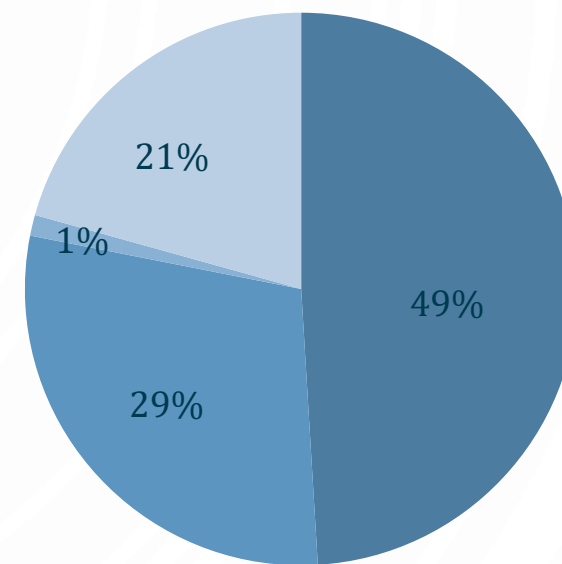
- "Sopharma" AD
- Physical persons, under 5%

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 nine months 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 **13** food supplement for Bulgaria, Armenia, Azerbaijan, Lithuania, Kazakhstan 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 **101** medicinal products to agencies.
- **680** changes for medicinal products approved by agencies.
- **749** changes made for medicinal products to the agencies.
- There is a pharmaceutical development of **8** new medicinal products;
- **19** medicinal products have been transferred / undergoing transfer and **24** 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 SOOO “Brizpharm”, Belarus into OOO “Bellerofon”, Belarus was registered, by merging the assets and liabilities of the two companies.
- 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.
- On 14 April 2020, the company Pharmachim EOOD, Serbia, was established. Sopharma AD owns 100% of the company's shares.
- 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 was held.
- On 10 August 2020 the Annual General Meeting of “Momina krepost” AD – Veliko Tarnovo was held.



Significant events during the reported period

- 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.
- 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 24 September 2020, an Extraordinary General Meeting of the Shareholders of Sopharma Properties REIT was held.
- On 25 September 2020, an Extraordinary General Meeting of the Shareholders of Sopharma AD and Sopharma Trading AD were held.
- On 28 September 2020, an Extraordinary General Meeting of the shareholders of Momina Krepost AD - Veliko Tarnovo was held, which adopted the changes in the Remuneration Policy in Momina Krepost AD.
- On 1 October 2020 “Sopharma Trading” AD finalized the acquisition of sole control over the companies "SCS Franchise" AD and "Sanita Franchising" AD.
- On 13 October 2020 “Sopharma” AD acquired an additional 5.01% of the capital of “Aromania” AD.



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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