

PRELIMINARY MANAGEMENT REPORT for 2020



SOPHARMA GROUP

01.03.2021

CONTENT

I.	General information about Sopharma Group	3
	1. Main activities	3
	2. Registration and activity of the Company	3
	3. Controlled companies	4
	4. Board of directors.....	6
	5. Shareholder structure as at 31 December 2020	7
	6. Employees	7
II.	Recent developments.....	7
	1. Industrial activity	7
	2. Distribution.....	9
	3. Revision of the activities of the Group and the main risks it faces	9
	4. Analysis of the activities	12
	5. Significant events in 2020 and until the date of the preliminary consolidated management report	24
	6. Transactions with related parties.....	31
III.	Information about the shares of “Sopharma” AD.....	31

I. General information about Sopharma Group

1. Main activities

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products, food supplements, cosmetics and medical devices.

The Group operates in the following areas:

- production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is mainly done by “Sopharma” AD (the Company);
- production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products focused at the production site in Sandanski city;
- distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics, which is mainly performed by “Sopharma Trading” in Bulgaria and Serbia.
- production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine, which is mainly performed by “Momina Krepost” AD, and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

2. Registration and activity of the Company

“Sopharma” AD is a company registered in Bulgaria under the Provisions of the Commercial Law, with its registered office in Sofia, 16 Iliensko shose str.

“Sopharma” was established in 1933. The court registration of the Group is from 15 November 1991, decision №1/1991 of Sofia City Court. “Sopharma” AD is a public company under the Law on Public Offering of Securities.

The Group conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy, production of medical devices and cosmetic products, incl. - plasters, dressings, sanitary- hygienic products, medical cosmetics, concentrates for hemodialysis. “Sopharma” AD provides services related to production, as well as to ancillary and supporting activities.

3. Controlled companies

Sopharma Group consists of “Sopharma” AD and its ninety four subsidiaries, directly or indirectly controlled by the Company. Additionally, the Group has investments in one associated company.

Company	Interest as at 31.12.2020 in %
“Sopharma Trading” AD, Sofia, Bulgaria*	76.17
“Biopharm Engineering” AD, Sliven, Bulgaria	97.15
“Pharmalogistica” AD, Sofia, Bulgaria	89.39
“Elektroncommerce” EOOD, Sofia, Bulgaria	100.00
“Sopharma Buildings” REIT, Sofia, Bulgaria	40.38
“Momina Krepost” AD, Veliko Tarnovo, Bulgaria	60.93
“Phyto Palauzovo” AD, Kazanluk, Bulgaria**	95.00
“Sopharmacy” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 2” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 3” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 4” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 5” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 6” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 7” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 8” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 9” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 10” EOOD, Sofia, Bulgaria**	76.17
“Veta Pharma” AD, Veliko Tarnovo, Bulgaria	99.98
“Sopharmacy 11” (PharmaStore 1) EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 12” (PharmaStore 2) EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 13” (PharmaStore 3) EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 14” (PharmaStore 4) EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 15” (PharmaStore 5) EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 16” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 17” EOOD, Sofia, Bulgaria**	76.17
“Sopharmacy 18” EOOD, Sofia, Bulgaria**	76.17
SCS Franchise EAD, Sofia, Bulgaria**	76.17
Sanita Franchising AD, Sofia, Bulgaria**	76.17
Valentina Vasileva – Lyulin EOOD, Sofia, Bulgaria**	76.17
Vasilka Lilovska EOOD, Sofia, Bulgaria**	76.17
Venera Mutashka EOOD, Sofia, Bulgaria**	

Sopharma Group

Veselka Vasileva EOOD, Sofia, Bulgaria**	76.17
Victoria Angelova EOOD, Sofia, Bulgaria**	76.17
Desislava Jordanova EOOD, Sofia, Bulgaria**	76.17
Dimka Vladeva EOOD, Sofia, Bulgaria**	76.17
Donka Chivganova EOOD, Sofia, Bulgaria**	76.17
Ekaterina Mihaylova – Shumen 1 EOOD, Sofia, Bulgaria**	76.17
Elka Neykova EOOD, Sofia, Bulgaria**	76.17
Emilia Angelova EOOD, Sofia, Bulgaria**	76.17
Juliana Kotova EOOD, Sofia, Bulgaria**	76.17
Ivan Ivanov 1 EOOD, Sofia, Bulgaria**	76.17
Iliana Kalushkova EOOD, Sofia, Bulgaria**	76.17
Kapka Nikolova – Military Hospital EOOD, Sofia, Bulgaria**	76.17
Kostadin Gorchev EOOD, Sofia, Bulgaria**	76.17
Krasimira Shunina EOOD, Sofia, Bulgaria**	76.17
Lora Doncheva EOOD, Sofia, Bulgaria**	76.17
Lyudmila Zlatkova EOOD, Sofia, Bulgaria**	76.17
Lyudmila Kovacheva EOOD, Sofia, Bulgaria**	76.17
Manik Burgazyan EOOD, Sofia, Bulgaria**	76.17
Mariyka Jaigarova EOOD, Sofia, Bulgaria**	76.17
Mariya Agova EOOD, Sofia, Bulgaria**	76.17
Mariya Gancheva EOOD, Sofia, Bulgaria**	76.17
Mariya Kenova EOOD, Sofia, Bulgaria**	76.17
Mariya Hristova – Motopista EOOD, Sofia, Bulgaria**	76.17
Mariyana Markova EOOD, Sofia, Bulgaria**	76.17
Mary Ivanova EOOD, Sofia, Bulgaria**	76.17
Nelly Stavreva EOOD, Sofia, Bulgaria**	76.17
Preslava Becheva EOOD, Sofia, Bulgaria**	76.17
Rayna Madzharova - St. Georgi Sofiyski EOOD, Sofia, Bulgaria**	76.17
Rumyana Ignatova – Gancheva EOOD, Sofia, Bulgaria**	76.17
Sashka Todorova EOOD, Sofia, Bulgaria**	76.17
Svetla Harizanova EOOD, Sofia, Bulgaria**	76.17
Svetlana Pirpirova EOOD, Sofia, Bulgaria**	76.17
Ceiba-Blagoevgrad-1 EOOD, Sofia, Bulgaria**	76.17
Silviya Veneva EOOD, Sofia, Bulgaria**	76.17
Siyana Milanova EOOD, Sofia, Bulgaria**	76.17
Stoyanka Radenkova EOOD, Sofia, Bulgaria**	76.17
Ana Avdzhieva EOOD, Sofia, Bulgaria**	76.17
Radina Bekova EOOD, Sofia, Bulgaria**	76.17
Rumen Raynov EOOD, Sofia, Bulgaria**	76.17
Hani Modhi EOOD, Sofia, Bulgaria**	76.17

Sopharma Group

PAO "Vitamini", Uman, Ukraine	100.00
"Sopharma" Poland Sp. z. o. o, Warsaw, Poland in Liquidation	60.00
"Sopharma" Warsaw Sp. z. o. o, Warsaw, Poland	100.00
"BRIZ SIA", Riga, Latvia	100.00
Brititrade SOOO, Minsk, Belarus**	80.00
"Tabina" SOOO, Minsk, Belarus **	80.22
OOO "Sopharma" Ukraine, Kiev, Ukraine	100.00
OOO "Pharmacist Plus", Minsk, Belarus**	59.08
OOO "Bellerofon", Minsk, Belarus***	85.80
TOO "Sopharma" Kazakhstan, Almaty, Kazakhstan	100.00
ZAO "Interpharm", Vitebsk, Belarus***	90.00
OOO "Galenapharm", Pinsk, Belarus**	90.60
ODO "Medjel", Minsk, Belarus**	82.00
ODO "Alenpharm-Plus", Belarus**	91.98
ODO "Salius Line", Grodno, Belarus**	77.00
"Rap Pharma International" OOD, Kishinev, Moldova	80.00
"Sopharma Trading" D.o.o., Sabac, Serbia**	76.17
OOO "Zdorovei", Minsk, Belarus**	66-85
BOOO "SpetzApharmacia", Bobruisk, Belarus**	70.00
UAB "Recessus", Kaunas, Lithuania**	50-98
OOO "Zdorovei Pharm", Minsk, Belarus**	43.46
"Pharmachim" EOOD, Belgrad, Serbia	100.00

*effective interest in percent

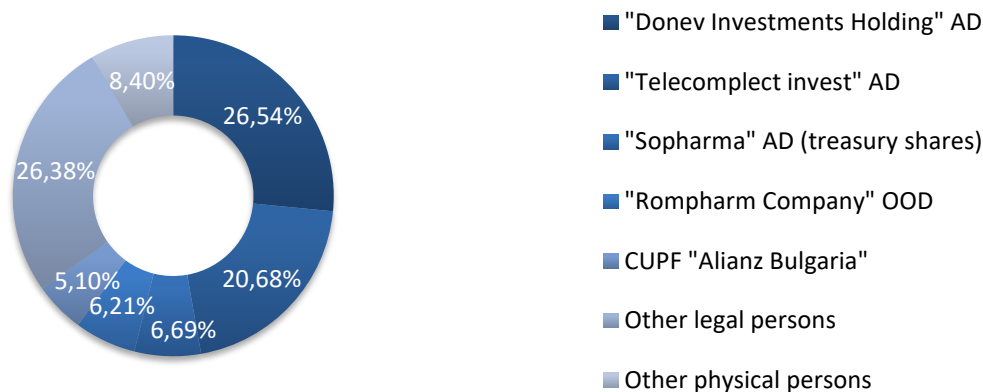
**indirect interest

***joint venture

4. Board of directors

"Sopharma" AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman and members Vessela Stoeva, Alexander Tchaoushev, Ognian Palaveev and Ivan Badinski. The company has two procurators - Simeon Donev and Ivan Badinski. The company is represented and managed by the Executive Director Ognian Donev, PhD.

5. Shareholder structure as at 31 December 2020



6. 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 779 (compared to 833 in 2019).

II. Recent developments

1. Industrial activity

The company and its production subsidiaries have 10 pharmaceutical plants in Bulgaria, complied with EU Good Manufacturing Practices (GMP), a factory in the Ukraine, certified by local authorities and recognized in all CIS countries.

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

- production of pharmaceutical products;
- substances and preparations based on plant raw materials (phytochemical production);
- veterinary vaccines;
- infusion solutions;
- concentrates for hemodialysis;

- medical disposable products for human and veterinary medicine;
- injection molded products for the industry, agriculture and households.

“Sopharma” AD

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. Medicinal products mainly include generics and 15 traditional products, 12 of which are plant-based. The traditional products of the Group (and in particular Tabex, Carsil and Tempalgin) have a major share to its export market income, while the company's generic products are of major importance for domestic sales, Analgin being the leader among these products.

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

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

- Carsil – traditional plant-based product used to treat gastroenterological diseases (liver diseases);
- Tempalgin - traditional analgesic (painkiller);
- Tabex - traditional plant-based smoking cessation drug;
- Tribestan - traditional plant-based product that stimulates the functions of the sexual system;
- Broncholitin - traditional plant-based product used to suppress cough;
- Analgin - generic analgesic (pain reliever);
- Nivalin - traditional plant-based product used for diseases of the peripheral nervous system;
- Methylprednisolone - a generic medicine for cases of severe allergies and certain life-threatening conditions;
- Vitamin C - food supplement with wide application;
- Valeriana - a generic non-prescription herbal medicine used to reduce the stress;
- Medical devices - gauzes, compresses and dressings.

2. Distribution

“Sopharma Trading” AD

The company is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share in the pharmaceutical products segment of 22% (according to IQVIA). “Sopharma Trading” is the exclusive distributor on the Bulgarian market of particular pharmaceutical products of several leading international pharmaceutical and other companies in the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The Group has more than 15 000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of “Sopharma” AD, and holds exclusive rights for Bulgaria over brands of strategic partners such as “Aboca”, “Colief”, “Jamieson”, “Planter's”, “Premax”, “Skincode”, “SVR” Laboratories, “US Pharmacia” and “Wyeth”, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. “Sopharma Trading” AD cooperates with more than 400 partners and over 3 000 clients.

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

COVID-19

On March 11, 2020, the World Health Organization declared a pandemic of the coronavirus, subsequently the Government of the Republic of Bulgaria, announced various measures to limit the infection. Measures introduced include: work from home, temporary closure of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers, excluding food retailers, grocery stores and pharmacies.

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

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

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

- Ensuring continuous operation in compliance with measures to limit the spread of COVID-19, including - strict throughput and temperature measurement of employees

and visitors, prohibition of crowding and distribution of jobs in the production in an appropriate manner that ensures the absence of close contact between employees, separation of traffic flows in buildings and in the spaces between them, etc .;

- Negotiations with suppliers to maintain the rhythm of receipt of raw materials and materials, as well as to meet the needs of the company for specific raw materials dictated by the demand for specific drugs and medical supplies needed to deal with the pandemic;
- Providing information to customers on how to work in order to maintain delivery schedules of goods;
- Negotiations with the financial institutions, partners of the Company and the provision of adequate information to them in order to allow timely additional financing in case of need or at some enterprises in the Group, postponement of loan payments, if necessary, to guarantee cash flows and others.

Management considers the going concern principle to be appropriate for these consolidated financial statements, as the Company as a whole has sufficient liquid resources to continue in the foreseeable future. As at the date of these consolidated financial statements, the management of the Company does not intend to discontinue certain activities.

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

- The Group faces significant competition;
- Part of Sopharma Trading's revenues in Bulgaria is generated from sales to state hospitals, which predetermines a high degree of business risk;
- The Group is dependent on regulatory approvals;
- Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations;
- Part of the Group's revenues, in particular in Bulgaria, depend on the inclusion of the Group's medicines in reimbursement lists;
- The Group's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations;
- The Group's ability to pay dividends depends on a number of factors and there can be no assurance that the Group will be able to pay dividends in accordance with its dividend policy or at all in any given year;
- The Group is subject to operational risk, which is inherent to its business activities;

- The Group is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities;
- Litigation or other out-of-court proceedings or actions may adversely affect the Group's business, financial condition and results of operations.

Risks related to Bulgaria and other markets in which the Group operates

- The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position;
- The political environment in Bulgaria and in the Group's export markets, especially in Russia, Belarus and the Ukraine, has a significant effect on the Group's operations and financial condition;
- Risks related to the Bulgarian legal system;
- The political environment in the Group's export markets, especially in Russia, Belarus and the Ukraine, has a significant effect on the Group's operations and financial condition;
- Risks related to the Bulgarian legal system;
- Developing legal frameworks in some countries in which the Group sells its products, in particular Russia, Belarus and the Ukraine, may negatively impact the Group's operations in these countries;
- Risks relating to exchange rates and the Currency Board in Bulgaria;
- Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Group companies perform their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

Through the companies in Belarus and Ukraine, the group carries out business operations in these countries and, accordingly, has substantial exposures in Belarusian rubles and Ukrainian hryvnia. The currency risk is related to the negative movement of the exchange rates of these currencies against the Bulgarian lev in the future business operations, the recognized assets and liabilities in foreign currency and the net investments in foreign companies. The rest of the companies abroad sell mainly on local markets, leading to currency risk and against their currencies – the Serbian Dinar and the Polish zloty.

In order to control the currency risk, a system of planning of import deliveries, for foreign currency sales, as well as procedures for daily monitoring of movements in the dollar exchange rate and for control of forthcoming payments is introduced. The exposures of the subsidiaries in

Bulgaria in foreign currency is insignificant, as almost all sales are made on the local market in Bulgarian leva.

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

4. Analysis of the activities

Key financial indicators

Indicator	1-12/2020 BGN '000	1-12/2019 BGN '000	Change %
Revenues from sales	1 439 879	1 281 587	12.4%
EBITDA	90 607	103 696	-12.6%
Operating profit	44 000	59 692	-26.3%
Net profit	19 977	84 359	-76.3%
CAPEX*	41 552	62 282	-33.3%
	31.12.2020 BGN '000	31.12.2019 BGN '000	
Non-current assets	633 359	626 172	1.1%
Current assets	611 920	549 100	11.4%
Owners' equity	567 783	575 772	-1.4%
Non-current liabilities	133 899	115 448	16.0%
Current liabilities	543 597	484 052	12.3%

*acquired tangible and intangible fixed asset

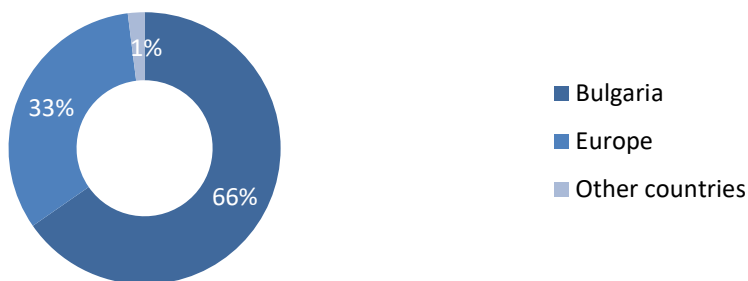
Indicator	1-12/2020	1-12/2019
EBITDA/Sales revenues	6.3%	8.1%
Operating profit / Sales revenues	3.1%	4.7%
Net profit/Sales revenues	1.4%	6.6%
	31.12.2020	30.09.2020
Attracted capital / Equity	1,19	1,05
Net debt/EBITDA on annual basis	4,4x	4,0x

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

Revenue from sales

Revenue from sales of the Group increased with BGN 158,3 million or 12%, reaching BGN 1 439,9 million in 2020 compared to BGN 1 281,6 million in 2019. Sales of goods increased with BGN 177,4 million or 18%, reaching BGN 1 170,5 million in 2020 compared to BGN 993,1 million in 2019. Sales of finished products decreased by BGN 19,1 million, or 7%, to BGN 269,4 million in 2020 compared to BGN 288,5 million in 2019.

Geographical distribution of sales revenues



The contribution of sales in Bulgaria to the consolidated sales revenue in 2020 amounted to 66%, increasing by 16% compared to 2019. Sopharma retains its market share and at the end of the year occupies 3% of the total volume of the Bulgarian pharmaceutical market in value and 11% of sales in kind. The positions of the main competitors of the company on the territory of the country are as follows: Novartis—6.8% (3.7% in units), Roche – 6.7% (0.2% in units), Actavis – 4.3% (10% in units), Merck Sharp Doh— 4.3% (0.8% in units), Abbvie – 3.7% (0% in units), Pfizer – 3.5% (0.5% in units), Glaxosmithkline – 2.8% (2.3% in units), Astrazeneca – 2.8% (0.4% in units), Sanofi-Aventis – 2.8% (2% in units).

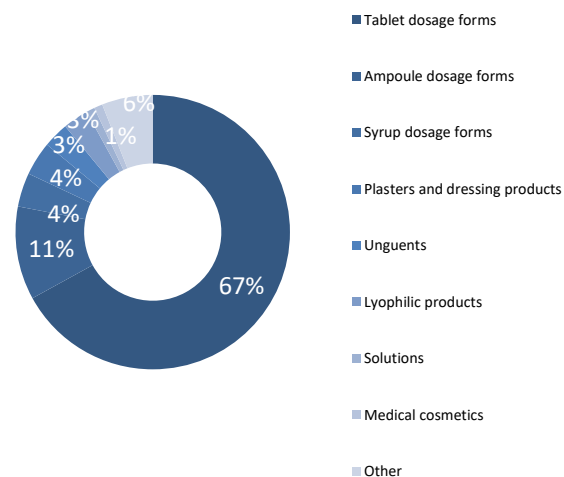
Revenues from sales of the Group in Europe amounts to 33% of total consolidated sales revenues for 2020 and increase with 7% compared to 2019.

Sales by type of formulation

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

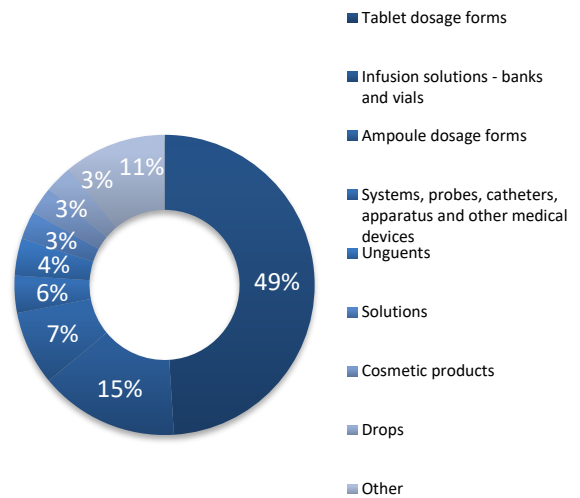
Income from the sale of finished products includes revenues from the sale of products produced by the companies in the Group.

Revenue from sales of finished products	2020	2019	Change	
	BGN '000	BGN '000		%
Tablet dosage forms	180 204	195 603	-8%	
Ampoule dosage forms	30 836	32 986	-7%	
Syrup dosage forms	10 858	13 235	-18%	
Plasters and dressing products	9 681	9 788	-1%	
Unguents	8 850	9 961	-11%	
Lyophilic products	8 052	8 223	-2%	
Solutions	3 450	3 224	7%	
Medical cosmetics	2 435	920	165%	
Other	14 995	14 586	3%	
Total	269 361	288 526	-7%	



Revenues from the sale of goods include revenues from the sale of goods to third parties, which are distributed mainly by Sopharma Trading AD, Sopharma Trading DOO, SIA Briz and SOOO Brittrade.

Revenue earned from sale of goods	2020	2019	Change %
	BGN '000	BGN '000	
Tablet dosage forms	575 867	468 977	23%
Infusion solutions - banks and vials	172 878	149 374	16%
Ampoule dosage forms	90 427	75 025	21%
Systems, probes, catheters, apparatus and other medical devices	47 099	37 741	25%
Unguents	47 097	36 699	28%
Solutions	42 841	33 624	27%
Cosmetic products	34 766	27 393	27%
Drops	31 868	34 083	-6%
Other	127 675	130 145	-2%
Total	1 170 518	993 061	18%



Other operating revenues

Other revenues	2020	2019	Change %	Rel. share 2020 %
	BGN '000	BGN '000		
Services rendered	5 826	5 648	3%	57%
(Losses) / profits on foreign exchange from trade receivables and payables and current accounts	(1 680)	1 052	-260%	-16%
Government grants	1 192	842	42%	12%
Rents	956	1 059	-10%	9%
Profit from sale of fixed assets	725	272	167%	7%
Profit from change in fair value of investment property	386	407	-5%	4%
Derecognition of liabilities	336	847	-60%	3%
Revenues from fines and penalties	293			3%
Services related to social activities and events	218	918	-76%	2%
Interests on current accounts	181	87	108%	2%
Profit from sale of materials	166	39	326%	2%
Other income	1 613	1 250	29%	16%
Total other operating income	10 212	12 421	-18%	100%

Other operating income decreased by BGN 2,2 million, reaching BGN 10,2 million in 2020, compared to BGN 12,4 million in 2019, mainly as a result of a decrease in foreign exchange gains on trade receivables and payables and current accounts in the amount of BGN 2,7 million in 2020. Losses from currency differences are a result of the devaluation of local currencies in Belarus and Kazakhstan.

Operating expenses

Operating expenses	2020	2019	Change	Rel. share of expenses 2020
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	(1 907)	3 479	-155%	0%
Materials	89 254	93 234	-4%	6%
External services	80 476	75 239	7%	6%
Personnel	133 102	127 087	5%	9%
Depreciation and amortization	46 607	44 004	6%	3%
Carrying amount of goods sold	1 043 102	878 504	19%	74%
Other operating expenses	15 457	12 769	21%	1%
Total operating expenses	1 406 091	1 234 316	14%	100%

Operating expenses increased by BGN 171,8 million or by 14% from BGN 1 234,3 million in 2019 to BGN 1 406,1 million in 2020.

The book value of goods sold has the largest share in operating expenses and its increase by 19% exceeds the growth of revenue from goods sold, which amounts to 18%. For the other operating expenses there is no significant change in absolute values compared to the previous period.

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 increase by BGN 2,1 million, manufacture of medicines by BGN 2,6 million, consulting services with BGN 2,1 million and the expenses for service fees decreased by BGN 0,8 million. For the other operating expenses, the change is due to a reported by BGN 3,3 million more waste of tangible fixed assets.

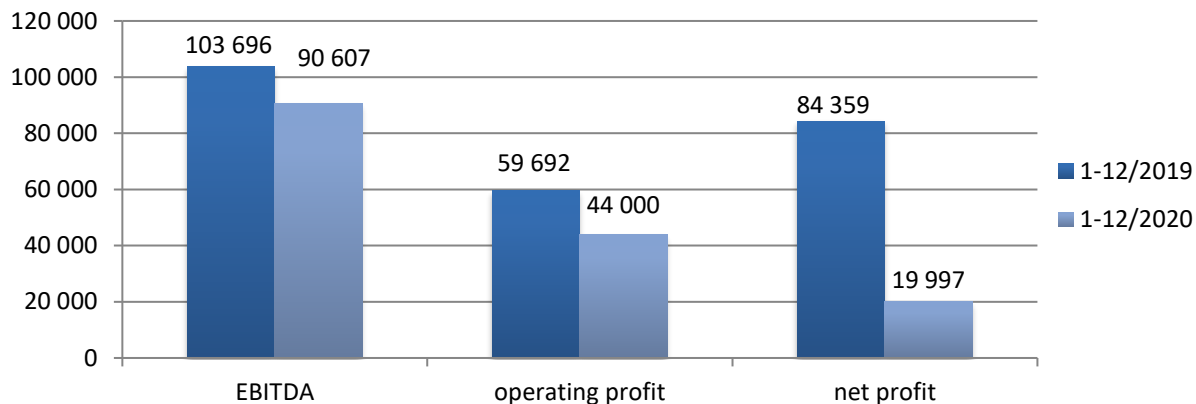
Financial income and costs

Finance income	2020	2019	Change	Rel. share of expenses in 2020
	BGN '000	BGN '000	%	%
Income on loans extended	2 659	2 803	-5%	52%
Interest income on overdue trade receivables	1 594	2 876	-45%	31%
Income from equity (dividends)	510	188	171%	10%
Net change in the impairment adjustment for credit losses on trade receivables	132	481	-73%	3%
Net profit from operations with investments in securities	90	3 955	-98%	2%
Interest on receivables under special contracts	76	69	10%	1%
Interest income on bank deposits	22	1		0%
Recovered impairment for credit losses of cash	12	-	-	0%
Net foreign exchange gains on foreign currency loans and leases	-	506	-100%	0%
Net profit from exchange rate differences on receivables from investments in securities	-	47	-100%	0%
Other	-	27	-100%	0%
Total	5 095	10 953	-53%	100%

Finance costs	2020	2019	Change	Rel. share of costs in 2020
			%	%
Interest expenses on loans received	10 061	9 264	9%	53%
Net foreign exchange loss on foreign currency loans and leases	5 459	-	-	29%
Lease interest expenses	1 642	1 736	-5%	9%
Bank fees on loans and guarantees	831	935	-11%	4%
Interest expense under factoring agreement	582	449	30%	3%
Net foreign exchange loss on receivables from investments in securities	272	-	-	1%
Expenses for other interest	117	7	1571%	1%
Other	114	-	-	1%
Total	19 078	12 391	54%	100%

Financial income and expenses in 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 depreciation of the Belarusian ruble and its effect on the debt exposure in euros and dollars of the Group companies in Belarus.

Financial result



Earnings before interest, taxes and depreciation (EBITDA) decreased by BGN 13,1 million or by 13%, while in 2020 it amounted to BGN 90,6 million compared to BGN 103,7 million in 2019.

Profit from operating activities decreased by BGN 15,7 million or by 26%, to BGN 44 million 2020 compared to BGN 59,7 million in 2019.

Net profit decreased by BGN 64,4 million or 76% to BGN 20 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

	31.12.2020	31.12.2019	Change	Rel. share 2020
	BGN '000	BGN '000	%	%
Non-current assets				
Property, plant and equipment	395 781	378 625	5%	62%
Intangible assets	59 783	42 829	40%	9%
Goodwill	13 767	15 909	-13%	2%
Investment property	11 690	10 856	8%	2%
Investments in associated companies and joint ventures	63 137	62 985	0%	10%
Other long - term equity investments	14 294	10 079	42%	2%
Long-term receivables from related parties	59 726	91 794	-35%	9%
Other long-term receivables	12 006	10 674	12%	2%
Deferred tax assets	3 175	2 421	31%	1%
	633 359	626 172	1.1%	51%
Current assets				

Sopharma Group

Inventories	287 973	229 873	25%	47%
Trade receivables	249 659	255 660	-2%	41%
Receivables from related parties	6 682	7 112	-6%	1%
Assets held for sale	-	1 462	-100%	0%
Other short-term receivables and assets	42 112	27 480	53%	7%
Cash and cash equivalents	25 494	27 513	-7%	4%
	611 920	549 100	11.4%	49%
TOTAL ASSETS	1 245 279	1 175 272	6.0%	100%

Total assets increased by BGN 70 million or by 6%, from BGN 1 175,3 million as at 31.12.2019 to BGN 1 245,3 million as at 31.12.2020, mainly due to an increase in both non-current and current assets.

Non-current assets increased by BGN 7,2 million or by 1%, mainly due to a increase in property, plant and equipment and intangible assets, and decrease in long-term receivables from related companies by BGN 32,1 million as a result of partial repayment of loans from companies in the group of Doverie - Obedinen Holding AD.

Current assets increased by BGN 62,8 million or 11%, to BGN 611,9 million as at 31.12.2020 compared to BGN 549,1 million as at 31.12.2019 in the part of trade receivables with BGN 58,1 million and other short-term receivables and assets by BGN 14,6 million.

Liabilities and owners' equity

EQUITY	31.12.2020	31.12.2019	Change	Rel.share 2020
	BGN '000	BGN '000		
Equity attributable to owners of the parent company				
Share capital	134 798	134 798	0%	24%
Reserves	63 758	60 977	5%	11%
Retained earnings	355 205	360 656	-2%	63%
	553 761	556 431	0%	98%
NON-CONTROLLING PARTICIPATION	14 022	19 341	-28%	2%
TOTAL EQUITY	567 783	575 772	-1%	100%
	31.12.2020	31.12.2019	Change	rel. share compared to total

LIABILITIES			liabilities 2020	
	BGN '000	BGN '000	%	%
Non-current liabilities				
Long-term bank loans	34 567	56 832	-39%	5%
Deferred tax liabilities	9 236	8 196	13%	1%
Long-term liabilities to related parties	8 632	2 972	190%	1%
Long-term liabilities to personnel	7 149	6 626	8%	1%
Finance lease liabilities	49 462	25 840	91%	7%
Government grants	10 128	10 940	-7%	1%
Other non-current liabilities	14 725	4 042	264%	2%
	133 899	115 448	16%	20%
Current liabilities				
Short-term bank loans	255 273	274 829	-7%	38%
Short-term of long-term bank loans	31 174	16 730	86%	5%
Trade payables	163 870	116 407	41%	24%
Payables to related parties	2 344	7 668	-69%	0%
Payables on contract for factoring	36 591	24 772	48%	5%
Current portion of finance lease liabilities	18 079	10 012	81%	3%
Payables to the personnel and for social security	17 951	15 418	16%	3%
Tax payables	6 039	7 217	-16%	1%
Other current liabilities	12 276	10 999	12%	2%
	543 597	484 052	12%	80%
TOTAL LIABILITIES	677 496	599 500	13%	100%
TOTAL EQUITY AND LIABILITIES	1 245 279	1 175 272	6.0%	

The equity of Sopharma Group decreased by BGN 8 million compared to 31.12.2019, mainly due to a decrease of non-controlling interest by BGN 5,3 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 18,4 million or 16%, from BGN 115,4 million at the end of 2019 to BGN 133,9 million at 31.12.2020, mainly from an increase in leasing liabilities by BGN 23,6 million and other non-current liabilities related to the purchase of shares by BGN 10,7 million, and decrease in the part of long-term bank loans by BGN 22,3 million.

Current liabilities increased by BGN 59,5 million or by 12% compared to the end of 2019, mainly due to an increase of trade liabilities by BGN 47,5 million, as well as of short-term part of long-term bank loans by BGN 14,4 million, obligations under factoring contracts with BGN 11,8

Sopharma Group

million, short-term part of leasing liabilities by BGN 8,1 million. There is a decrease of short-term bank loans by BGN 18,5 million. Total liabilities on bank loans, leasing and factoring of the Group increased by BGN 16,1 million compared to the end of 2019, with the net debt after deduction of cash and cash equivalents increase by BGN 13,1 million to BGN 399,8 million. The acquisition of the companies “SCS Franchise” AD and “Sanita Franchising” AD has a significant impact on the increase in the debt, as a result of which the Group's leasing liabilities increase by BGN 29,5 million.

Cash Flows

	31.12.2020 BGN '000	31.12.2019 BGN '000
Net cash flows from operating activities	(179 227)	(128 444)
Proceeds of amounts by factoring	243 935	200 845
Purchases of property, plant and equipment, intangible assets, net	(24 655)	(38 971)
Payments under lease agreements	(16 831)	(13 095)
Free cash flow (normalized)	23 222	20 335

The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated for 2020, amounts to BGN 23,2 million compared to BGN 20,3 million in 2019.

Ratios

	31.12.2020	30.09.2020
ROE ¹	4.4%	12.2%
ROA ²	2.1%	5.7%
Asset turnover ³	1,20	1,16
Current liquidity ⁴	1,13	1,17
Quick ratio ⁵	0,60	0,70
Cash/current liabilities ⁶	0,05	0,04
Owners' equity/liabilities ⁷	0,84	0,95

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

New developments and products

- New Products for the period January - December 2020:
 - During the reporting period, a Marketing Authorization was obtained for 5 new medicinal products - Solifenax 5 mg film-coated tablets (Bulgaria), Ambrolitin 30 mg/5 ml syrup (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/2 ml solution for injection (Latvia, Lithuania, Estonia).
- New medicinal products introduced into production:
 - During the reporting period the following new medicinal products were introduced into the production: - Paracedol 120 mg/5 ml oral suspension; Antiemetin 5 mg/ml solution for injection; Promerol 1 mg/ml solution for injection and food supplement Aloevital oral solution 2.5 mg; 5ml.
- New registrations and re-registrations / changes:

New registrations

- Received 27 Authorizations for the use of medicinal products for new destinations, namely:
 - Pyraminol 800 mg film-coated tablet (Armenia);
 - Sophalor 5 mg film-coated tablet (Azerbaijan);
 - Indometacin Sopharma 100 mg suppositories (Azerbaijan);
 - Deavit Neo 0.5 mg/ml oral drops, solution (Azerbaijan);
 - Otofix 40 mg/g+10 mg/g ear drops, solution (Azerbaijan);
 - Sophalor 0.5 mg/ml oral solution (Azerbaijan);
 - Sydnopharm 2 mg tablet (Azerbaijan);
 - Sophintesif 1.5 mg prolonged-release tablets (Azerbaijan);
 - Methadone Sopharma 10 mg/ml oral solution (Bosnia and Herzegovina)
 - Analgine Kids 500 mg / ml oral drops, solution (Georgia);

- Veramil Sopharma 2.5 mg / ml solution for injection (Iran);
 - Valeriana 30 mg film-coated tablet (Kazakhstan);
 - Broncholytin Ivy 7 mg/ml syrup (Kazakhstan);
 - Ambrolytin 15 mg / 5 ml syrup (Kyrgyzstan);
 - Felogel 1 g / 100 g gel (Kyrgyzstan);
 - Sophalor 0.5 mg / ml oral solution (Kyrgyzstan);
 - Adrenaline Sopharma 1 mg/ml solution for injection (Malta);
 - Carsil Max 110 mg capsules, hard (Mongolia);
 - Deflamol unguent (Kyrgyzstan);
 - Duspaverine 135 mg film-coated tablets (Kyrgyzstan);
 - Troxerutin Sopharma 2 g / 100 g gel (Mongolia);
 - Troxerutin Sopharma 300 mg hard capsules (Mongolia);
 - Dexamethasone Medszo 4 mg / ml solution for injection (Portugal);
 - Feloran 1 mg / 100g gel (Mongolia);
 - Tuspan 7 mg/ml syrup (Russia);
 - Felogel 1 % gel (Serbia);
 - Amlodipine Sopharma 5 mg tablet (Serbia);
 - Sophamet 850 mg film-coated tablet (Tunisia).
- Documentation for the registration of 62 medicinal products to agencies of new destinations was submitted.

Food additives:

- During the reporting period, 17 food supplements for Bulgaria, Armenia, Azerbaijan, Ukraine, Kazakhstan and Kyrgyzstan were notified.

Medical supplies:

- 48 medical supplies were registered in the Ukraine (two), Moldova (thirty) and Macedonia (sixteen).

Re-registrations / changes:

- Updated Authorizations for use of 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.

Developments:

- There is a pharmaceutical development of 11 new medicinal products.
- 18 medicinal products/ active substances have been transferred / undergoing transfer and 30 manufacturing processes / technologies have been validated / optimized.

5. Significant events in 2020 and until the date of the preliminary consolidated management report

- On 22 January 2020, “Sopharma” AD began to pay the gross dividend of 5 stotinki per share voted at the General Meeting of Shareholders on 13 December 2019. The persons registered in the “Central Depository” AD as shareholders on the 14th day after the day of the General Meeting, namely 27 December 2019 have a right to dividend.
- On 31 January 2020 a merger of SOOO “Brizpharm”, Belarus into OOO “Bellerofon”, Belarus was registered, by merging the assets and liabilities of the two companies. The activity of the merged company SOOO “Brizpharm”, Belarus is terminated and all its rights and obligations at the time of the merger are assumed by OOO “Bellerofon”, Belarus.
- As of 2 March 2020, OOO “Zdorovey Pharm”, Belarus is a subsidiary through OOO “Zdorovey”, Belarus, as OOO “Zdorovey” owns 65% of the capital of OOO “Zdorovey Pharm”.
- On 19 March 2020, “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the SCS Franchise pharmacy group. The merger of “Sopharmacy” and SCS Franchise will provide a stronger market position and an opportunity to even more meet the growing needs of Bulgarian patients for quality health services. The merger will also bring national expansion of the operations of “Sopharma Trading” AD in the retail segment of the pharmacy market. The Commission for Protection of Competition is about to rule on the deal.
- On 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 Meeting of “Sopharma” AD was held, at which the following decisions were taken: The AGM approves the Annual Report of the Board of Directors on the company's activities in 2019.; The AGM approves the Annual Report of

24

This is a translation from Bulgarian of the Preliminary Management report of Sopharma Group for 2020.

In case of divergence Bulgarian text should prevail.

the Investor Relations Director for 2019; The AGM approves the Audited Annual Financial Statements /Individual and Consolidated/ of the Company for 2019.; The AGM approves the Auditor's Reports on the Audit of the Annual Individual Financial Statements and of the Annual Consolidated Financial Statements of the Company for the year 2019; The AGM approves the proposal of the Board of Directors for the distribution of the Company's 2019 profit of BGN 40 382 210,24 as follows: allocating 10% or BGN 4 038 221,02 to the mandatory reserve, BGN 6 284 221.60 for the 2019 six-month preliminary dividend. After dividing the legal reserve by 10% and dividend paid in advance for the half year of 2019, to distribute a gross dividend of BGN 0.07 per share (seven stotinki). The amount remaining after the distribution above and the retained earnings from previous years in the amount of BGN 1 995 956,93 shall be transferred to additional reserves of the company.; The AGM approves the Audit Committee's report on its activities in 2019.; The AGM re-elects the current members of the Audit Committee of the company for a new term of three years.; The AGM releases the members of the Board of Directors from responsibility for their activities in 2019.; The AGM selects "Baker Tilly Klitou and Partners" OOD as a registered auditor for 2020; The General Meeting approves the Report of the Board of Directors on the implementation of the Remuneration Policy of the Members of the Board of Directors of the Company for 2019.; The AGM decided the constant remuneration of the members of the Board of Directors and the constant remuneration of the Executive Director in 2020 remain unchanged.; Pursuant to art. 24, para 3, letter B of the Articles of Association, the Executive Director of the Company shall be paid an additional remuneration of 1% (one percent) of the amount of profit realized in 2019 according to the approved Annual Financial report.; The General Meeting adopts a decision that of 2% (two percent) of the profit realized in 2019 will be distributed among the members of the company's senior management team, subject to the requirements of art. 26a, item 12 of the Articles of Association of the company.; AGM adopts an amendment of the Articles of Association of the Company.; AGM adopts the Substantiated Report of the Board of Directors for transactions within the scope of art. 114, para 1 of the LPOS.; The AGM authorizes the Board of Directors to conclude a transaction within the scope of art. 114, para 1 of the LPOS - under the terms of Section I,II,III, IV, V и VI of the Substantiated Report.

- On 5 June 2020 the Annual General Meeting of "Sopharma Trading" AD was held, at which the following decisions were taken: The AGM approves of the Annual Report of the Board of Directors on the company's activities in 2019; The AGM approves the Annual Report of the Investor Relations Director for 2019; The AGM approves the Auditor's Report on the

audit of the Annual Financial Statements of the Company for 2019; The AGM approves the Annual Financial Statements of the Company for 2019; The AGM approves the Auditor's Report on the audit of the Annual Consolidated Financial Statements of the Company for 2019; The AGM approves the Annual Consolidated Financial Statements of the Company for 2019; The AGM accepts the report of the Board of Directors under art. 12, para 1 of Ordinance № 48 of 20 March 2013 on the requirements for remuneration; The AGM approves the Audit Committee's report in 2019; The AGM approves the proposal of the Board of Directors for distribution of the company's profit, realized in 2019: The net financial result in the amount of BGN 20 095 473,97 / twenty million ninety-five thousand four hundred seventy-three levs and ninety-seven stotinki / to be divided as follows: BGN 2 009 547,40 / two million nine thousand five hundred forty-seven levs and forty stotinki / refers to the Reserve Fund as a 10% required reserve, BGN 10 282 815 / ten million two hundred eighty-two thousand eight hundred and fifteen levs / for distribution of a cash dividend to the shareholders, BGN 7 803 111,57 / seven million eight hundred and three thousand one hundred and eleven levs and fifty-seven stotinki / to be referred as an additional reserve of the company. Dividend amount per gross share - BGN 0,30 / thirty stotinki /. Amount of the dividend per one net share (only for individual shareholders) - BGN 0,285 (only for individual shareholders).; The AGM approves a decision to discharge the members of the Board of Directors for their activity in 2019; The AGM determines a monthly remuneration for each of the members of the Board of Directors for 2020 in the amount of BGN 2,000; The AGM decides to pay the Executive Director of „Sopharma Trading“ AD a variable remuneration in the amount of one percent of the net profit of the company for 2019, according to the approved Annual Financial Statements. The payment of 40% of the remuneration is rescheduled for a period of three years. The payment of the rescheduled part of the variable remuneration is made proportionally, in equal monthly installments; The AGM elects a registered auditor to be appointed for inspection and certification of the Annual Financial Statements of the Company for 2020 and the consolidated Annual Financial Statements for 2020, according to the proposal of the Audit Committee.; The AGM elects members of the Audit Committee of the company consisting of: Vasil Naidenov, Kristina Atanasova, Zvetelina Stanimirova; The AGM approves the Substantiated Report of the Board of Directors on the expediency and conditions of transactions falling within the scope of Art. 114, para 1 of LPOS, to which the company is a party; The AGM authorizes the Board of Directors of the company to conclude a transaction within the scope of Art. 114, para 1 item 3 of LPOS under the conditions and

within the terms, according to sections I to LXIII of the Motivated Report prepared by the Board of Directors.

- On 16 June 2020 a Regular General Meeting of the shareholders of “Sopharma Buildings” REIT was held, at which the following decisions were taken: The AGM approves the Annual Report of the Board of Directors on the company's activities in 2019; The AGM approves presented Annual Report of the Investor Relations Director for 2019; The AGM approves the Audit Report for the performed audit of the Annual Financial Statements of the Company for 2019; The AGM approves the audited Annual Financial Statements of the Company for 2019; The AGM approves the report of the Audit Committee on its activities in 2019; The AGM approves the Report of the Board of Directors on the implementation of the Remuneration Policy for the members of the Board of Directors of the Company for 2019; The AGM approves a decision for distribution of the Company's profit realized in 2019.; The AGM accepts the proposal of the Board of Directors that the Company not distribute a dividend for 2019 due to the fact that the Company has ended the reporting year 2019 with a negative financial result in the amount of BGN 80,026.05 (eighty thousand twenty-six levs and five stotinki) and after transformation by the order of art. 10 of the Special Investment Purpose Companies Act - loss in the amount of BGN 74 825.43 (seventy-four thousand eight hundred and twenty-five leva and forty-three stotinki). The formed loss for 2019 in the amount of BGN 80 026.05 (eighty thousand twenty-six levs and five stotinki) to be covered by the accumulated reserves from the Company's Emission Premium Fund; The AGM re-elects the members of the Audit Committee of the Company for a new term; The AGM determines a monthly remuneration of each of the members of the Audit Committee of the Company in the amount of BGN 400; The AGM releases from liability the members of the Board of Directors of the Company for their activities in 2019; The AGM dismisses Ivan Kralev from the position of a member of the Board of Directors of the Company due to the expiration of the term and authorizes Irina Mincheva to sign an annex for termination of the management contract.; The AGM re-elects the members of the Board of Directors Emil Kostov and Irina Mincheva for a new term of 5 years and elects as a new member of the Board of Directors of the Company Stoycho Pangev with a term of 5 years; The AGM decided to keep the current amount of the permanent monthly remuneration of the members of the Board of Directors of the Company in 2020 as well; The AGM assigns a guarantee for the management of each of the members of the Board of Directors in the amount of its respective 3-month gross remuneration, which should be paid within seven days from the date of the AGM meeting in compliance with the requirements of Article 116c of LPOS; The AGM authorizes Irina Mincheva to conclude on

behalf and for the account of the Company the contracts for assignment of the management of the Company with the members of the Board of Directors, outside the executive member, as well as any subsequent annexes to them, including the right to negotiate with itself; The AGM selects a specialized auditing company "Baker Tilly Klitou and Partners" OOD as a registered auditor for 2020, according to the recommendation of the Audit Committee.

- On 10 August 2020 the Annual General Meeting of “Momina krepost” AD – Veliko Tarnovo was held, at which the following decisions were taken: The AGM approves the Annual report of the Board of Directors on the activities of the Company in 2019 together with the Corporate governance declaration for 2019.; The AGM approves the Annual Report of the Investor Relations Director for 2019; The AGM approves the Auditor's Reports on the Audit of the Annual Financial Statements of the Company for the year 2019; The AGM approves the Audited Annual Financial Statements of the Company for 2019.; The AGM approves the Audit Committee’s report on its activities in 2019.; The AGM accepts the proposal of the Board of Directors to cover the loss for 2019 in the amount of BGN 546 thousand of the retained earnings of the Company; The AGM releases the members of the Board of Directors from responsibility for their activities in 2019.; The AGM elects a registered auditor for inspection and certification of the Annual Financial Statements of the Company for 2020, according to the proposal of the Audit Committee, included in the materials on the agenda; The AGM approves the Report of the Board of Directors on the implementation of the Remuneration Policy of the Members of the Board of Directors of “Momina Krepost”AD for 2019.; The AGM decided to keep the current amount of the constant monthly remuneration of the Chairman of the Board of Directors and the members of the Board of Directors and in 2020.; The AGM decided the amount of the monthly remuneration under the management contract of the Executive Director to be BGN 3,000.; The AGM dismisses Stoyan Valchinov Garov as a member of the Board of Directors; The AGM elects Valchin Stoyanov Garov as a member of the Board of Directors of the company.
- With Decision № 626 / 23.07.2020 the Commission for Protection of Competition of the Republic of Bulgaria authorized the concentration within the meaning of Chapter V of the Law on Protection of Competition by acquiring sole control by “Sopharma Trading” AD over SCS Franchise AD and Sanita Franchising AD. Immediate execution of the decision was also ordered. A condition for finalizing the acquisition is the authorization by the General Meeting of Shareholders of “Sopharma Trading” AD.

- On 3 August 2020 “Sopharma” AD started the payment of the dividend in the amount of 7 stotinki per share, voted at the Regular General Meeting of Shareholders held on 05.06.2020. The persons eligible for dividend are those present in the register of the Central Depository 14 days after the date of the Annual General Meeting, i.e. June 19, 2020. In accordance with the Regulations of the Central Depository, the dividend shall be paid out as follows: for shareholders with client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary - through the branches of Postbank in the country until October 30, 2020 (after that date, shareholders who have not received their dividend in the appropriate order may do that at the cash desk of the Company in Sofia, 16 Iliensko Shose Str. every business day between 10:00 a.m. - 12:00 p.m. and 14:00 p.m. - 16:00 p.m., tel. 02/ 8134 283).
- On 4 August 2020 a merger of “Sopharma Trading Pharmaceuticals” D.o.o. was registered in “Sopharma Trading” D.o.o., by merging the assets and liabilities of the two companies. The activity of the merged company “Sopharma Trading Pharmaceuticals” D.o.o. is terminated and all its rights and obligations at the time of the merger are assumed by Sopharma Trading” D.o.o.
- At the Extraordinary General Meeting of Shareholders of Sopharma Buildings REIT, which was held on 24.09.2020, the following decision was made: GMS adopts the new Remuneration Policy developed and proposed by the Board of Directors of the members of the Board of Directors of Sopharma buildings “REIT.
- On 25 September 2020, an Extraordinary General Meeting of the Shareholders of Sopharma AD was held, at which the following decisions were taken: The GMS accepted the proposal of the Board of Directors to distribute a 6-month gross dividend to the shareholders in the amount of BGN 0.04 / four stotinki / per share. The right to receive a dividend have the persons entered in the register of Central Depository AD as shareholders on the 14th day after the day of the General Meeting, at which the 6-month financial report for the first half of 2020 was adopted and a decision was made for distribution of profits, namely October 9, 2020 (dividend record date). Ex-dividend date - October 8, 2020 (ex-dividend date). The dividend payment will start on November 23, 2020 (Monday). In accordance with the Regulations of Central Depository AD, the dividend will be paid as follows: for the shareholders who have opened client accounts with investment intermediaries - through the respective investment intermediary; for shareholders without accounts with investment intermediaries - through the branches of

Eurobank and FG - Bulgaria AD / Postbank / in the country. The General Meeting adopted a new remuneration policy in accordance with Ordinance №48 of March 20, 2013 of the Financial Supervision Commission / promulgated, SG, iss. 32 of 2.04.2013, amended and add., no. 41 of 21.05.2019, amended no. 66 of 20.08.2019, amended and add., no. 61 of 10.07.2020 / and Article 116 "c" of the Law on Public Offering of Securities.

- On 25 September 2020 an Extraordinary General Meeting of the shareholders of Sopharma Trading AD was held, at which the following decisions were taken: 1. The GMS approves the Motivated Report of the Board of Directors on the expediency and conditions of transactions within the scope of Art. 114, para. 1 of LPOS; 2. The GMS authorizes the Board of Directors of the company to conclude a transaction within the scope of art. 114, para. 1, item 1 of the LPOS under the conditions and terms, according to Section I of the Motivated Report prepared by the Board of Directors; 3. No decision was taken on this point; 4. The GMS approves changes in the remuneration policy of the members of the Board of Directors of Sopharma Trading AD in accordance with the amendments to Ordinance №48 of the FSC, promulgated in SG, issue 61 of July 10, 2020.
- 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. The announcement comes after the Commission for Protection of Competition approved the deal in the end of July, ordering the immediate execution of the decision. A condition for its completion was the authorization by the General Meeting of Shareholders of "Sopharma Trading" AD, which took place on 25.09.2020. The conditions under which the shares of "SCS Franchise" AD was acquired are fully compliant with the decision of the General Meeting of Shareholders of Sopharma Trading AD.
- On 13 October 2020 "Sopharma" AD acquired an additional 5.01% of the capital of "Aromania" AD.
- On 29 December 2020, Sopharma AD sold the shares owned by it from the capital of Aromania AD.
- On 28 December 2020 as a result of lengthy negotiations and an agreement reached with the other shareholders, a change in the shareholder structure of the subsidiary SIA BRIZ was entered in the Commercial Register of the Republic of Latvia as a result of which Sopharma AD remains the sole owner of the capital of the company.

- On 24 February 2021, Sopharma AD presented an invitation to convene an Extraordinary General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 2 April 2021 at 11:00 a.m. in Sofia 1756, Lachezar Str. Stanchev № 5, Ground floor, Sopharma Business Towers Shopping Center, Sopharma Event Center, with the following agenda: Adoption of a decision for amendments to the Articles of Association of the company.

6. Transactions with related parties

The information concerning transactions with related parties is presented in details in the Notes to the financial report.

III. Information about the shares of “Sopharma” AD

The total number of shares emitted by “Sopharma” AD, issued on 31.12.2020, is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder in proportion to the nominal value of the share.

The shares of the Company are traded on the Bulgarian “Stock Exchange – Sofia” AD, the Main Market (BSE), the PREMIUM Shares Market and on the official market of the Warsaw Stock Exchange. The shares participate in the formation of the SOFIX, BGBX40 and BGTR30 indices of BSE - Sofia AD. The company's shares are included in the Dow Jones STOXX EU Enlarged Total Market Index with a weight of 0.11%, with a weight of 5% in Erste Bank Bulgaria Basket, in the Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate as well as in the new Dow blue-chip index Jones STOXX Balkan 50 Equal Weighted Index. “Sopharma” AD is one of the three Bulgarian companies included in the Central and Eastern Europe (CEE) Index. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the country's country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

Key indicators of the shares of “Sopharma” AD

	31.12.2020	30.09.2020
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	125 767 240
Number of shares outstanding at the end of the period	125 786 432	125 851 432
Earnings per share in BGN ¹	0,199	0,597
Price per share at the end of the period in BGN	3,194	3,08

Sopharma Group

Price/Earnings ratio (P/E)	16,05	5,16
Book value per share in BGN ²	4,402	4,464
Price/Book value ratio (P/B)	0,73	0,69
Market capitalization at the end of the period in BGN	430 544 489	415 177 529

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

Trade with shares of "Sopharma" AD on "Bulgarian Stock Exchange – Sofia" AD for the period 1 January 2020 – 31 December 2020:



/Signature/

01.03.2021 г.
Sofia

.....
Ognian Donev, PhD
/Executive Director/