

PRELIMINARY MANAGEMENT REPORT

2020



“SOPHARMA” AD

1 February 2021

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I. General information about “Sopharma” AD

1. Registration and main activities

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

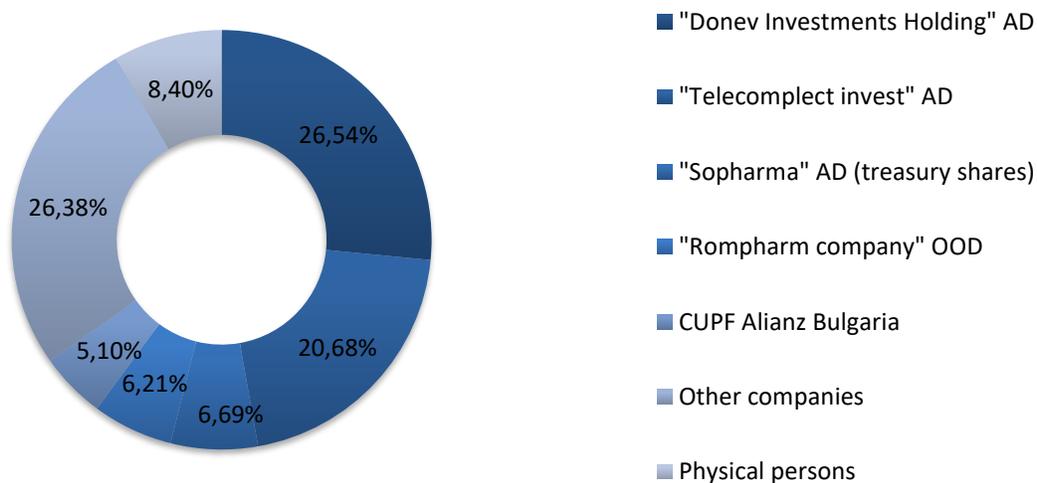
“Sopharma” AD was established in 1933. The court registration of the Company is from 15.11.1991, decision №1 / 1991 of Sofia City Court. “Sopharma” AD is a public company under the Law on Public Offering of Securities.

The Company conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of photochemistry, chemistry and pharmaceuticals, production of medical devices and cosmetics, incl. plasters, bandages, sanitary-hygiene products, herbal cosmetics, concentrates for hemodialysis.

“Sopharma” AD provides services related to production, as well as to ancillary and supporting activities.

The Company has marketing authorizations under the Law on Medicines and Pharmaceuticals in Human Medicine for all products in its manufacturing portfolio.

2. Shareholder structure as at 31 December 2020



3. 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, Ognian Palaveev, Alexander Tchaushev and Ivan Badinski. The Company is represented and managed by

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the Executive Director Ognian Donev, PhD. The company has two procurators - Simeon Donev and Ivan Badinski.

4. Personnel

The average number of workers and employees for 2020 in “Sopharma” AD is 1,991 (2,275 in 2019).

	31.12.2020	Rel. Share
		%
Number of workers and employees as at 31 December 2020	1 984	100%
Higher education	891	45%
College education	41	2%
Secondary education	1024	52%
Primary education	28	1%
Employees under 30 years	184	9%
Employees 31 - 40 years	360	18%
Employees 41 - 50 years	574	29%
Employees 51 - 60 years	679	34%
Employees over 60 years	187	9%
Women	1240	63%
Men	744	37%

5. Production activity

“Sopharma” AD has nine manufacturing plants, conforming with EU Good Manufacturing Practices (GMP), which are located in Bulgaria. The company is the largest Bulgarian manufacturer of ampoules and suppositories.

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

- Substances and preparations based on plant raw materials (phytochemical production);
- Ready-to-use formulations, incl.:
 - ✓ Hard tablets, coated tablets, film-coated tablets, capsules;
 - ✓ Galenic - suppositories, drops, syrups, ointments;
 - ✓ Parenteral - injection solutions, lyophilisate powder for injections.
- Medical and cosmetics products, incl.:
 - ✓ Plasters;
 - ✓ Bandages;
 - ✓ Sanitary-hygiene products;

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- ✓ Herbal cosmetics;
- ✓ Concentrates for hemodialysis.

6. Products

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. Medicinal products include mainly generics and 15 traditional products, 12 of which are plant-based. The Company's traditional products (in particular Tabex, Carsil and Tempalgin) make 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 pharmaceutical 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 - generic medicine for cases of severe allergies and certain life-threatening conditions;
- Vitamin C - widely used nutritional supplement;
- Valerianae - generic non-prescriptional herbal medicine used to reduce stress;
- Medical devices - gauzes, compresses and dressings.

II. Development of the activity

1. Review of the main risks faced by the Company

COVID-19

On 11 March 2020 the World Health Organization declared a Coronavirus Pandemic, as a result, the Government of the Republic of Bulgaria, announced various measures to prevent the spread of the disease. Measures implemented include working from home, a temporary lockdown of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers, with the exception of food retailers, grocery stores and pharmacies.

The management of “Sopharma” AD has carefully analyzed the potential effects of the pandemic and the constraints imposed by government, expecting overall reductions in economic activity and liquidity in the economy of the country, which are also expected to affect the Company's activities.

The effects on the Company's activities as a result of the events may include a decrease in revenues, emergency expenses, delay in the implementation of projects, planned investments, etc.

Based on the publicly available information, up to the date of the financial statements, the management has taken actions aimed at limiting the negative effects of the pandemic events, which include:

- Ensuring continuous operation in compliance with measures to limit the spread of COVID-19, including - strict access control and measurement of the temperature of employees and visitors, the prohibition of clustering of people and the distribution of workplaces in the production in an appropriate way, which ensures the absence of close contact between employees, the separation of traffic flows in buildings and spaces between them and etc.;
- Negotiations with suppliers to keep the rhythm of raw materials and supplies flowing, as well as meeting the enterprise's needs for specific raw materials dictated by the demand for specific medicine products and medical supplies needed to deal with the pandemic;
- Providing information to customers on the way of working in order to maintain delivery schedules;
- Negotiations with the financial institutions of the Company's partners and the provision of adequate information to them, so that additional financing, if it's necessary, may be provided on time or with some of the Group's entities, to postpone loan payments, if it's necessary to secure cash flows and others.

The management believes that the working company principle is appropriate for these individual financial statements, as the Company as a whole has sufficient liquid resources to

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continue in the foreseeable future. At the date of this individual financial statement, the management of the Company does not intend to discontinue certain activities.

Risks related to the Company’s business and the industry the Company operates in

- The Company is exposed to strong competition;
- The Company is dependent on regulatory approvals;
- Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations;
- Part of the Company’s revenues, in particular in Bulgaria, depends on the inclusion of the Company’s medicines in reimbursement lists;
- The Company’s production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company’s operations;
- The Company’s ability to pay dividends depends on a number of factors and there can be no assurance that in a given year it will be able to pay dividends in accordance with its dividend policy;
- The Company is subject to operational risk, which is inherent to its business activities;
- The Company is subject to numerous laws and regulations in the field of environmental protection and health and safety at work and is exposed to potential environmental liabilities;
- Litigation or other out-of-court proceedings or actions may adversely affect the Company’s business, financial condition and results of operations.

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

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

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Currency risk

The Company perform its activities in active exchange with foreign suppliers and customers. Therefore, it is exposed to currency risk, mainly in respect of USD. The Company supplies part of its main raw materials in USD. The currency risk is related to the negative movement of the USD exchange rate against the BGN in the future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies. The rest of the Company's operations are usually denominated in BGN and / or in EUR. The Company sells some of its finished products in Russia in EUR and thus eliminates the currency risk associated with the depreciation of the Russian ruble. In EUR are also dominated the estimates with the subsidiaries in Ukraine. However, in order to minimize currency risk, the Company conducts through its subsidiaries a monetary policy including the application of advance payments and the reduction of deferred payment terms and the immediate conversion of local currency earnings as well as betting on higher trading currencies mark-ups to offset possible future impairment of the hryvnia.

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 control of forthcoming payments is introduced.

2. Revision of the activities of the company

Key financial indicators

Indicators	1-12/2020 <i>BGN '000</i>	1-12/2019 <i>BGN '000</i>	Change %
Revenues	206 185	230 691	-10.6%
EBITDA	50 635	64 385	-21.4%
Operating profit	32 405	46 038	-29.6%
Net profit	27 965	40 382	-30.7%
CAPEX**	9 661	10 212	-5.4%
	31.12.2020	31.12.2019	
	<i>BGN '000</i>	<i>BGN '000</i>	
Non-current assets	435 882	477 027	-8.6%
Current assets	213 927	201 738	6.0%
Owners' equity	536 289	522 644	2.6%
Non-current liabilities	16 082	20 667	-22.2%
Current liabilities	97 438	135 454	-28.1%

* tangible and intangible fixed assets acquired

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Indicators	1-12/2020	1-12/2019
EBITDA / Revenues	24.6%	27.9%
Operating profit/ Sales revenues	15.7%	20.0%
Net profit/ Sales revenues	13.6%	17.5%
	31.12.2020	30.09.2020
Borrowed capital/Owners' equity	0,21	0,28
Net debt*/ EBITDA	1,5x	1,7x

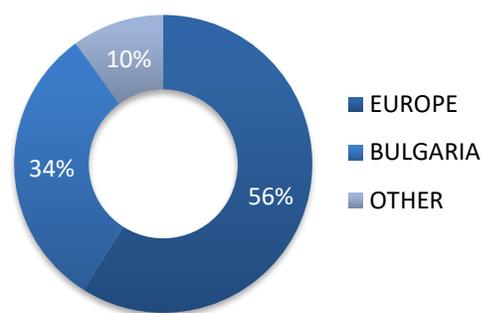
* the net debt comprises the sum of borrowings from banks and lease liabilities less cash and cash equivalents, taking into account the effects of the adoption of IFRS 16 Leases, effective from 01.01.2019

Sales revenues from products

Sales revenues from products for 2020 decreased by BGN 24,9 million or by 11%, to BGN 204 million compared to BGN 228,9 million in 2019.



Revenues by market	2020 BGN '000	2019 BGN '000	Change %
Europe	113 964	118 380	-4%
Bulgaria	69 406	91 642	-24%
Other	20 624	18 892	9%
Total	203 994	228 914	-11%



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- European market

Sales revenues for European countries decreased by 4% compared to 2019 due to the decrease of sales in Russia with 24%, Balkan countries with 17%, Moldova, Poland. Revenues for Ukraine increased by 40%, Belarus and the Baltics.

- Bulgarian market

Sales of “Sopharma” AD in the domestic market decreased by BGN 22,2 million or by 24% to BGN 69,4 million in 2020 compared to BGN 91,6 million in 2019. The decrease is due to the accumulated higher levels of finished products in the main distributor at the beginning of the reporting period. The company retains its market share and at the end of the year has a 3% share of the total Bulgarian pharmaceutical market in value and 11% of sales in volume. The positions of the main competitors of the Company in the country are as follows: Novartis—6.8% (3.7% in kind.), Roche – 6.7% (0.2% in kind), Actavis – 4.3% (10% in kind), Merck Sharp Doh – 4.3% (0.8% in kind), Abbvie - 3.7% (0% in kind), Pfizer – 3.5% (0.5% in kind), Glaxosmithkline - 2.8% (2.3% in kind), Astrazeneca – 2.8% (0.4% in kind), Sanofi-Aventis –2.8% (2% in kind). The products with the largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C, Famotidin and medical supplies - gauzes, compresses and bandages.

- Other markets

Revenues from other markets increased with 9% compared to 2019, mainly as a result of an increase of the export for Vietnam.

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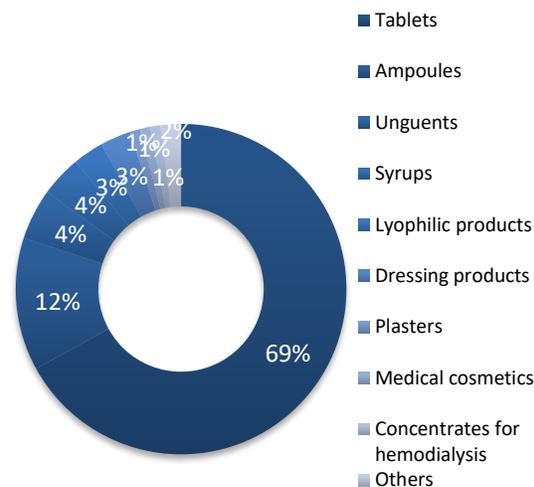
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Sales by type of formulation

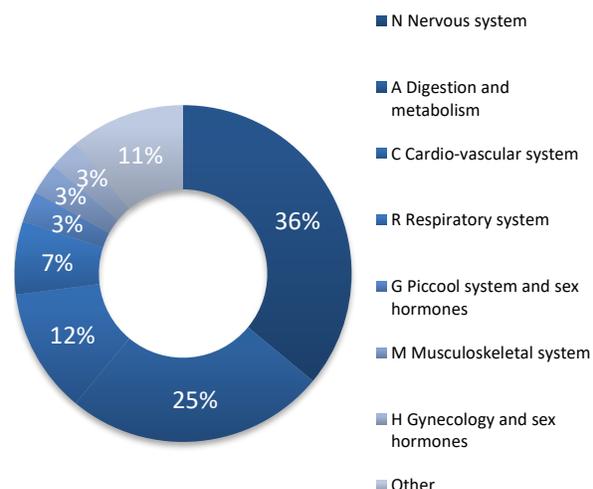
The types of formulation with the highest share in the volume of sales are tablet forms, followed by ampoules, unguents, syrups, lyophilic products, dressing products, plasters and others.

Revenues by type of formulation	2020	2019	Change %
	BGN '000	BGN '000	
Tablets	141 566	159 485	-11%
Ampoules	23 637	28 670	-18%
Unguents	8 437	9 770	-14%
Syrups	8 049	9 617	-16%
Lyophilic products	6 505	4 673	39%
Dressing products	6 173	6 608	-7%
Plasters	2 981	3 180	-6%
Medical cosmetics	1 381	920	50%
Concentrates for hemodialysis	1 367	1 571	-13%
Others	3 898	4 420	-12%
Total	203 994	228 914	-11%



Sales by therapeutic group

Revenues by therapeutic group	2020	2019	Change %
	BGN '000	BGN '000	
N Nervous system	73 101	82 599	-11%
A Digestion and metabolism	50 093	59 562	-16%
C Cardio-vascular system	25 551	29 289	-13%
R Respiratory system	14 472	16 909	-14%
G Urinary system and sex hormones	5 526	5 766	-4%
M Musculoskeletal system	5 405	4 652	16%
H Gynecology and sex hormones	6 508	4 487	45%
Other	23 338	25 649	-9%
Total	203 994	228 914	-11%



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Other operating revenues

Other revenues	2020	2019	Change	Rel. share
	BGN '000	BGN '000	%	2020 %
Services rendered	2 261	2 792	-19%	54%
Income from government grants under European projects	540	540	0%	13%
Gain on sale of long-term assets	380	115	230%	9%
Revenues from fines and penalties	293	10	2830%	7%
Profit on sale of goods	265	185	43%	6%
Revenues from financing for agricultural production	242			6%
Amounts awarded	166	53	213%	4%
Profit on sale of materials	137	61	125%	3%
Written off liabilities	130	746	-83%	3%
Gains / (Losses) from revaluation of agricultural production to fair value	68	(139)	149%	2%
Net exchange losses on trade receivables and payables and current accounts	(390)	(311)	25%	-9%
Other revenues (see Notes to the FS)	97	82	18%	2%
Total other operating revenues	4 189	4 134	1%	100%

Other operating revenues increased by BGN 0,05 million in 2020 compared to same period in 2019 mainly in the part of awarded amounts, profit from sale of fixed assets, income from fines and penalties, income from financing of agricultural production and others, and decrease in the part of income from provision of services and written off liabilities.

Operating expenses

Operating expenses	2020	2019	Change	Rel. share
	BGN '000	BGN '000	%	2020 %
Changes in inventories of finished goods and work in progress	(5 376)	6 183	-187%	-3%
Materials	70 095	75 486	-7%	39%
External services	36 329	34 974	4%	20%
Personnel	49 804	49 203	1%	28%
Depreciation and amortization	18 230	18 347	-0.6%	10%
Other operating expenses	8 887	4 594	93%	5%
Total	177 969	188 787	-5.7%	100%

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Operating expenses decreased by BGN 10,8 million from BGN 188,8 million in 2019 to BGN 178 million in 2020.

The costs of materials (39% share) decreased by BGN 5,4 million or 7% from BGN 75,5 million in 2019 to BGN 70,1 million in 2020, with the biggest impact being the decrease in the costs for basic materials in the part of substances, the cost of heat energy, laboratory materials, technical materials, auxiliary materials, etc.

External services expenses account for 20% relative share of operating expenses and increased by BGN 1,3 million or 4% to BGN 36,3 million in 2020 compared to BGN 35 million in 2019. The most significant impact was the increase in the costs for the production of medicines by BGN 2,7 million, the costs for consulting services by BGN 0,9 million, etc. The expenses for advertising and marketing services decreased by BGN 2,1 million, etc.

Personnel expenses (with a relative share of 28% of operating costs) increased by BGN 0,6 million or by 1% from BGN 49,2 million in 2019 to BGN 49,8 million in 2020.

Other operating expenses (with a relative share of 5% of operating costs) increased by BGN 4,3 million in 2020 compared to the same period in 2019 mainly in the part of scrapped fixed assets.

Depreciation costs (with a relative share of 10% of operating expenses) registered a decrease of BGN 0,1 million or by 0.6%, retaining their value from BGN 18 million.

Changes in inventories of finished goods and work in progress have an impact on the decrease in operating expenses by BGN 5,4 million.

Financial income and costs

Financial income	2020	2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
Shareholding income	9 661	10 653	-9%	74%
Interest income on loans extended	3 189	3 342	-5%	24%
Net profit from operations with investments in securities	132	2 924	-95%	1%
Incl. profits from the sale of investments in subsidiaries	131	242	-46%	1%
Net profit from exchange rate differences under lease contracts	38	-	-	0%
Impairment reimbursement for credit losses of cash	12	-	-	0%
Net profit from exchange differences on the sale of a subsidiary	-	47	-100%	0%
Total	13 032	16 966	-23%	100%

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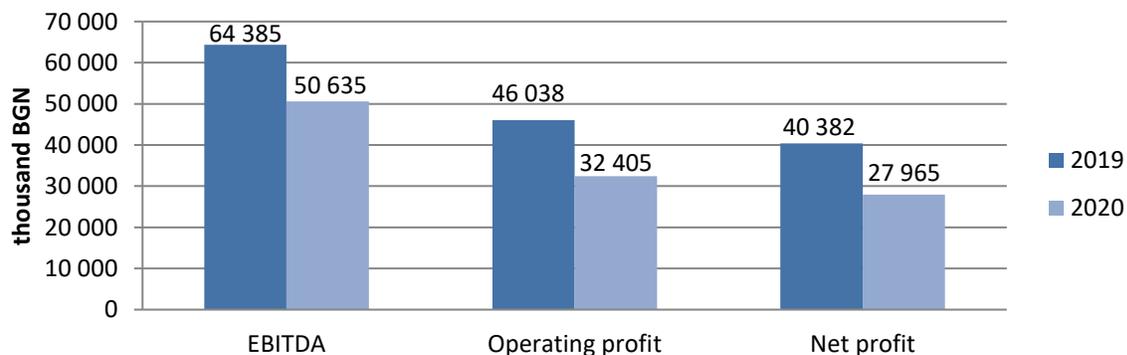
Financial costs			Change %	Rel. share 2020
Impairment for credit losses on receivables from trade loans	3 795	1 736	119%	54%
Recovered impairment for credit losses on trade loans	(242)	(1 210)	-80%	-3%
Net change in impairment on loans granted				
Interest expense on loans received	3 553	526	575%	50%
Interest expenses on loans received	1 466	1 698	-14%	21%
Impairment for credit losses on dividend receivables	1 293	-	-	18%
Bank fees and charges on loans and guarantees	309	267	16%	4%
Net foreign exchange loss on receivables from the sale of a subsidiary	294	-	-	4%
Interest expense on leasing contracts	92	58	59%	1%
Accrued provision for financial guarantees	249	54	361%	4%
Reimbursed provision for financial guarantees	(203)	0	-	-3%
Net provision for financial guarantees	46	54	-15%	1%
Deregistered capital of a company from the scope of long-term capital investments	26	-	-	0%
Net foreign exchange loss on leases	-	8	-100%	0%
Total	7 079	2 611	171%	100%

Financial income decreased by BGN 4 million to BGN 13 million in 2020 compared to BGN 17 million in 2019, mainly in the part of shareholding income by BGN 1 million and net profit from operations with investments in securities by BGN 2,8 million.

Financial costs increased by BGN 4,5 million to BGN 7,1 million in the current period of 2020, due to an increase in net change in impairment on loans granted and dividend receivables to subsidiaries (SIA Briz Latvia).

Net financial income/ (costs) decreased by BGN 8,4 million compared to 2019.

Financial result of the activity



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Profit before interest, taxes and depreciation (EBITDA) in 2020 decreased by BGN 13,8 million or by 21.4% to BGN 50,6 million compared to BGN 64,4 million in 2019. The main reason is the decrease in sales revenues for the domestic market and Russia.

Operating profit decreased by BGN 13,6 million or 29.6% to BGN 32,4 million in 2020 compared to BGN 46 million in 2019.

Net profit decreased by BGN 12,4 million or by 30.7%, to BGN 28 million in 2020 compared to BGN 40,4 million in 2019 in addition to the stated factors at the operational level, the net decrease in financial income and expenses, as well as the reported impairments of non-current assets (reputation, investments in subsidiaries and property, plant and equipment) have a negative impact.

Assets

Non-current assets	31.12.2020	31.12.2019	Change	Rel. share
	BGN '000	BGN '000	%	2020
Property, plant and equipment	211 681	224 654	-6%	49%
Intangible assets	4 134	8 524	-52%	1%
Investment property	44 759	39 329	14%	10%
Investments in subsidiaries	86 809	87 146	0%	20%
Investments in associated companies	6 062	6 062	0%	1%
Other long-term equity investments	11 607	9 621	21%	3%
Long-term receivables from related parties	59 725	91 794	-35%	14%
Other long-term receivables	11 105	9 897	12%	3%
	435 882	477 027	-9%	67%
Current assets				
Inventories	68 163	61 365	11%	32%
Receivables from related parties	113 209	97 014	17%	53%
Trade receivables	18 632	27 212	-32%	9%
Loans granted to third parties	3 903	6 044	-35%	2%
Other receivables and prepaid expenses	6 064	6 144	-1%	3%
Cash and cash equivalents	3 956	3 959	0%	2%
	213 927	201 738	6%	33%
TOTAL ASSETS	649 809	678 765	-4%	100%

Total assets decreased by BGN 29 million or by 4% to BGN 649,8 million in the end of 2020, compare to BGN 678,8 million as at 31 December 2019.

Non-current assets decreased by BGN 41,1 million or by 9%, mainly due to a decrease in long-term receivables from related parties by BGN 32,1 million as a result of partial repayment of loans by companies from the group of “Doverie - Obedinen Holding” AD.

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Current assets increased by BGN 12,2 million or by 6% to BGN 213,9 million as at 31 December 2020 compared to BGN 201,7 million as at 31 December 2019. Inventories increased by BGN 6,8 million or 11% compared to 31 December 2019, mainly in the part of finished products and materials. Receivables from related enterprises increased by BGN 16,2 million in the part of receivables from contracts with customers, net. Trade receivables decreased by BGN 8,6 million. Cash and cash equivalents retain their value of BGN 3,9 million.

Liabilities and owners' equity

	31.12.2020	31.12.2019	Change	Rel. share compared to OE 2020
	BGN '000	BGN '000	%	%
OWNERS' EQUITY				
Share capital	134 798	134 798	0%	25%
Treasury shares	(33 656)	(34 142)	-1%	-6%
Reserves	408 807	382 549	7%	76%
Retained earnings	26 340	39 439	-33%	5%
TOTAL OWNERS' EQUITY	536 289	522 644	3%	100%
	31.12.2020	31.12.2019	Change	Rel. share compared to total liabilities 2020
	BGN '000	BGN '000	%	%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	15	2 398	-99%	0%
Liabilities on deferred taxes	5 349	6 209	-14%	5%
Government grants	4 427	4 858	-9%	4%
Operating leasing liabilities to related parties	-	1 610	-100%	0%
Operating leasing liabilities to third parties	1 533	954	61%	1%
Long-term liabilities to personnel	4 758	4 638	3%	4%
	16 082	20 667	-22%	14%

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Current liabilities				
Short-term bank loans	73 327	100 359	-27%	65%
Short-term part of long-term bank loans	2 403	7 181	-67%	2%
Trade liabilities	7 288	6 074	20%	6%
Liabilities to related parties	1 273	6 664	-81%	1%
Liabilities for taxes	2 026	2 329	-13%	2%
Liabilities to the personnel and for social insurance	7 507	7 266	3%	7%
Other current liabilities	3 614	5 581	-35%	3%
	97 438	135 454	-28%	86%
TOTAL LIABILITIES	113 520	156 121	-27%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	649 809	678 765	-4%	

The equity of “Sopharma” AD increased by BGN 13,6 million or by 3% to BGN 536,2 million as at 31 December 2020 compared to BGN 522,6 million as at 31 December 2019, mainly as a result of the increase in reserves by BGN 26,2 million. Retained earnings decreased by BGN 13 million.

Non-current liabilities decreased by BGN 4,6 million or 22% to BGN 16,1 million at the end of current period in 2020 compared to BGN 20,7 million as at 31 December 2019 mainly in the part of long-term bank loans by BGN 2,4 million.

Current liabilities decreased by BGN 38 million to BGN 97,4 million at the end of 2020 compared to BGN 135,4 million as at 31 December 2019. Decrease in short-term bank loans by BGN 27 million, short-term part of long-term bank loans by BGN 4,8 million, liabilities to related parties by BGN 5,4 million and other current liabilities by BGN 2 million. Total exposure to bank loans of the company as of 31 December 2020 decreases by BGN 34,2 million compared to 31 December 2019.

Cash flow

	1-12/2020	1-12/2019
	BGN '000	BGN '000
Net cash flow from/ (used in) operating activities	27 292	47 591
Purchases of property, plant and equipment, intangible assets, net	(6 335)	(8 700)
Payments under lease agreements	(3 959)	(1 710)
Free cash flow (normalized)	16 998	37 181

Free cash flow (normalized with the payments under leasing contracts), generated for 2020, amounts to BGN 17 million compared to BGN 37,2 million in 2019.

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Ratios

	31.12.2020	30.09.2020	Change
ROE ¹	5.2%	5.4%	-0,2
ROA ²	4.3%	4.2%	0,1
Asset turnover ³	0,32	0,31	0,01
Current liquidity ⁴	2,20	1,80	0,40
Quick liquidity ⁵	1,50	1,20	0,30
Monetary liquidity ⁶	0,04	0,02	0,02
Financial autonomy ⁷	4,72	3,54	1,18

1 Net profit per annum / average equity for the last five quarters

2 Net profit on an annual basis / average value of total assets for the last five quarters

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

4 Current assets / current liabilities

5 Receivables + Cash / Current liabilities

6 Cash / Current liabilities

7 Equity / Liabilities

3. New developments and products

- New Products for the period January - December 2020
 - During the reporting period, 5 Marketing Authorization was obtained for a new medicinal product - Solifenax 5 mg film-coated tablet (Bulgaria)), Ambrolitin 30 mg/5 ml syrup (Bulgaria, Latvia, Estonia), Ketoprofen 100 mg/ 2 ml solution for injection (Bulgaria), Sofazolon 40mg powder and solvent for solution for injection (Bulgaria), Dexketoprofen 50mg/2ml solution for injection (Latvia, Lithuania, Estonia).
- New medical products implemented in production
 - During the reporting period the following new medicinal products were introduced into the production: - Paracedol Kids 120 mg / 5 ml oral suspension; Antiemetin 5 mg / ml solution for injection; Promerol 1 mg / ml solution for injection and food supplement Aloveital 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);

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- Deavit Neo 0.5 mg/ml oral drops, solution (Azerbaijan);
 - Otofrix 40 mg/g+10 mg/g ear drops, solution (Azerbaijan);
 - Sophalor 0.5 mg/ml oral solution (Azerbaijan);
 - Sydnopharm 2 mg tablet (Azerbaijan);
 - Sophtensif 1.5 mg prolonged-release tablets (Azerbaijan);
 - Methadone Sopharma 10 mg/ml oral solution (Bosnia and Herzegovina);
 - Analgin Kids 500 mg/ml oral drops, solution (Georgia);
 - Verapamil Sopharma 2.5 mg/ml solution for injection (Iran);
 - Valeriana 30 mg film-coated tablet (Kazakhstan);
 - Broncholytin Ivy 7 mg/ml syrup (Kyrgyzstan);
 - 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);
 - Troxerutin Sopharma 2 g/100 g gel (Mongolia);
 - Troxerutin Sopharma 300 mg capsules, hard (Mongolia);
 - Dexamethasone Medszo 4 mg/ml solution for injection (Portugal);
 - Feloran 1 mg/100 g 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 has been submitted for the registration of 62 medicinal products to agencies of new destinations.

Food additives

- 17 nutritional supplements have been notified for Bulgaria, Armenia, Azerbaijan, the Ukraine, Kazakhstan and Kyrgyzstan.

Medical supplies

- 48 medical devices are registered in Ukraine (two), Moldova (thirty) and Macedonia (sixteen).

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Re-registrations / changes

- Renewed Marketing Authorizations for 85 medicinal products.
- Documentation submitted for the renewal of the Marketing Authorizations for 119 medicinal products to agencies.
- Agreements approved 854 changes to medicinal products.
- 949 drug changes submitted to agencies.

Developments

- Pharmaceutical development of 11 new medicinal products / projects is underway.
- 18 medicinal products/ active substances were transferred in the process of transfer and 30 production processes / technologies were validated / optimized.

4. Significant events in 2020 and until the publication of the preliminary management report

- On 22 January 2020, “Sopharma” AD started the payment of the gross dividend of 5 stotinki per share voted at the General Meeting of Shareholders on 13 December 2019.
- On 22 April 2020, the company received BGN 30 million, which are paid interest and loans from an associate and a controlled company by it (“Doverie - Obedinen Holding” AD and “Doverie Invest” AD).
- On 5 June 2020 the Annual General Meeting of “Sopharma” AD was held, at which the following decisions were taken: The AGM approves the Annual Report of the Board of Directors on the company's activities in 2019.; The AGM approves the Annual Report of the Investor Relations Director for 2019; The AGM approves the Audited Annual Financial Statements /Individual and Consolidated/ of the Company for 2019.; The AGM approves the Auditor's Reports on the Audit of the Annual Individual Financial Statements and of the Annual Consolidated Financial Statements of the Company for the year 2019; The AGM approves the proposal of the Board of Directors for the distribution of the Company's 2019 profit of BGN 40 382 210,24 as follows: allocating 10% or BGN 4 038 221.02 to the mandatory reserve, BGN 6 284 221,60 for the 2019 six-month preliminary dividend. After dividing the legal reserve by 10% and dividend paid in advance for the half year of 2019, to distribute a gross dividend of BGN 0,07 per share (seven stotinki). The amount remaining after the distribution above and the retained earnings from previous years in the amount of BGN 1 995 956,93 shall be transferred to additional reserves of the company.; The AGM approves the Audit Committee's report on its activities in 2019.; The AGM re-elects the current members of the Audit Committee of the company for a new term of three years.; The AGM releases the members of the Board of Directors from

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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 3 August 2020 “Sopharma” AD started the payment of an annual dividend for 2019 in the amount of 7 stotinki per share voted on the Annual General Meeting held on 5 June 2020.
- On 25 September 2020 an Extraordinary General Meeting of the shareholders of Sopharma AD was held, at which the following decisions were taken: The General Meeting of Shareholders 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.
- On 13 October 2020 the company acquired 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.

5. Related party information

Related party information is disclosed in the notes to the interim financial statements.

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III. Information about the shares of “Sopharma” AD

The total number of shares issued by “Sopharma” as at 31 December 2020 is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, in accordance with the Articles of Association of the Company. All issued shares are of one class. Each share entitles one vote to the General Meeting of Shareholders, a right to dividend and a liquidation share proportional 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 segment 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 Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate and in the 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 European (CEE) index. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the company's country of origin. WIG-CEE is calculated on the basis of total profitability 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
Net earnings per share in BGN ¹	0,222	0,231
Price per share at the end of the period in BGN	3,194	3,08
Price/Earnings ratio (P/E)	14,39	13,33
Book value per share in BGN ²	4,263	4,218
Price/Book value ratio (P/B)	0,75	0,73
Market capitalization at the end of the period in BGN	430 544 489	415 177 529

1 Net profit for the last four quarters / weighted average number of shares in the same period

2 Equity / number of shares outstanding at the end of the period

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“Sopharma” AD

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



1 February 2021
Sofia

/Signature/

Ognian Donev, PhD
/Executive Director/

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