

TO THE GENERAL MEETING OF SHAREHOLDERS OF „SOPHARMA“ AD
AUDIT COMMITTEE REPORT

2024

Dear Shareholders,

The Audit Committee was re-elected at the General Meeting of Shareholders of „Sopharma“ AD on June 2, 2023 for a new three-year term of office and comprises of three members:

1. Vasil Naydenov
2. Cvetanka Zlateva 3. Kristina Atanasova-Elliot

In compliance with the legal requirements, the Audit Committee has elected as its Chairman Mr. Vasil Naydenov.

In this composition, the Audit Committee performed its functions in the reporting year 2024, in accordance with the applicable regulations, the Statute of the Audit Committee approved by the General Meeting of Shareholders and in accordance with the Committee's adopted Activities Plan for the reporting period.

The activities of the Audit Committee in fulfillment of its statutory obligations under Art.108 of the Independent Financial Audit and Sustainability Assurance Act (IFSAA) in relation to the reporting year 2024 can be summarized as follows:

1. Monitoring of financial reporting processes in "SOPHARMA" AD

Based on its observations during the reporting period, the Audit Committee forms an assurance that the Company's financial reporting is in accordance with the accounting policy adopted by the latter and the applicable IFRS accounting standards adopted by the European Commission. For the reporting financial year, the Company has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and, respectively, by the IFRS Interpretations Committee, which were relevant to its activities. Since the adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2024, there have been no changes in the Company's accounting policy, except in relation to the classification and disclosure of non-current liabilities subject to restrictive conditions, as well as some new and expansion of already established disclosures, without this leading to other changes in the classification or the assessment of individual reporting items and transactions. In this regard, the financial statements contain the necessary

disclosures with explanations of the changes in IAS 1 Presentation of Financial statements, IAS 7 Statement of cash flows and IFRS 7 Financial Instruments: Disclosures, which are also in focus of the Common European Priorities for implementation for the Annual Financial Statements for 2024, outlined by the European Securities and Markets Authority in its annual public statement (ESMA32-193237008-8369, October 24, 2024).

The Company continues to consistently apply the adopted good practices for the organization of the reporting of the financial year. The activity of the "Reporting" department, established specifically for working with subsidiaries, continue to contribute to improving the quality of the processes for reporting the financial year on a consolidated basis. Effective channels for direct and operational communication between the members of the independent auditor's team and the responsible persons from the Company's financial and accounting team have been established, while maintaining the practice of providing the audit team with complete and accurate information. The auditor confirmed to the Committee that during the audit he received all the requested documents and explanations, albeit with a delay in providing information in connection with the audit of the consolidated report, and no significant difficulties were encountered.

The financial reporting of the business, as far as we are aware, presents reliably the financial position of the Company and the Group. Evidence of this is also the expressed in the Auditor's reports under Art. 59 of IFSAA in relation to the annual reports, the auditor's opinion of the mandatory independent financial audit that the reports give a true and fair view of the Company's financial situation, respectively the Group, as at December 31, 2024 and for their financial results of operations and cash flows for the year then ended in accordance with International Financial Reporting Standards. The information included in the annual reports of the management for the activities of „Sopharma“ AD and Sopharma Group corresponds in all substantive aspects to the information presented and disclosed in the individual financial statements of the Company and the consolidated financial statements of the Group as at December 31, 2024. This statement is also confirmed by the independent Auditor in the given Audit opinion and the findings under Art. 37, para. 6 of the Accountancy Law and Art. 100n of LPOS, contained in the Audit Reports on the financial statements. The Committee receives confirmation from the independent auditor that no errors have been identified during the audit, the effect of which is substantive individually or in the aggregate, no cases of substantive misstatement and/or disclosure, material misstatements, non-compliance with laws and other regulatory provisions have been identified. In the context of the above, we believe that the existing monitoring of the process is related to financial reporting, such as the reliability of financial reporting. In this regard, the Audit Committee should report that it has not received signals of

irregularities in the financial reporting activities of the Company and the mandatory audits of its annual financial statements.

2. Monitoring the process of sustainability reporting

The new regulatory requirement for sustainability reporting for businesses, introduced by Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EU, Directive 2006/43/EU and Directive 2013/34/EU, with regard to enterprises's sustainability reporting, applicable for 2024 as the first reporting period for the so-called „first wave“ of enterprises, which includes the Company, was transposed into national legislation with relevant amendments and supplements to the Accountancy Act only with the Amendment and Supplement Act, promulgated in the State Gazette, issue 72 of August 27, 2024, effective from July 6, 2024. Although the late transposition of the difficult new European regulatory requirements into Bulgarian legislation understandably creates serious challenges for the part of Bulgarian business falling into the "first wave" of enterprises obliged to prepare a sustainability report for 2024, the Audit Committee assesses the Company's readiness to meet these new requirements by creating a relevant organization for the period, based on good preparation regarding European legislation, preceding the update of the national legal framework. The intensive work by departments and areas to extract and analyze data relevant to sustainability reporting by "Sopharma" AD gave the Committee confidence that the Company is ready to effectively systematize information for reporting needs, regardless of the sudden regulatory change made at the national level (with the Law on Amendments to the Accountancy Law, published in the State Gazette, issue 17 of February 28, 2025, effective from February 28, 2025) in the final stage of reporting the year, by postponing the application of the sustainability reporting requirements, and respectively the issuance of sustainability reports, by one year respectively for each of the three "waves" of enterprises affected by the new requirements.

In the context of these regulatory cataclysms, the Audit Committee highly appreciates the fact that the Company was able to respond promptly and adequately to the requirements changed in the last stage of the preparation of the annual financial statements, by including in its annual individual and consolidated activity reports the required, including non-financial, information under Art. 39, para. 1, items 1 - 3 and para. 2 of the Accountancy Act, which, if the requirements for including a dedicated sustainability report as a section of the management report had remained in force, would have been replaced by the sustainability report included in the consolidated activity report of the Company (Art. 52 in conjunction with Art. 49 of the Accountancy Act). Along with the above, the required disclosures under Art. 8 of Regulation (EU) 2020/852 of the European

Parliament and of the Council of June 18, 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

The above should be taken as an indication of the good organization of reporting in the Company, which undoubtedly ensures the reliability of the reports prepared and issued.

3. Monitoring the effectiveness of internal control and risk management systems

Risk management is carried out on an ongoing basis by the Management of the Company and, respectively, the managements of the subsidiaries in accordance with the policy established by the Board of Directors of the Company as the parent company. The Management of the Company, being responsible for the identification, assessment and taking corrective actions to eliminate or reduce the relevant risk, has taken an approach to expand the scope of internal control, by assigning control functions to individual individuals and structures related to both financial and production and economic activities. The established internal control system operates in a manner that allows for the identification of the risks associated with the Company's activities and supports their effective management, while also ensuring the effective functioning of the reporting and disclosure systems.

The Board of directors has adopted basic principles for the general management of financial risk, on the basis of which specific procedures have been developed for the management of individual specific risks:

Currency – To control the currency risk the Group introduced import supply planning system, foreign currency sales, as well as procedures for daily monitoring of movements in the USD exchange rate and control of forthcoming payments. The company realizes part of its finished production in Russia in euros and thus eliminates the currency risk associated with the depreciation of the Russian ruble. Settlements with subsidiaries in Ukraine are also denominated in euros. However, in order to minimize the currency risk, the Company, through its subsidiaries, implements a foreign exchange policy, including the application of advance payments and shortening of deferred payment terms and immediate conversion into euros of local currency receipts, as well as betting on higher commercial markups to compensate for possible future devaluation of the hryvnia;

Price - to minimize this risk, the Management has applied a corporate strategy aimed at optimizing production costs, validating alternative suppliers offering favorable trading conditions, expanding the nomenclature by developing new generic products for the market and last but not least, flexible marketing and pricing policy. With regard to the long-term capital investments owned by the Group and mainly through the Company-the parent company, the management monitors and analyzes all changes in the securities market and the management

has decided to strongly reduce the operations on the stock markets and withhold the investment in shares for a longer-term holdization and it applies an ongoing monitoring of financial and business indicators reported by the issuer;

Interest - The Company's management is currently monitoring and analyzing the exposure of the companies in the Group to changes in interest rates. Different scenarios of refinancing, renewal of existing positions and alternative financing are simulated and serve as a base for measuring the effect on the financial result and owner's capital when change with certain percentage points occurs;

Credit - The Group works with counterparties with a history of relationships in its main markets, partnering with over 70 Bulgarian and foreign licensed pharmaceutical distributors. The Group's credit policy stipulates that each new customer is examined for creditworthiness before the standard terms of delivery and payment are offered. The Group's credit risk arises both from its main activity, through trade receivables, and from its financial activity, including the provision of loans to related parties and third parties, commitments on loans and guarantees, and deposits in banks. The Group has developed policies, procedures and rules for control and monitoring of credit risk behavior;

Capital risk – The coverage and capital structure are currently monitored based on the debt ratio. During the reporting period, as a result of the implementation of a large-scale investment program, the debt ratio has increased significantly compared to previous years. The strategy of the Management of the Company as a parent is to maintain a ratio within 25-35% at the group level;

Liquid – in order to isolate the possible general liquidity risk, the Group works with a system of alternative mechanisms for action and forecasts, the final effect of which is the maintenance of good liquidity, respectively the ability to finance the business activity. This is complemented by ongoing monitoring of the maturities of assets and liabilities, control over the outgoing cash flows and ensuring their current balancing against the incoming ones, including renegotiation of maturities and optimization of the debt structure, increase and internal restructuring of self-generated funds and their investment. During the reporting period, the Group has no arrangements for financing suppliers.

As a result of the communication with the Company's Management on issues of monitoring and risk management, the Audit Committee can conclude that an adequate policy is applied in terms of specifying risks and preventive action, and efforts are made to constantly maintain its relevance. The Company's commitment to the continued expansion of formalized control procedures and activities and in particular to the constant development and improvement of the internal control system of financial reporting and accountability is also stated in the Corporate Governance Statements under Art. 40 of the Accountancy Act and Art. 100n, para. 8 of the Public Offering of Securities Act to the Annual Financial Statements for 2024.

4. Efficient dialogue with the Management of "Sopharma" AD and monitoring of the internal audit work in the Company

Pursuant to Art. 12, item 11 of the Statute of the Audit Committee, the Committee's opinion was engaged regarding the letter-contract for the assignment of an audit engagement to perform a mandatory independent financial audit of the annual individual and consolidated financial statements for the year ending December 31, 2024, of "Sopharma" AD, prior to its conclusion with the registered auditor „Baker Tilly Klitou and Partners“ EOOD, elected by the General Meeting of the Company. The Committee gave a positive opinion on the engagement letter, after a detailed discussion of the audit performance program and a review of the specific deadlines provided for therein, in order to obtain confidence that the latter have the potential to ensure the timely exchange of information between the Company and the auditor, as well as the full and precise implementation of the audit procedures, while providing sufficient time for the conversion of the financial statements into the European Single Electronic Format (ESEF) within the statutory deadlines for their disclosure.

During the reporting period, the Audit Committee continued to assist in ensuring the good conditions created by the Company's Management and responsible employees, to achieve an environment that ensures transparency and full independence of the auditor in the process of performing the statutory financial audit. During the period of the full implementation of the audit of the financial statements for 2024, the registered auditor maintained effective communication with the Audit Committee in relation to the progress of the audit at the individual stages and interim results. At a special meeting, the significant risks of misstatement identified by the auditor and the planned audit procedures to address them, as well as all other issues for communication with those charged with governance, were discussed. The auditor has identified the existence of intangible assets and the valuation of trade receivables, receivables from related parties and loans granted to third parties as key audit matters in the audit of the individual and consolidated financial statements. Quite reasonably, the first key audit matter is focused on the transaction concluded by the Company in November 2024 for the acquisition of contractual rights to trade licenses and trademarks, not only due to its significant carrying amount, but also in view of the complexity of the transaction itself and its unusual nature for the Company, which require the Management to make a complicated judgment when recognizing the assets - the subject of the transaction in accordance with IAS 38 Intangible assets. In relation to trade receivables, receivables from related parties and loans granted to third parties, the auditor has identified as the main risk the risk of their inaccurate measurement, since the application of IFRS 9 requires the use of models with significant judgments and assumptions. A number of audit procedures have been performed to ensure the accuracy of the application of the

requirements of the specified IFRS in the financial statements of the Company, including a review and assessment of the adequacy of the adopted methodology for identification of credit losses and calculation of impairment, assessment and testing of the operating effectiveness of key controls in the process of monitoring and determining the amount of impairment for credit losses, including the quality of disclosures in the annual reports in this regard. The in-depth and comprehensive analysis and audit procedures performed by the auditor in relation to the long-term effect of the implementation of new standards in the accounting policy of the Company and the Group, while applying an individual approach based on knowledge of their business processes, to best address the identified risks of misstatements, creates additional guarantees for the reliability of the financial reporting. In the context of the acquisitions of new subsidiaries by the Group during the reporting period, the third key audit matter was logically determined in relation to the audit of the consolidated financial statements (acquisition of subsidiaries), given the significant size of these acquisitions and the high degree of judgment required in the assessment and recognition of the fair value of identifiable assets and liabilities, including the intangible assets identified in these business combinations. It is worth noting that the early stage of the audit, where the auditor discussed the identified key audit matters and significant risks of misstatement with the Audit Committee, allowed the Committee to fully monitor the focus of the audit procedures to eliminate the risks and obtain sufficient audit evidence to form an audit opinion on the financial statements. This reinforces the role of the Committee in the process of ensuring the reliability of the financial statements, which is the focus of the statutory audit.

Given the above and as a result of the overall communication with the independent auditor, the Audit Committee can conclude that the work on the financial audit of the reporting period was carried out comprehensively, responsibly and in accordance with regulatory requirements. The good practice of precise audit planning continues to be applied, which achieves control over the results and prevention of errors. The contribution of the latter to the reliability of the financial reporting of the audited entity is undeniable.

In fulfillment of its obligation under Art. 108, para. 1, item 4 of the LIFSAA, the Audit Committee established that the Commission for Public Oversight of Registered Auditors, in the decisions publicly announced on its website, adopted on April 4, 2023 report on the results of an unscheduled full inspection to ensure the quality of the professional activities of the auditing company „Baker Tilly Klitou and Partners“ EOOD, with the Commission assessing the audit practice with a grade of "A", with a finding that the professional activities of the auditing company are in accordance with the essential aspects of the requirements of the auditing standards and with the legal requirements. The results announced by the Commission from the previously conducted scheduled inspections of the auditor are similar, as in 2021 a finding

was made that for the inspected period "from January 1, 2020 to December 31, 2020 the professional activities of the registered auditor are in accordance with the essential aspects of the requirements of the auditing standards and with the legal requirements" and the auditing company was given a grade of "A", and in 2019 It was noted that for the period under review „from July 1, 2017 to June 30, 2018, the professional activities of the auditing company were in accordance with all substantive aspects of the quality requirements for the audit services performed in applying the procedures set out in the professional standards". The results of the earlier inspection in 2015 are similar. Additionally, in conclusion of a thematic inspection carried out regarding the quality of performance of an engagement for a statutory financial audit of the annual financial statements of a public company for 2018, the Commission stated that "the auditing company has performed the engagement in accordance with all material aspects of the quality requirements for the audit services performed in applying the procedures set out in the professional standards, fundamental ethical principles, legal and other regulatory provisions." It was not established that subsequent results regarding inspections and/or investigations, or findings under Art. 26, par. 6 of Commission Regulation (EU) No 537/2014 with regard to „Baker Tilly Klitou and Partners“ EOOD.

5. A review of the independence of the registered Auditor „Baker Tilly Klitou and Partners“ EOOD was performed in accordance with the statutory requirements of Chapter 6 and Chapter 7 of the LIFSSA and par. 6 of Regulation (EU) No. 537/2014. The Independent auditor provided to the Audit Committee a declaration of independence of the audited company as well as declarations by team members as required by the Law on the Independent Financial Audit. No other auditors and external experts were used in the audit of the individual statement. No external experts were used in the audit of the consolidated report; the work of the auditors carrying out the audit of the subsidiaries of the enterprise is used. In view of the latter, the auditor reports to the Audit Committee that it has requested and obtained from the subsidiaries' auditors a confirmation of their independence in the Group. The Auditor has confirmed independence according to the applicable legal requirements and in the Supplementary reports to the Audit Committee, incl. the implementation of the procedures under art. 53 and art. 67 of the LIFSSA for preparation of the financial audit and evaluation of the threats to independence, as well as a review for the quality of the engagement under art. 68 of the LIFSSA and art. 8 of Regulation (EU) 537/2014 prior to the issuance of the audit opinion and the reports under art. 60 of the LIFSSA. The auditor has reported on the internal organization of work in accordance with art. 55 of the LIFSSA. The Auditor has also confirmed that they have not established infringements of the LIFSSA and Regulation (EU) 537/2014. There are no reports of complaints received by the Audit Committee in connection with the audit performed and no reports of omissions and irregularities in the performance of the Independent Auditor's duties have been received.

The Audit Committee finds, on the basis of the submitted documents, that the registered auditor has maintained its independence from the audited entity throughout the entire period of the audit of the Company's financial statements for 2024. It has also been established, as of the date of this report, that „Baker Tilly Klitou and Partners“ EOOD fulfills its obligation to publish on its website a Transparency report pursuant to Art. 62 of the LIFSSA, which includes legally required information.

In accordance with the requirements of the LIFSSA (Art. 60), the applicable auditing standards and the provisions of Art. 11 of Regulation (EU) No 537/2014, the Independent auditor provided the Audit Committee with a Report to the Audit Committee of „Sopharma“ AD dated March 28, 2024 concerning the audit of the Company's individual financial statements for 2022 and a Report to the Audit Committee of „Sopharma“ AD dated April 25, 2024 on the auditing of the consolidated financial statements of Sopharma Group for 2024.

During the reporting period, the Audit Committee was not addressed with requests and respectively provided approvals under Art. 64, para. 3 of the LIFSSA, respectively the registered auditor and the members of the network to which it belongs did not provide the Company with additional services under Art. 64 of the LIFSSA, outside the framework of the statutory independent financial audit for the reporting period, which fully complies with the requirements for auditor independence under Art. 64 of the LIFSSA and Art. 5 of Regulation (EU) No. 537/2014. The registered auditor and the members of the network to which it belongs did not provide prohibited services outside the audit under Art. 64 of the LIFSSA (resp. Art. 5 Regulation (EU) No. 537/2014), which is confirmed in the Audit reports pursuant to Art. 10, par. 2, b. "e" Regulation (EU) No. 537/2014.

The Auditor has confirmed the assessment under art. 66, para 2 and 3 of the LIFSSA and art. 4 of Regulation (EU) 537/2014 resulting in the remuneration received being below the thresholds laid down in those provisions. In view of the latter, during the reporting period, the Auditor has not identified any threats to his / her independence, has not conducted communication under art. 66 of the LIFSSA with the Audit Committee, respectively the latter did not provide approvals under para. 3 of the same provision.

6. Recommendation for electing a registered auditor for the statutory independent financial audit of the Annual individual and consolidated financial reports of „Sopharma“ AD for 2025

In view of the above-mentioned consistently positive assessments of the Commission for public oversight of registered auditors for the activities of the audit company „Baker Tilly Klitou and Partners“ EOOD and the positive findings of the Audit Committee for the work of the registered auditor during the previous

reporting periods, determined by the competence demonstrated by the audit team, the precise approach applied to the organization of the audit, maintaining open and regular communication with the Committee and the enviable ease in implementing regulatory changes in auditing practice, the Audit Committee, in compliance with the requirements of Art. 65 of the LIFSAA and Art. 17, par. 1 and par. 2 of Regulation (EU) No. 537/2014, on the basis of Art. 16, par. 2, para. 2 and par. 3, para. 1 of Regulation (EU) No. 537/2014, **recommends that the General Meeting of Shareholders of „Sopharma” AD renew the audit engagement of the auditing company „Baker Tilly Klitou and Partners“ EOOD**, Sofia, 5 Stara Planina Str., 5th floor, UIC 131349346, included in the Register of the registered auditors under Art. 20 of the Act on the Audit of Financial Institutions and Companies with registration number 129, for carrying out the statutory financial audit of the annual individual and consolidated financial statements of „Sopharma” AD **for 2025**. This recommendation of the Audit Committee is not influenced by a third party. The Audit Committee is not subject to a clause of the type referred to in Art. 16, par. 6 of Regulation (EU) No. 537/2014.

In view of the fact that the recommendation concerns the renewal of an audit engagement and is made in compliance with Art. 65 of the LIFSAA and Art. 17, par. 1 and 2 of Regulation (EU) No. 537/2014 on the maximum permissible duration of audit engagements, on the basis of Art. 16, par. 2, para. 2 and par. 3, para.1 of Regulation (EU) No. 537/2014, for the purposes of and before the provision of the same, the selection procedure under Art. 16, par.3 of Regulation (EU) No. 537/2014 should not be applied, respectively, its justification and provision of options for choice, with an expression of duly justified preference for one of them, is not required. Given the fact that the reporting year 2024 was the eighth year during which the statutory independent financial audit of the Company's financial statements was assigned to the recommended auditor, the recommendation complies with the requirements of Art. 65 of the LIFSAA regarding the maximum permissible duration of audit engagements.

The recommendation is presented to the attention of the Board of Directors of „Sopharma“ AD on the basis of Art. 16, par. 2, para. 1 of Regulation (EU) No. 537/2014 and should be included in the proposal to the General Meeting of Shareholders of the Company for the appointment of a registered auditor for the engagement for a statutory independent financial audit of the Company's financial statements for 2025, in accordance with the requirements of Art. 16, par. 5, para. 1 of Regulation (EU) No. 537/2014.

The report was adopted at a meeting of the Audit Committee held on May 12, 2025.

CHAIRMAN:

/signature/
Vasil Naidenov

AND MEMBERS:

/signature/
Cvetanka Zlateva

/signature/
Kristina Atanasova-Elliot