

SUBSTANTIATED REPORT

FROM THE BOARD OF DIRECTORS OF "SOPHARMA" AD

REGARDING: Conditions and expediency of transactions under Art. 114, para. 2, of the Law on the Public Offering of Securities (LPOS), proposed to the Regular General Meeting of Shareholders, scheduled for June 27, 2025, for approval and authorization of the persons who manage and represent the public company for their conclusion

This report was prepared and adopted by the Board of Directors of "SOPHARMA" AD, Sofia, at a meeting held on May 14, 2025. in compliance with the provisions of art. 114a, para. 2 of the LPOS, Art. 46 of Ordinance No. 2 of September 17, 2003 of the Financial Supervision Commission on prospectuses for public offering and admission to trading on a regulated market of securities and for the disclosure of information by public companies and other issuers of securities and the Articles of Association of the Company.

According to Art. 114a, para. 2 of the LPOS, the current report of the Board of Directors of the Company is part of the materials on the items on the agenda of the General Meeting of Shareholders, scheduled for June 27, 2025.

The purpose of this report is to acquaint the shareholders of "SOPHARMA" AD with the essential conditions and expediency of transactions within the scope of Art. 114, para. 1 and para. 2 of the LPOS, proposed for approval by the Regular General Meeting of Shareholders, scheduled for June 27, 2025, with a view to making an informed decision by the shareholders on the relevant items on the agenda, namely - empowering the persons who manage and represent "SOPHARMA" AD to conclude these transactions.

The substantiated report contains two sections with information on the parties, the subject, the conditions, the value and the terms of the proposed transactions, as well as an analysis of the circumstances determining the need for authorization in accordance with the provisions of Art. 114 and the following of the LPOS.

The subject of this report are the following transactions:

Section One: Conclusion of a Lease Agreement between "SOPHARMA" AD as the lessor and "Sopharma Trading" AD as the lessee - a transaction falling within the scope of art. 114, paragraph 1, item 1 of the LPOS

Section Two: Conclusion of a Contract for production between "SOPHARMA" AD as contractor and "SOPHARMA TRADING" AD as assignor - a transaction falling within the scope of art. 114, para. 1 of the LPOS

I. REAL ESTATE LEASE AGREEMENT BETWEEN "SOPHARMA" AD AS LESSOR AND "SOPHARMA TRADING" AD AS LESSEE

1. SUBJECT OF THE TRANSACTION

It is proposed that the General Meeting of Shareholders of "SOPHARMA" AD authorize the Board of Directors to enter into a transaction under which "SOPHARMA" AD, as a lessor, will provide to "Sopharma Trading" AD, as a lessee, for temporary use against remuneration its own real estate, machines, facilities and equipment, representing:

1. Site **Warehouse for finished medicines /Terminal 1/** with general unfolded built-up area of **7,439.40 sq. m.** /seven thousand four hundred and thirty-nine and forty hundred square meters/, which warehouse according to the cadastral map and cadastral registers of the city of Sofia, Stolichna Municipality, Sofia District, approved by Order RD-18-48/12.10.2011. of the Executive Director of AGKK, amended by Order KD-14-22-85/09.02.2012, consists of and is photographed as the following buildings: building with identifier 68134.1380.2109.10, building with identifier 68134.1380.2109.11, building with identifier 68134.1380.2109.12, building with identifier 68134.1380.2109.3, building with identifier 68134.1380.2109.13 and building with identifier 68134.1380.2109.4, located at the administrative address in the city of Sofia, "Nadezhda" district, Blvd. "Rozhen" No. 16, falling entirely into Land area with identifier 68134.1380.2109 according to the cadastral map and cadastral registers, approved by Order RD-18-48/12.10.2011. of the Executive Director of AGKK, amended by Order KD-14-22-85/09.02.2012. of the Head of SGKK-Sofia, in one with the specific equipment located in the site, related to its purpose, for a period of 3 (three) years

2. Site **Warehouse base for GLF №2 /Terminal 2, 3 and 4/**, owned by "Sopharma" AD, constituting a separate part of a building development, including functionally and physically connected buildings with identifiers 68134.1380.2109.5, 68134.1380.2109.7 and 68134.1380.2109.14 with total area 6970.70 sq.m. /six thousand nine hundred and seventy whole and seventy hundred square meters/, located at an administrative address in the city of Sofia, "Nadezhda" district, Blvd. "Rozhen" No. 16, falling into the UPI I-735, quarter 10, area "Voenna rampa" - West, and according to the cadastral map and cadastral registers - falling entirely into Land area with identifier 68134.1380.2109 according to the cadastral map and cadastral registers, approved by Order RD-18-48/12.10.2011. of the Executive Director of AGKK, amended by Order KD-14-22-85/09.02.2012. of the Head of SGKK-Sofia, with the previous identifier of the land area 68134.1380.1405, number according to the previous plan 1405-part, quarter 10, plot I-part, together with the existing facilities, mobile equipment, furniture and logistics system "KNAPP".

2. PARTIES TO THE TRANSACTION

LESSEE: "SOPHARMA TRADING" AD, with headquarters and management address - city Sofia, "Izgrev" district, 5, "Lachezar Stanchev" str., Sopharma Business Towers, Building "A", fl. 12, UIC 103267194, represented by Ventsislav Marinov, in his capacity as Executive Director of the company.

LESSOR: "SOPHARMA" AD, with headquarters and management address - city Sofia 1220, Nadezhda district, 16, "Iliensko shose" str., UIC 831902088, represented by Ognian Donev, in his capacity as Executive Director of the company.

3. PARTICIPATION OF INTERESTED PERSONS IN THE TRANSACTION WITHIN THE SCOPE OF ART. 114, para. 7 of the LPOS

Pursuant to the provision of Art. 114, para. 7 of the LPOS, interested persons are the members of the management and control bodies of the public company, the persons - representatives of legal entities, members of such bodies, its procurator, persons who directly and/or indirectly own at least 25 percent of the votes in the General Meeting of the company or control it, and in the case of transactions of a subsidiary - the members of its management and control bodies, the persons - representatives of legal entities, members of such bodies, its procurator, persons who directly and/or indirectly own at least 25 percent of the votes in the General Meeting of the company, other than the public company, as well as the persons related to them, when they:

1. are a party, its representative or intermediary in the transaction or for their benefit the transactions or actions are carried out, or

2. directly and/or indirectly own at least 25 percent of the votes in the General Meeting or control a legal entity that is the counterparty, its representative or intermediary in the transaction or in whose favor the transactions or actions are carried out; or

3. are members of management or control bodies, representatives of legal entities, members of such bodies or procurators of a legal entity under item 1 and 2.

The transaction proposed for approval can be defined as a transaction with the participation of an interested person within the scope of Art. 114, para. 7 of the LPOS, due to the following:

Ognian Donev - representing the public company "Sopharma" AD as the Principal of the transaction, is also a member of the Board of Directors of "Sopharma Trading" AD - Executor of the transaction.

On the basis of Art. 114a, para. 5 of the LPOS, the interested party indicated here cannot exercise his right to vote in the General Meeting of the Company, scheduled for June 27, 2025, when making a decision to authorize the representative of the Company to conclude the proposed transaction.

4. CONDITIONS AND DEADLINE FOR COMPLETING THE DEAL

The main terms of the proposed transaction are as follows:

Validity period: 3 (three) years

Object of the transaction: real estate intended for use as a warehouse for finished medicinal products. The sites are equipped with the relevant machinery and equipment (warehouse equipment, air conditioning systems, etc.), necessary and required for their functioning as a warehouse for finished medicinal products. The lessee will be obliged to use the property and the equipment in it according to the specified purpose and not to change it during the term of the contract.

For the purposes of matching the rental price with the market conditions and the investments made in the property for the duration of the contract, the General Assembly authorizes the Board of Directors to change the rent within 10% of the rental price initially determined by this decision for one calendar year, and for this purpose the Board of Directors assigns the preparation of a Market Evaluation twice a year on June 30 and December 31 for the contract period. In the event of a deviation of more than 3% from the rental price initially determined by this decision, but not more than 10% per year, the Board of Directors has the right to conclude an annex to change the rental price accordingly.

Value of the transaction: monthly rent in the amount of a total of 202 470 (two hundred and two thousand four hundred and seventy BGN) without VAT or no more than 14 833 195.16 (fourteen million eight hundred and thirty-three thousand one hundred ninety-five BGN and 16 stotinki) without VAT for the term of the contract with a maximum annual change.

The General Meeting of Shareholders of "SOPHARMA" AD should authorize the Board of Directors of the company to conclude the contract, as well as to perform all legal and factual actions necessary for the implementation of the transaction in compliance with the decision of the General Meeting of Shareholders and in accordance with the applicable provisions of the current legislation.

5. PERSONS IN WHOSE BENEFIT THE DEAL IS CONCLUDED

The deal benefits both parties.

6. ASSESSMENT OF THE CONDITIONS UNDER ART. 114, para. 1, item 2 OF THE PROCEDURE OF THE ACT

According to the conditions under Art. 114, para. 1, item 2 of the LPOS in the transaction there is an interested party's participation and the value of the assets subject to the proposed transaction exceeds the threshold under Art. 114, para. 1, item 1, letter (b).

All assets are detailed in the Market Appraisal prepared by a team of contractors consisting of: independent appraiser Eng. Rumen Dimitrov Mihailov (Reg. No. 100100423 of KNOB with legal capacity to carry out real estate appraisals and Reg. No. 09939 of KIIP with full legal capacity in parts of SK and OIS) and independent appraiser Eng. Miroslava Nikolova Kuncheva (Reg. No. 300100309 of KNOB with legal capacity to carry out evaluations of machines and equipment) through "Consultprice" OOD, UIC 200981861 with effective date of evaluation 30/04/2025.

Total value of assets according to audited balance sheet as of 31.12.2024, disclosed publicly (in BGN)	Total value of the assets determined according to the assessment of independent appraisers under Art. 5 of the Law on Independent Appraisers (in BGN)	Prague, Art. 114, para. 1, v. 1, letter (b) (in BGN)
42 726 508.69	42 636 847.55	18 845 000

7. FITNESS OF THE PROPOSED DEAL

"SOPHARMA" AD is mainly engaged in the production of medicinal products and medical devices. The company has built and equipped the real estate described in this section with the stated purpose and considers it expedient to rent it to a person engaged in activities as a wholesaler of medicines, medical devices and nutritional supplements. In this way, income is realized from the rental of this investment property according to its purpose.

"SOPHARMA TRADING" AD is a company mainly engaged in wholesale and retail trade in medicinal products, food supplements and sanitary and hygienic materials. By renting the real estate described in this section with a purpose corresponding to the company's activity, it has the opportunity to store in a suitable environment the necessary stocks of the products it

trades with, to expand its portfolio and to create opportunities for generating revenue and increasing its financial result in order to achieve higher profitability for its shareholders.

The above determines the bilateral economic benefit and the expediency of the proposed transaction.

II. PRODUCTION AGREEMENT BETWEEN "SOPHARMA" AD AS CONTRACTOR AND "SOPHARMA TRADING" AD AS CONTRACTEE WITH SUBJECT: PRODUCTION AND DELIVERY OF FOOD SUPPLEMENTS AND MEDICAL PRODUCTS CARRYING THE TRADEMARK, OWNED BY "SOPHARMA TRADING" AD

1. SUBJECT OF THE TRANSACTION

It is proposed that the General Meeting of Shareholders of "SOPHARMA" AD authorize the Board of Directors to conclude a manufacturing contract between "SOPHARMA" AD as the contractor and "SOPHARMA TRADING" AD as the assignor with the subject: production and delivery of nutritional supplements and medical devices bearing a trademark owned by "SOPHARMA TRADING" AD, for a period of 3 (three) years. By virtue of the contract, "SOPHARMA" AD will incur a liability in the amount of up to BGN 3 000 000 (three million) excluding VAT for the duration of the contract.

2. PARTIES TO THE TRANSACTION

CONTRACTEE: "SOPHARMA TRADING" AD, with registered office and management address - city Sofia, "Izgrev" district, str. "Lachezar Stanchev" No. 5, Sopharma Business Towers, Building "A", fl. 12, UIC 103267194, represented by Ventsislav Marinov, in his capacity as Executive Director of the company.

CONTRACTOR: "SOPHARMA" AD, with headquarters and management address - city Sofia 1220, Nadezhda district, str. "Iliensko shose" No. 16, UIC 831902088, represented by Ognian Donev, in his capacity as Executive Director of the company.

3. PARTICIPATION OF INTERESTED PERSONS IN THE TRANSACTION WITHIN THE MEANING OF ART. 114, para. 7 of the LPOS

Pursuant to the provision of Art. 114, para. 7 of the LPOS, interested persons are the members of the management and control bodies of the public company, the persons - representatives of legal entities, members of such bodies, its procurator, persons who directly and/or indirectly own at least 25 percent of the votes in the general meeting of the company or control it, and in the case of transactions of a subsidiary - the members of its management and control bodies, the persons - representatives of legal entities, members of such bodies, its procurator, persons who directly and/or indirectly own at least 25 percent of the votes in the general meeting of the company, other than the public company, as well as the persons related to them, when they:

1. are a party, its representative or intermediary in the transaction or for their benefit the transactions or actions are carried out, or
2. directly and/or indirectly own at least 25 percent of the votes in the general meeting or control a legal entity that is the counterparty, its representative or intermediary in the transaction or in whose favor the transactions or actions are carried out; or
3. are members of management or control bodies, representatives of legal entities, members of such bodies or procurators of a legal entity under item 1 and 2.

Ognian Donev - representing the public company "Sopharma" AD as a party to the transaction, is also a member of the Board of Directors of "Sopharma Trading" AD - counterparty to the transaction.

The interested parties do not have the right to vote in the General Meeting of Shareholders with the shares they own when making a decision on the item on the agenda for approval of this transaction.

4. CONDITIONS AND DEADLINE FOR COMPLETING THE DEAL

The main terms of the proposed transaction are as follows:

Validity period: 3 (three) years

Value: under the contract "SOPHARMA" AD will incur obligations to pay for the products produced in the amount of up to BGN 1 000 000 (one million) excluding VAT per year or BGN 3 000 000 (three million) excluding VAT for the duration of the contract.

Object of the transaction: nutritional supplements and medical devices that will be produced under a trademark owned by the Contracting Authority. It is planned to have an Annex with the specification of the products to the contract. The products will be manufactured according to the orders of the Contracting Authority. The orders will be for three-month periods and will contain at least the following: type, quantity, assortment, period of execution and unit price for the production of each of the ordered products.

Payments under the contract will be made after acceptance by the Employer of the work done under each individual order and against invoices issued by the Contractor for each payment due.

Manufactured nutritional supplements and medical devices should meet the quality requirements according to their registration or standardization documentation. The control over the quality of the products manufactured under the contract will be carried out by the Contractor and the Contracting Authority in accordance with the agreed distribution of responsibilities for quality.

The General Meeting of Shareholders of "SOPHARMA" AD should authorize the Board of Directors of the company to conclude the contract, as well as to perform all legal and factual actions necessary for its implementation in compliance with the decision of the General Meeting of Shareholders and in accordance with the applicable provisions of the current legislation.

5. PERSONS IN WHOSE BENEFIT THE DEAL IS CONCLUDED

The deal benefits both parties.

6. ASSESSMENT OF THE CONDITIONS UNDER ART. 114, para. 1, item 2 OF THE LPOS

According to the conditions under Art. 114, para. 1, item 2 of the LPOS, when the value of the receivable of "SOPHARMA" AD exceeds the value under 114, para. 1, item 1, b. (b) of the LPOS - 2 percent of the lower value of the assets according to the last two prepared balance sheets of "SOPHARMA" AD, at least one of which has been audited, and which have been publicly disclosed in accordance with Art. 100t of the LPOS, the transaction is subject to approval by the General Meeting of Shareholders of "SOPHARMA" AD.

Value of assets on the balance sheet as of	Value of assets according to audited balance sheet	Threshold under Art. 114, para. 1, item 2, second	Amount of the planned value
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30/03/2025, publicly disclosed (in BGN)	as of 31.12.2024, publicly disclosed (in BGN)	hypothesis LPOS in BGN	from under the contract in BGN without VAT
981 079 000	942 228 000	18 845 000	3 000 000

7. EXPEDIENCY OF THE PROPOSED DEAL

"SOPHARMA" AD is mainly engaged in the production of medicinal products and medical devices. With the accession to "Sopharma" AD of the production facilities in Sandanski, the company has the opportunity to expand and diversify the production of nutritional supplements. The realization of income and profit for the company from the implementation of these activities is directly and immediately related to the sales of the produced products on the local and foreign markets. By concluding the transaction proposed for approval, additional revenues will be generated and a profit will be realized for the company, respectively - a higher yield will be achieved for its shareholders.

"SOPHARMA TRADING" AD is mainly engaged in wholesale and retail trade in medicinal products, nutritional supplements and sanitary-hygienic materials. The company also owns its own trademark - SOPharmacy, under which the activity of providing retail services to end users through SOPharmacy pharmacies is developed. The pharmacy concept was developed with the help of international experts, offering a modern approach in serving the health needs of Bulgarian patients. Driven by the desire to expand its presence in the pharmaceutical retail sector, "SOPHARMA TRADING" AD is taking actions in the direction of imposing the SOPharmacy brand, including by launching a line of its own products.

The goods made by a reputable and proven manufacturer such as "SOPHARMA" AD, bearing the SOPharmacy trademark, will establish the presence of pharmacies in the market of nutritional supplements and medical devices and will create opportunities for generating income and increasing the financial results of SOPharmacy pharmacies, which in turn will reflect in the consolidated financial results and contribute to achieving higher profitability for the shareholders of "SOPHARMA" AD.

The above determines the bilateral economic benefit and the expediency of the proposed transaction.

CONCLUSION

The Board of Directors of "SOPHARMA" AD believes that the transactions proposed in this report are in the interest of the Company. It is proposed that the shareholders adopt a resolution to authorize the Board of Directors of "SOPHARMA" AD to conclude the proposed transactions under the above-mentioned conditions and in compliance with the requirements of the Company's Articles of Association and the Public Offering of Securities Act.

This report has been prepared by the Board of Directors of "SOPHARMA" AD and is part of the materials on the agenda of the General Meeting of Shareholders of the Company convened for 27.06.2025.